



**BALLAST ASSET MANAGEMENT, LP**

**Form ADV Part 2A  
Firm Brochure**

**Ballast Asset Management, LP**

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**This brochure provides information about the qualifications and business practices of Ballast Asset Management, LP. If you have any questions about the contents of this brochure, please contact us at (469) 420-5220. 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 Ballast Asset Management, LP also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*



## **Item 2: Material Changes**

There are no materials changes at this time.



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## **Item 4: Advisory Business**

Ballast Asset Management, LP (“BAM” or “Firm”) is a limited partnership organized in the State of Texas. Founded in 2017, BAM is an investment advisory services firm with a focus on small & mid-capitalization equity securities. Our clients include a registered exchange-traded fund (“ETF”) and separately managed accounts. The principal owner of BAM is Ragen Stienke. Our general partner is Inverdale Capital Management, LLC.

BAM serves as the investment adviser to an ETF traded on the NYSE under the ticker MGMT, named the Ballast Small / Mid Cap ETF (hereinafter “ETF Fund”). We also serve as the investment adviser to this strategy in separately managed accounts named Ballast SMid (hereinafter “SMA”). ETF Fund and SMAs, collectively, will be referred to as “Clients.”

In providing our advisory services, we seek to achieve superior risk-adjusted returns on capital by adhering to consistent investment processes and an unwavering commitment to the highest ethical standards.

For more information on the investment strategy of our clients, please see Item 8: Method of Analysis, Investment Strategy and Risk of Loss.

Our Firm tailors our advisory services in accordance with our SMA clients’ needs and investment strategy as disclosed in the separately managed account agreements, which allow for investing in a broad array of securities with the goal of achieving our SMA clients’ investment objectives. With regard to the ETF Fund, we tailor our investment strategy and decisions as disclosed in the ETF Fund’s Prospectus and Statement of Additional Information. Currently, BAM employs the same strategy for its ETF Fund and SMAs.

We do not participate in any wrap fee programs.

As of December 31, 2021, BAM managed \$66,876,193 in client assets on a discretionary basis.

## **Item 5: Fees and Compensation**

Our Firm receives compensation from our Clients in the form of management fees based on the percentage of assets we manage.

Our fees are generally not negotiable, but we have general discretion to waive all or a portion of the asset-based management fee for SMA clients.

Our Firm and our affiliates do not pay asset-based fees.

### **Exchange-Traded Fund:**

We charge our ETF client an asset-based management fee of 0.95% of their assets that we manage, with an expense cap of 1.10%. These expenses are stated in the Prospectus and Statement of Additional Information for the Fund. Additional fees may include portfolio transactions and other investment-related costs (including brokerage fees and commissions); taxes; acquired fund fees and expenses; fees and expenses associated with investments in other



collective investment vehicles; any administrative and/or shareholder servicing fees payable pursuant to a plan adopted by the Board of Trustees; expenses incurred in connection with any merger or reorganization; extraordinary expenses (such as litigation expenses, indemnification of Trust officers and Trustees and contractual indemnification of Fund service providers); and other expenses that the Trustees agree have not been incurred in the ordinary course of the Fund's business.

### **Separately Managed Accounts:**

We charge our separately managed account ("SMA") clients an asset-based management fee of up to 1% (per annum) of the assets under management in each client account.

We deduct the asset-based management fee described above from our SMA clients' accounts quarterly at the beginning of each quarter. The SMA clients also receive invoices for the amounts of our asset-based management fees reflecting the amounts deducted from their accounts. Our SMA clients do not currently pay any performance-based fees.

Our SMA clients pay for all of their own operating expenses. These include all expenses incurred with its account transactions, such as custodial fees, brokerage commissions, taxes, and any applicable registration fees.

In the event that one of our SMAs pays an asset-based fee in advance and then terminates our advisory services prior to the end of the quarter for which they have paid the fee, it is BAM's policy to refund any unearned fees on a pro rata basis based on the effective date of termination.

The Firm or any of its principals or employees do not receive compensation for the sale of securities or other investment products, including charges or fees from the sale of mutual funds.

For more information on brokerage transactions and costs, please see Item 9: Brokerage Practices.

SMA clients also invested in the ETF Fund are excluded from the assets used to calculate our asset based SMA management fee.

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

We do not charge performance-based fees (i.e. fees based on a portion of capital gains or capital appreciation of assets invested).

We manage accounts with different compensation structures and rates. While certain differences may reflect varying types and scope of services negotiated between us and the Client, differences in compensation could potentially incentivize us to favor accounts that are likely to generate greater revenue for the Firm. BAM addresses this conflict of interest through its disclosures, training the Firm's investment managers regarding their fiduciary duty to its clients, and by establishing and maintaining reasonably designed trade allocation procedures, as described in Item 12: Brokerage Practices, respectively.



## Item 7: Types of Clients

BAM provides discretionary investment management services to SMA Clients that may include institutions, individuals, high net-worth individuals, trust, pensions and profit-sharing plans. In order for an SMA client to open or maintain an account, we generally require the account have sufficient assets in order to diversify holdings. The Firm maintains sole discretion when establishing a specific account minimum with respect to any particular account, but generally, a \$1,000,000 minimum is required in order to open an SMA account. The minimum can be waived at the discretion of the Adviser.

Our ETF Fund is an “investment company” under the Investment Company Act of 1940, as amended. Accordingly, our ETF Fund is registered as an investment company with the Securities and Exchange Commission. Investors in our ETF Fund may purchase and sell shares freely on the NYSE exchange. Investors in the ETF Fund include, but are not limited to, individuals, trusts, investment advisers, pension and profit-sharing plans, charitable organizations and business entities.

## Item 8: Method of Analysis, Investment Strategies And Risk of Loss

### Methods of Analysis:

#### *Ballast SMid Cap Strategy*

The Firm’s SMA strategy, Ballast SMid Cap Strategy, relies upon fundamental analysis. Fundamental analysis concentrates on factors that determine a company’s value and expected future earnings, such as the general financial health of companies and/or the analysis of management or competitive advantages and financial statements. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

We believe in a long-term approach to investing. In implementing this approach, we may utilize both long-term purchases (securities held at least a year) and short-term purchases (securities held less than a year).

The Ballast SMid Cap strategy typically invests at least 80% of an account’s assets in equity securities of small- and mid-cap companies. We generally consider small- and mid-cap companies to be those companies with market capitalizations between \$100 million and \$15 billion. The equity securities utilized by the strategy are primarily common stocks but may also include shares of exchange-traded funds (“ETFs”), real estate investment trusts (“REITs”), royalty trusts, and master limited partnerships (“MLPs”). We generally invest in securities of domestic companies for our clients utilizing the Ballast SMid Cap strategy but may also invest in equity securities of foreign companies and American Depositary Receipts (“ADRs”). In the event that we invest in foreign securities or ADRs, the total investment in such securities would normally represent less than 15% of an account’s value.

In order to maintain a diversified portfolio, the strategy invests in approximately 40-65 securities for our clients, diversified across market sectors, with typical position sizes ranging from 1% to 3% at purchase. We utilize a value style of investing and select securities that we believe are



currently undervalued in the market and offer an attractive opportunity for price appreciation coupled with downside risk limitation. Key metrics for evaluating the risk/return profile of an investment include strong free cash flow, and improving return on equity, a strengthening balance sheet, and, in the case of common equities, positive earnings surprises without a corresponding change in the stock price.

We utilize disciplines that serve as sell signals, such as a security reaching a predetermined price target, a change to a company's fundamentals that make the risk/return profile unattractive, or a need to improve the overall risk/return profile of an account. If that a security appreciates or depreciates outside the target capitalization range, we will determine, on a case-by-case basis, if the position should be sold or position size increased.

There can be no assurance that the investments recommended by BAM for the ETF Fund will be successful in meeting its objective or policies within the time periods contemplated or that the Fund's objectives or policies will be met at all. ETF Fund investors assume all risks associated with the underlying investments.

### **Risks of Investment and Strategies Utilized for Clients**

There are risks involved with any type of investment program. Currently, BAM employs the same strategy for its ETF Fund and SMAs. There are risks associated with investing in either product. A summary of these risks is set below. Only certain of these risks will apply to accounts or investments depending on whether a client has invested in the ETF Fund or maintains a SMA with the Firm. Additionally, the list below is not a comprehensive list of the risks related to the investment strategies and products managed by BAM.

#### **General Risks:**

- **Investing involves risk of loss that clients should be prepared to bear. BAM does not guarantee future performance.**
- Securities incorporated into BAM's investment strategies may respond differently to market and other developments than other securities.
- The performance of BAM's investment strategies largely depends on the talents and efforts of its investment professionals. There can be no assurance that BAM's investment professionals or the strategies they employ will produce the desired results or continue to be associated with BAM. An error in the judgment exercised by one or more investment professionals, movement in the market that differs from the expectations of such investment professionals, or the failure to retain such investment professionals at the Firm could have an adverse effect on a client's investments.

#### **Investment and trading risk factors may include:**

*Market and Geopolitical Risk.* Market risk includes the possibility that investments will decline in value because of a downturn in the stock market, reducing the value of individual companies' stocks regardless of the success or failure of an individual company's operations. The prices of securities held by the SMA or ETF Fund may decline sharply in response to certain events taking place around the world, including those directly involving the companies whose securities are owned by the SMA clients or ETF Fund; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest



rate and commodity price fluctuations. The value of your investment is based on the market prices of the securities held. These prices change daily due to economic and other events that affect markets generally, as well as those that affect particular regions, countries, industries, companies or governments. The increasing interconnectivity between global economies and financial markets increases the likelihood that events or conditions in one region or financial market may adversely impact issuers in a different country, region or financial market. Securities may underperform due to inflation (or expectations for inflation), interest rates, global demand for particular products or resources, natural disasters, pandemics, epidemics, terrorism, regulatory events and governmental or quasi-governmental actions. The occurrence of global events similar to those in recent years, such as terrorist attacks around the world, natural disasters, social and political discord, or debt crises and downgrades, among others, may result in market volatility and may have long term effects on both the US and global financial markets. With all investments, there is a risk that you may lose money.

*Market Disruption.* Significant market disruptions, such as those caused by pandemics, natural or environmental disasters, war, acts of terrorism, or other events, can adversely affect local and global markets and normal market operations. The outbreak of respiratory disease caused by the coronavirus COVID-19 has had, and is expected to continue to have, a severely adverse impact on the economies of many nations, individual companies, and the market in general. The Firm does not know how long or the extent to which the securities markets and economies will continue to be affected by these events. The Firm also cannot predict the likelihood of occurrence or the effects of similar pandemics and epidemics in the future on the US and other economies, or the investments in a client's portfolio or the potential for success of client accounts or the ETF Fund. The Firm has a business continuity plan in place that is reasonably designed to ensure that maintain normal business operations, and that clients' assets are protected, and we periodically test this plan. However, the effects of market disruptions including the COVID-19 pandemic, may cause client accounts or the ETF Fund to fail to meet their investment objectives, and may exacerbate various other risks discussed in this document. Additionally, market disruptions may result in increased market volatility; regulatory trading halts; closure of domestic or foreign exchanges, markets, or governments; or market participants operating pursuant to business continuity plans for indeterminate periods of time. Such events can be highly disruptive to economies and markets and significantly impact individual companies, sectors, industries, markets, currencies, interest and inflation rates, credit ratings, investor sentiment, and other factors affecting the value of a client's investments and operation of the ETF Fund. These events could also result in the closure of businesses that are integral to the Firm's operations or otherwise disrupt the ability of employees and service providers to perform essential tasks on behalf of the Firm.

*Cybersecurity Risk.* As the use of technology becomes more prevalent in the course of business, investment advisers and other financial services firms become more susceptible to operational, financial, and information security risks resulting from cyberattacks and/or technological malfunctions. Cyber-attacks have occurred and will continue to occur. Cyber-attacks include, among other things, the attempted theft, loss, misuse, improper release, corruption or destruction of, or unauthorized access to, confidential or highly restricted client data relating; and attempted compromises or failures of systems, networks, devices and applications relating to the operations of the Firm and its service providers. Cybersecurity breaches may result from unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) or from outside attacks, such as denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Successful cyber-attacks and/or technological malfunctions





affecting the Firm or its service providers can result in: financial losses to clients and ETF Fund investors; the inability of the Firm to transact business with its clients; the inability to process transactions; the release of private client information; violations of privacy and other laws; regulatory fines, penalties, and reputational damage; and compliance and remediation costs, legal fees and other expenses. Similar types of cybersecurity risks are also present for issuers of securities in which client accounts may invest, which could result in material adverse consequences for such issuers and may cause the client's investment there in to lose value. While measures have been developed which are designed to reduce the risks associated with cybersecurity, there are inherent limitations in such measures and there is no guarantee those measures will be effective, particularly since the Firm does not directly control the cybersecurity measures of its service providers, financial intermediaries or companies in which it invests or with which it does business.

***Interest Rate Risk.*** Changes in interest rates can have a variety of effects on the businesses of banks, thrifts, and other financial institutions in which the clients invest. A financial institution's net interest income, which is the difference between interest income received on its interest-earning assets, including loans and investment securities, and the interest expense incurred in connection with such institution's interest-bearing liabilities, including deposits, can be significantly affected by changes in market interest rates. For most banking institutions, net interest income is the largest component of net income. Certain financial instruments, such as bonds and equities that have dividends or distributions, such as MLPs, are particularly sensitive to interest rate changes.

***Illiquidity.*** Some of a Client's investments may not be listed on any securities exchange, have a secondary trading market, or generally be able to be liquidated on short notice. A Client may be required to hold any given investment for an extended period of time.

***Fraud or Misrepresentation.*** We select investments for Clients based in part on information and data that the issuers of securities file with various government agencies or make directly available to BAM or that it obtains from other sources. BAM is not in a position to confirm the completeness, genuineness, or accuracy of such information and data, and in some cases, complete and accurate information may not be readily available.

BAM is not in a position to obtain all relevant information regarding a company or security. Further, BAM may misinterpret or incorrectly analyze the information that it has about a particular fund, company, or security. These and other factors may cause BAM to (a) invest in securities at times that will lead to losses in the Client's portfolio and may cause an Investor to lose a significant portion of its investment or (b) refrain from investing in particular securities at times that would have resulted in gains in the Client's portfolio if BAM would have caused the Client to invest.

***Concentration.*** BAM will attempt to spread a Client's capital among multiple investments; however, a Client may be invested in a limited number of investments at any given time. The aggregate returns realized by a Client could be adversely affected if the Client's investments are not diversified. A Client's overall performance could be made materially worse by the unfavorable performance of even one investment, and the risk of loss is greater than that which would exist in a more diversified portfolio.

***Foreign Company Risk.*** Investing in foreign companies, including direct investments and through ADRs, which are traded on US exchanges and represent an ownership interest in a foreign security, poses additional risks since political and economic events unique to a country or region



will affect those markets and their issuers. These risks will not necessarily affect the US economy or similar issuers located in the United States. In addition, investments in foreign companies are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the US dollar may affect (positively or negatively) the value of the investment. These currency movements may occur separately from events impacting the value of an individual security or in response to events that do not otherwise have an impact on the value of the security in the issuer's local market. The conversion of investment principal from US Dollars to the local market currency of the security will result in additional costs. Differences in tax and accounting standards and difficulties obtaining information about foreign companies can negatively affect investment decisions. Investments in foreign securities are also subject to the risk that the securities may be difficult to value and/or valued incorrectly. While ADRs provide an alternative to directly purchasing the underlying foreign securities in their respective local markets and currencies, investments in ADRs continue to be subject to many of the risks associated with investing directly in foreign securities.

*ETF Risk.* ETFs are pooled investment vehicles that hold a portfolio of securities designed to track the performance of a specific index. ETFs are registered investment companies whose shares are listed and traded on US stock exchanges or otherwise traded in the over-the-counter market. An investment in ETF's is subject to substantially the same risks as those associated with the direct ownership of the securities comprising the index on which the ETF is based, and the value of the investment will fluctuate in response to the performance of the underlying index. Investments in ETFs involve certain inherent risks generally associated with investments in a broadly-based portfolio of stocks including risks that the general level of stock prices may decline, thereby adversely affecting the value of each unit of the ETF. In addition, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or number of stocks held. ETFs typically incur fees that are separate from those charged by our firm. Accordingly, investments in ETFs will result in the layering of expenses and will bear a proportionate share of the ETFs' operating expenses, in addition to the fee charged by our firm.

*Long-term purchase risks.* Long term purchases can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

*Short-term purchase risks.* Short term purchase risks include liquidity, economic stability, and inflation, in addition to the long-term purchase risks listed above. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

*Equity Securities.* We buy, on our clients' behalf, equity securities, seeking to profit from both security selection and thematic sector or market timing decisions. The value of these investments will generally vary with their issuer's performance and movements in the equity markets. Because of this, our clients could suffer losses if they invest in equity instruments of issuers whose performance diverges from our expectations.

*New Adviser/Limited History of Operations Risk.* The Portfolio Manager has prior experience managing a mutual fund. However, the Adviser has not previously managed an ETF. As a result,



investors do not have a long-term track record of managing an ETF from which to judge the Firm and the Firm may not achieve the intended result in managing the ETF Fund.

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

BAM is obligated to disclose all disciplinary events that would be material for anyone evaluating the Firm, whether to initiate or continue an investment relationship. The Firm does not have any legal, financial, or other disciplinary items to report in response to this Item.

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

None of our managers or employees is registered or has applied to register as a broker-dealer. None of our managers or employees is registered or has applied to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of one of these types of entities.

BAM serves as an investment advisor for the Ballast Small/Mid Cap ETF, an exchange-traded fund which is a series of Unified Series Trust.

Inverdale Capital Management, LLC, a registered investment adviser, serves as the general partner of our Firm.

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

BAM maintains a Code of Ethics (the “Code”) pursuant to Rule 204A-1 of the Investment Advisers Act of 1940. The Code requires all BAM employees place the interest of clients first and foremost and comply with applicable laws and regulations. In brief, the Code addresses:

1. Improper personal trading by Access Persons and immediate family;
2. Improper use of material non-public information by the Firm or its employees;
3. Identifying conflicts of interest; and 4. Resolution of actual conflicts of interest.

Specific conflicts of interest addressed in the Code include outside business activities, gifts and entertainment, falsification or alteration of records, political contributions, and payments to government officials or employees.

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

Clients who convert their existing SMA account to the ETF Fund shall not be double charged fees; Clients will not be charged both SMA and ETF fees.

From time to time, representatives of our firm may buy or sell securities for themselves at or around the same time as our clients, but only after the written approval from our Chief Compliance



Officer and in accordance with the restrictions set forth below. This may provide an opportunity for representatives of our firm to buy or sell securities before or after recommending securities to our clients resulting in representatives profiting off the recommendations they provide to our clients. These transactions may create a conflict of interest. In order to mitigate these risks, when similar securities are being bought or sold, firm employees will either transact our clients' transactions before their own or will transact alongside our clients' transactions in block trades, if possible. All personal account transactions require the prior written approval of our Chief Compliance Officer.

The Code of Ethics includes policies regarding political and charitable contributions. Employees are prohibited from making political contributions for the purpose of soliciting business from state or local governments. All employees must report to Ballast on a quarterly basis all political contribution made at the state or local level.

Employees are required to report to the Chief Compliance Officer the receipt of, or intent to give, any gift, service, or entertainment in excess of an established de minimis value from or to any person or entity that does business with or on behalf of BAM so that he can evaluate the appropriateness of the gift.

## **Item 12: Brokerage Practices**

We have investment and brokerage discretion over our clients' accounts. In selecting broker-dealers and determining the reasonableness of their commissions for our clients' transactions, our firm seeks to obtain the best execution for our clients' portfolios and we take into account the following factors:

- The broker-dealer's ability to effect prompt and reliable executions at favorable prices (including the applicable profit or commission, if any).
- The operational efficiency with which transactions are effected, considering the size of the order and difficulty of execution.
- The ability to execute custom basket trades related to our ETF client.
- The financial strength, integrity, and stability of the broker-dealer.
- The broker-dealer's risk in positioning a block of securities.
- The quality, comprehensiveness, and frequency of available research services considered to be of value.
- The competitiveness of commission rates in comparison with other broker-dealers that satisfy our selection criteria.

### **Soft-Dollar Benefits:**

We have the authority to utilize research and other soft dollar benefits with certain clients, in accordance with client agreements. We are authorized to pay higher prices to buy securities from or accept lower prices for the sale of securities to, brokerage firms that provide us or our affiliates with a certain investment and research information.

Research services furnished by brokers include written information and analyses concerning specific securities, companies, or sectors; market, financial and economic studies, and forecasts;



statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants.

We can also receive other products or services from broker-dealers in addition to those relating to research and brokerage, such as supplies, salaries, employee benefits, telephone services, postage, transportation, travel services, and fees, meals and entertainment, placement fees, and other marketing costs, office equipment, newswire and data processing charges, legal and accounting fees, office rent and electricity and periodical and other subscription fees.

We have the option to use “soft dollars” generated by our clients to pay for the research, research related services, and other products and services described above. The term “soft dollars” refers to the receipt by an investment manager of products and services provided by brokers, without any cash payment by the investment manager, based on the volume of revenues generated from brokerage commissions for transactions executed for a client of the investment manager. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker), as well as items acquired by the broker from third parties (such as quotation equipment). Section 28(e) of the United States Securities Exchange Act of 1934, as amended, provides a “safe harbor” to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment manager in the performance of investment decision-making responsibilities. In the event that we elect to use soft dollars for some of our non-research costs and expenses discussed above, those uses of soft dollars are not within the “safe harbor.”

#### *The Use of Soft Dollars Can Create a Conflict of Interest*

Using client transactions to obtain research and other benefits creates incentives that result in conflicts of interest between advisers and their clients. If we use client markups or markdowns to obtain products and services, our firm receives a benefit because we do not have to pay for those products and services. The availability of these benefits can influence us to select one broker-dealer rather than another to perform services for our clients, based on our interest in receiving the products and services instead of on our clients’ interest in receiving the best execution prices. Obtaining these benefits can cause our clients to pay higher fees than those charged by other broker-dealers.

The use of soft dollars to obtain research services and to pay for other costs and expenses that our firm might otherwise incur creates a conflict of interest between our firm and our clients because our clients pay for products and services that are not exclusively for their benefit and that are primarily or exclusively for the benefit of our firm. To the extent that we are able to acquire these products and services without expending our own resources, our use of soft dollar benefits tends to increase our profitability.

#### *Selection of Broker-Dealers*

Our firm does not recommend, request, or require that our clients, nor do we permit our clients to, direct us to execute transactions through a specified broker-dealer.

Sometimes we decide that some of our clients should participate in the same investment opportunity. In this case, we aggregate the purchase or sale of the securities for all participating



client accounts via block trading, when available. We then allocate the securities purchased (or sold) among all of these clients so that each client receives either their pro-rata share, or, if not prorated, then the proportion in which participating accounts will share transactions will be determined, typically in advance, by the portfolio manager(s) on the basis of investment objectives, cash availability, expected cash and liquidity needs, and other relevant factors.

#### *Trade Allocation and Aggregation*

We seek to execute orders for all of our clients on an equitable basis, such that no client is intentionally favored over another client that is similarly situated. If we decide to invest at the same time for some of our clients but are unable to block into a single trade order across custodians, we will aim to submit the trades for execution simultaneously, or over the same time-period, using an alternating convention to determine which clients, or groups of clients, are submitted first. Ultimately, clients can benefit when we aggregate trades because they get volume discounts on execution costs. On the other hand, situations can occur where one client could be disadvantaged because of the investment activities we conduct for our other clients if all clients are not able to participate in the same block trade due to having different account custodians. In such instances BAM will utilize a rotational order execution and allocation system based on the custodian. The system is designed with the goal of allocating prices to clients in a manner that is fair and equitable over time and does not systematically disadvantage any client or group.

#### **Trade Errors:**

A trade error is a mistake in the handling of an order in the process of executing the transaction. Misjudgment in the selection of investments for client portfolios are not considered trade errors. While every effort is made to avoid trade errors, they inevitably occur and are identified and remedied as soon as possible. The client will not bear any cost as the result of a trade error. The circumstances will be reviewed by the portfolio manager and then the Chief Compliance Officer, and the Firm and/or the broker-dealer involved in the transaction, as applicable, will be responsible for actions and costs associated with its correction.

#### **Item 13: Review of Accounts**

BAM reviews Clients' investments and portfolios on an on-going basis; these reviews are conducted as a matter of practice rather than pursuant to any triggering event. Where applicable, these reviews include an assessment of profit and loss reports with respect to our clients' investment positions.

We will also review accounts if a client changes his or her investment objectives or if there are certain extraordinary events, such as natural disasters, extreme political and economic events (i.e. a market crash), and any other event we believe creates abnormal market conditions.

Each separately managed account client receives a monthly statement from the custodian detailing the client's account, including assets held, asset value, and transaction activity. This written report will come from the account custodian. We also provide a separate written statement to the client, quarterly, with commentary on the portfolio and investment strategy for SMA clients.





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

We may pay a fee to individuals who refer clients to our Firm. These persons are commonly called “Solicitors.” Any arrangements we may have with a Solicitor will be in compliance with applicable rules under the Adviser’s Act of 1940. Any Solicitor referral arrangement between us and a third-party will be in writing. The writing will set forth the following:

- (a) The scope of the Solicitor’s activities;
- (b) A covenant that the Solicitor will perform its activities consistent with our instructions and in compliance with the Act and associated rules; and
- (c) A covenant that the Solicitor will provide the client with:
  - a. A copy of the Firm’s ADV Part 2A; and
  - b. A separate written Solicitor disclosure consistent with the Advisers Act of 1940. The disclosure will state, among other things, the Solicitor’s name, nature of the relationship between BAM and the Solicitor, and a statement that BAM will pay Solicitor a referral fee.

BAM will not engage any Solicitors who are disqualified from acting as a Solicitor under Section 203 of the Advisers Act of 1940. For example, we will not pay a referral fee to any person who has been barred or prohibited from acting as an investment adviser or broker dealer or convicted within the past 10 years of certain felonies or misdemeanors. Additionally, from time to time, we may give a gift certificate of nominal value in appreciation for a client referral.

## **Item 15: Custody**

All Client accounts and assets are held in custody by unaffiliated broker/dealers or banks. However, with respect to certain assets, we do possess a level of authority and legal capacity and for this reason Ballast is considered to have custody of such assets. Such capacity comes from our ability to deduct management fees. We do not custody the assets of our separately managed account clients. Account custodians send statements directly to the account owners monthly and should review these statements carefully and compare the account statements from their custodians with any reports that we send to them.

## **Item 16: Investment Discretion**

Our firm accepts discretionary authority to manage our clients’ securities accounts. Essentially, this means that we have the authority to determine, without obtaining specific client consent, which securities to buy or sell and the amount of securities to buy or sell, the broker through which we effect trades and the commission rates at which we effect trades. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in our ETF prospectus and/or separately managed account agreements. These documents cover matters such as the types and amounts of securities of which our clients’ portfolios will consist and the degree of risk assumed by our clients’ portfolios.



Prior to providing investment advice to a SMA client, we require each client to appoint us as agent and attorney-in-fact of its portfolio. This gives us complete discretionary authority to buy and sell any investment securities and instruments in the amounts and at the prices that we determine, subject to any other limitations that could be imposed in a separately managed account client's separately managed account agreement.

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

We have sole authority to vote our clients' securities, and we adhere to an internal proxy voting policy that governs our practices in exercising this voting authority. Our policy is to vote our clients' proxies in the interest of maximizing shareholder value.

Votes on all proxy matters are determined on a case-by-case basis. We have the ability to choose not to participate in a particular proxy, to take no action or not vote if we conclude that the effect on shareholders' economic interest or the value of our clients' holdings is indeterminable or insignificant, the potential benefit of voting is outweighed by the cost, or when it is not in our clients' best interest to vote.

If a proxy vote creates a material conflict between the interests of our firm and our clients, we will resolve the conflict before voting the proxies.

Clients may obtain a complete copy of the proxy voting policies and procedures by contacting the BAM in writing. Each client may also request, by contacting BAM in writing, information concerning the manner in which proxy votes have been cast with respect to portfolio securities held by the relevant client during the prior annual period.

### **Item 18: Financial Information**

We are required to provide certain financial information or disclosures about BAM's financial condition. BAM has no financial commitment that is expected to impair its ability to meet contractual and fiduciary commitments to clients, and the Firm has not been the subject of a bankruptcy proceeding. We do not require nor do we solicit prepayment of more than \$500 in fees per client, six months or more in advance.