

**PART 2A OF FORM ADV**

**FIRM BROCHURE**

**Affiliated Private Investors, LLC**

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This brochure provides information about the qualifications and business practices of Affiliated Private Investors, LLC. If you have any questions about the contents of this brochure, please contact us at 561-318-8710 or [agill@apillc.net](mailto:agill@apillc.net). 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 Affiliated Private Investors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Material Changes:** Affiliated Private Investors, LLC (“API”) submitted its latest update to Part 2 of Form ADV on March 31, 2022. Since then, our business activities have had no material changes.

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# 1. ADVISORY BUSINESS

- A. **Background:** API is an independent financial advisor organized as a private multi-family office. We work closely with affluent individuals and families to help our clients realize their financial needs and objectives. Our financial counsel provides custom asset allocation, manager selection, private and direct investing, customized portfolios, estate planning, and research.
- B. **Inception:** API was founded in 1995 by our managing partner, Brian McNally.
- C. **Approach:** We take time to understand each client's personal circumstances and lifestyle choices so that we can provide them with comprehensive financial planning for the future. We will recommend a course of action that aims to optimize the total return of a client's financial assets through diverse allocation whilst being cognizant of estate and tax planning. We do not run a "one size fits all" model, as explained below.
- D. **Custom mandates:** API does not limit our investment advice, nor decline to give investment advice, based upon our formal Investment Management Agreement. Provided it lies within our circle of competence, we will advise clients on a range of investment opportunities in equities, fixed income, hedge funds, private equity, commodities, venture capital, real estate, and other asset classes. Clients can also request that we review certain investment ideas that are of interest to them and restrict certain types of investments from being included in their portfolios. In all these instances we strive to give honest, fair opinions that are in alignment with our clients' interests.
- E. **Our services:** We provide a range of services to help our clients realise their financial needs and goals. These include:
- Fundamental analysis of investment opportunities
  - Asset allocation and diversification
  - Investment manager selection
  - Appraisal and recommendations on private investment opportunities
  - Comprehensive financial planning in lockstep with client budgetary frameworks and forecasting

- Assistance with estate planning and execution of intergenerational planning strategies
- Guidance on sensitive family issues
- Client requests for continuing investment education
- Comprehensive portfolio monitoring and performance reporting
- Personalized annual and quarterly reporting

F. **Wrap fee programs:** We do not participate in wrap fee programs.

G. **Assets under management:** API manages \$410 million on a discretionary basis.

## 2. CLIENTS

A. **Our clients:** API provides investment advice to high-net-worth individuals, their families, and associated charitable or for-profit entities. Counselling our clients requires a thorough understanding of their personal financial requirements, including but not limited to their net worth, tax consideration, estate planning objectives and lifestyle choices.

B. **Reporting:** We reviews clients' accounts with them on an annual basis during an annual Financial Review. The client may opt out of the annual Financial Review. API also provides clients with a report of their accounts on a quarterly basis. Client reviews may occur as often as the client or API sees fit, but are no less frequent than every year.

### 3. FEES AND COMPENSATION

- A. **No scaled fees:** API charges a flat fee to all its clients based upon a percentage of their assets under management. To date, we have not raised nor changed our fee structure since our firm's inception in 1995. We place great importance on being transparent about our fees.
- B. **Flat fee:** We charge all our clients a flat fee of 0.5% on their assets under management.
- C. **Fee transparency:** Where we employ external managers to invest on behalf of our clients, or to provide agreed upon third-party services directly to our clients, we fully disclose all these fees and expenses, including any performance fees that the manager may charge.
- D. **Additional fees:** API does not charge any additional fees outside of its 0.5% management fee unless it is agreed upon with the client, this includes our in-house equity fund which charges no additional management fees to those clients invested in that product or the firm's other sub-advised funds. However, clients can expect to pay additional third-party manager, custodial, accounting, and regulatory fees, as well as brokerage commissions, and other costs associated with the purchase and sale of securities. The client is solely responsible for covering these additional expenses.
- E. **Fee schedule:** Client fees are paid at the beginning of each quarter. We directly bill our clients for these fees and automatically deduct fees from their accounts.
- F. **Security sales:** We are not compensated for the sale of securities or other investment products.

## 4. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

- A. **Performance fees:** API does not charge any performance related fees to its clients.
- B. **External manager performance fees:** API can retain sub-advisors or participate in private investments that do charge performance fees. In such instances these fees are disclosed in full to our clients and agreed to in advance as part of our pro-forma portfolio communication and advising.

## 5. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

- A. **Research scope:** So that we might best advise our clients, API conducts manager level and fundamental research to manage risk and identify the best investment opportunities.
- B. For **third-party advised funds**, we divide our analysis into three categories - Process, Performance, and Operations:
  - a. **Performance analysis:** We study a fund's track record to find the best performing, risk-adjusted managers and assess the types of exposure a fund might introduce into a client's portfolio. Importantly, our analysis seeks to assess the after-tax performance implications for our taxable clients. We explore the manager's ability to repeat their past performance should there be changes in their assets under management, a shift in the competitive environment, or changes in macroeconomic or regulatory regimes.

- b. **Process analysis:** We review the fund's research process and philosophy, as well as its approach to risk management.
  - c. **Operational analysis:** We analyze the fund's fees and liquidity. We also review any business risks that might impact the fund, including the firm and fund's use of third-party service providers.
- C. For **individually held investments**, we apply a fundamental research process to each position to ensure that we understand the main drivers behind a business, how it is capitalized, and who is running it. To do this, we ask the following questions:
  - a. **Long-term value creation:** Can the company consistently generate return-on-capital in excess of their cost-of-capital, so that they create value for our clients over the long-term? We seek management teams that effectively deploy investment capital with sustainable returns on investment. Likewise, we seek teams that can demonstrate the discipline to not deploy further capital that cannot sustain a suitable long-term return on that capital.
  - b. **Free cash flow generation:** Can the company generate strong free cash flow by turning their profits into cash and making high returns on their capital employed? Are earnings substantially converted into free cash flow on an annual basis? We prioritise our focus on free cash flow rather than earnings because it is a key indicator of a company's ability to generate future returns, and also serves as a risk management tool. If valuation multiples compress, or if the company falls out of favor with the investing public, a company with cash to buy back outstanding shares at a discount can increase our proportional ownership. This metric also underlies a company's ability to pay down debt, reinvest in people or capital, and execute on mergers or acquisitions that are accretive.
  - c. **Sustainable competitive advantages:** Does the company have competitive advantages that can help deter new entrants into their market? We look for companies with sustainable competitive advantages that can help maintain their market share and profitable product pricing. We favor proprietary technology with suitable IP protection, cost efficiencies, or a strong brand value.

- d. **Healthy customer and supplier bases:** Does the company have an installed customer base or repeat revenue from unique customer relations? We consider how customers view the company's products in light of substitutable or competing products, and keep in mind whether switching costs are high or low. We prefer companies which have well capitalized customer bases, able to continue purchases well into the future.
  - e. **Aligned and effective management:** Are management's equity interests aligned with shareholders and do they have a strong track record? We favor management teams who have a mutual interest in a company's long-term value creation.
  - f. **Cyclical risks and opportunities:** Can the business grow and maintain margins through all parts of the business cycle? Is the company more or less exposed to the peaks or troughs of global or regional economic activity? Depending on the point in cycle, where possible, we prefer to purchase companies at a discount to their long-term value or sell their shares at a premium when trade prices far exceed our net asset values.
  - g. **Valuation discipline:** Can we purchase the company at a reasonable discount to its long-term business value? We believe that a disciplined approach to valuation is the cornerstone of an effective equity portfolio, but also accept that we may need to pay higher multiples or present values for high growth, profitable companies compared to less attractive ones.
- D. **Portfolio construction:** API constructs and carefully monitors the custom portfolios of each of its clients. First, we perform prospective financial planning to ascertain the ability and willingness of our clients to accept risk in their investment portfolios given their family's time horizons and future needs. Second, we examine the nuances of tax, estate, and legacy holdings. Third, we undertake a suitable asset class allocation, which balances the client's needs and aspirations with our experience-based methods of allocation. We assess liquidity needs, expected future growth, risks, asset class expectations, and volatility to determine initial allocations.
- E. **Portfolio monitoring:** Unlike many firms, we do not adhere to an annual mandatory rebalancing because the effects of mandated trading are often not accretive to the after-tax returns of our clients' wealth. We also eschew quantitative allocation regimes in favor of time-tested methods that take practical



considerations into account. We set and maintain breakpoints for initial allocations of direct investments that are based upon qualitative and fundamental quantitative factors. Should a position become too large in a portfolio we will consider reducing that position on a risk management basis, keeping in mind the after-tax consequences of making portfolio adjustments.

F. However, even a well-diversified portfolio is subject to a degree of inherent **investment risk**. These risks can vary between the different securities and investment strategies that we may recommend to our clients. These risks can include but are not limited to:

- a. **Macroeconomic risk:** All investments are ultimately subject to inflation risk, systematic risk, political and geopolitical risk, and currency risk among others.
- b. **Portfolio risk:** Should an unforeseen market event occur, or if a security should suffer disproportionate losses, each client's portfolio can be subject to concentration and liquidity risk.
- c. **Equity risk:** Equities can decline in value and be volatile. Emerging market equities and small-cap companies tend to be riskier investments because, among other factors, they are less liquid.
- d. **Fixed Income risk:** Bonds can lose their value when interest rates rise and/or if there is the perceived risk that a creditor will default.
- e. **Stock Option risk:** Stock options give the client a right to buy or sell shares at a future date in exchange for a smaller premium, offering the client greater exposure to a trade compared to their original buying power. Overall, this is a type of leverage that can lead to greater losses.
- f. **Hedge fund risk:** Hedge funds often have the capability to short stocks (betting that the price of an equity will decline in value) and can also use leverage, which can all lead to larger losses and greater volatility. Hedge fund strategies can differ in their approach and use of derivatives.
- g. **Private Equity risk:** Private equity funds invest over a long-time horizon of at least five to ten years and are very illiquid. Should a client have an unexpected need for capital they may have trouble recovering their funds in time. Private equity funds also tend to deliver negative returns in early

years and stronger returns in later years, as the underlying portfolio companies grow in value. We distinguish between growth versus buyout strategies, as well as geography industry discipline, and deal size.

- h. **Venture Capital risk:** Investment in early-stage companies carries high risk. With no proven track record to analyze, financial projections are uncertain. Smaller companies can face steep competition from firms with greater financial firepower and, like private equity, often need additional capital. Emphasis is placed on entrepreneurial talent, and as such is subject to key person risk.
- i. **Real estate risk:** Real estate investing is illiquid and subject to changes in economic conditions, including changes in supply and demand, the financial health of tenants or buyers, debt-financing, and changes in commodity prices. Operating problems, tax issues, valuation fluctuation, and regulation can also impact returns. Development real estate can amplify these risks and expose the investment to entitlement and project financing risks.
- j. **Commodities risk:** API tends not to make direct investments into commodities given the highly volatile specialized nature of the asset class. However, upon occasion, we may place a commodity investment at a client's request for cash or physical settlement. By investing in commodities, or commodity-driven investments, a client can be exposed to the risk of significant price declines.
- k. **Currency forward contracts:** Foreign currency forward contracts are over-the-counter derivatives that are not backed by a capitalized clearing house. API only uses our custody bank, Northern Trust, as a counterparty for such derivatives because the required collateral is maintained by assets in our accounts. In rare circumstances where we may enter into FX forward contracts, a client may be subject to certain risks including roll costs, counterparty risk, lack of interest rate parity, and/or margin risks. Please note that while API tends not to engage in substantive FX hedging, in certain sub-advised funds, managers are responsible for foreign currency hedging against foreign stock or bond positions and may therefore run FX risk.

## 6. DISCIPLINARY INFORMATION

- A. There have been no legal or disciplinary events in API's history.

## 7. CODE OF ETHICS AND CLIENT TRANSACTIONS

- A. **Code of Ethics:** API maintains a written Code of Ethics and compliance procedures to which all employees and partners of the firm must adhere. We are committed to ensuring that there are proper procedures in place to avoid unethical behaviour or poor decision-making that might negatively impact our clients. Our Code of Ethics focuses on:
- a. Preventing improper personal trading
  - b. Preventing improper use of material, non-public information
  - c. Identifying conflicts of interest
  - d. Providing a means to resolve any actual or potential conflict in favor of our clients
  - e. Confidentiality and privacy of client information
  - f. Outside interests and activities
  - g. Gifts and entertainment
  - h. Reporting violations (whistle blowing)
- B. **CCO:** API has appointed Adrienne Gill as the firm's Chief Compliance Officer. Clients are invited to review API's Code of Ethics and compliance procedures at any time.
- C. **Maintenance:** The firm's Chief Compliance Officer monitors regulatory updates on an ongoing basis to ensure that material changes in legislation are incorporated into the manual and implemented into our systems and processes as and when required. All staff are asked to review the Code of Ethics annually or upon joining the firm and sign to adhere that they have read and understood the contents.

- D. **Conflict of Interest:** We maintain affiliate vehicles that may present a conflict of interest to current or prospective clients. Firm partner, Clement McNally, has an economic business interest and is the manager of Corbin Turrell Real Estate, LLC (Corbin Turrell Real Estate, LLC manages Corbin Turrell Real Estate Partnership, LLC) and Tamarind Ventures, LLC. Tamarind manages four of API's pooled alternative investment vehicles. API may recommend that our clients invest in these pooled funds, or alternative pooled funds, which charge additional management fees and as such we recognise that we face an actual and potential conflict of interest. Likewise firm partner, Kristian Horvei, has an economic business interest in Tamarind Ventures, LLC. We seek to mitigate this conflict of interest through our Allocation Policy outlined in Section 9 below "Brokerage practices: Allocation Policy."
- E. **Conflicting client positions:** At times we may be advising clients on two opportunities that present a conflict of interest. We endeavour to avoid these situations, but should they occur, we may revert to a third-party in order to resolve the conflict. Since our firm was founded in 1995, API has not encountered such a conflict.
- F. **Employee participation:** Employees are allowed to invest in our private fund offerings provided they meet the qualified investor criteria. Partners and employees can also be granted waivers to the minimum subscription terms of our pooled investment funds.

## 8. PERSONAL TRADING

- A. **Personal trading:** API does allow employees to maintain personal securities accounts provided any such personal investing by the employee or any household member is consistent with the firm's fiduciary duty to our clients. The Chief Compliance Officer collects copies of all statements or reports of transactions on a regular basis to monitor employee trades. An employee may not "front run" a client trade by trading in advance of the applicable transaction(s) to avoid both front running securities laws and to avoid the appearance of doing so.

## 9. BROKERAGE PRACTICES

- A. **Best execution:** API has an obligation to obtain “best execution” for all our clients. As such, API executes our clients’ securities transactions in such a manner that the clients’ total cost or proceeds in each transaction is the most favorable under the given circumstances.
- B. **Broker selection:** API considers the full range and quality of a broker's services in placing brokerage including, among other things, the execution capability, commission rate, financial responsibility, and responsiveness to the manager. The determining factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution for the client’s account.
- C. **Review of brokers:** API periodically and systematically evaluates the execution performance of the firm’s broker-dealers.
- D. **Custodian recommendations:** Generally, we recommend Northern Trust to act as a custodian for our clients’ assets which is preferred but not compulsory. We appreciate the quality of Northern Trust’s service, and having fewer custodians allows for streamlined service provision among our clients.
- E. **Research:** API uses research to advise its clients and to aid our investment process. We either conduct proprietary research or receive research from external sources. We pay outright for these services. Should costs be incurred at the fund level, fund research expenses of the API US Core Value Fund and API Emerging Markets Fund are fully disclosed annually in the audited financial statements. Costs incurred at the management company level do not affect our clients or accounts.
- F. **Soft dollars:** API does not use soft dollars to pay for investment research. Instead, all research is invoiced and paid for. No trading commissions are credited against these services.
- G. **Directed brokerage:** API has never entered into a client directed brokerage agreement in which the client directs us to use a specific broker in exchange for which the client receives a benefit. However, clients are welcome to request specific broker services should they wish, provided the request does not disadvantage API’s other clients.

- H. **Purchasing and selling securities:** API does not aggregate trades to reduce conflicts of interest when settling securities. Should a client mandate allow for direct security investing, we will purchase that security directly on behalf of a client. It should be noted that our third-party managers, who may employ higher-turnover strategies, have full agency to select their brokers when they trade. We encourage our clients to gain exposure to our high conviction managed securities through API's in-house equity fund which does not charge additional management fees.
- I. **Cross trade:** API has never structured a cross trade. If an opportunity presented itself, we would seek written approval from both parties before proceeding.
- J. **Referrals:** We have never participated in a client referral program in which the client receives compensation for referring another client, nor has the need presented itself.
- K. **Allocation Policy:** We only enter into arrangements that we believe will benefit our clients and that are consistent with our compliance policies. However, we recognize that we may from time to time face a potential conflict of interest and want to ensure that we best serve our clients' interests. Our Allocation Policy is designed to allow us to allocate investment opportunities in a manner that is aligned with our fiduciary duties. The Allocation Policy requires us to conduct an in-depth assessment of each client's financial situation to decide their risk tolerance for certain investments. Considerations include but are not limited to the client's liquidity, current exposure, model asset allocation, tax considerations, diversification requirements, investment time horizon, and ability/willingness to take risk.
- L. **Allocation conflicts:** Provided a client qualifies for a fund investment allocation he or she is offered the opportunity to invest. When there may be an oversubscription to our proposed investment, we simply provide each client their pro-rata portion of that investment offering. If there is oversubscription, API employees will not be offered allocation in the investment opportunity. Some investments may not be suitable to a particular client due to the circumstances of their financial planning or according to our assessment of their willingness or ability to take risks. Clement McNally, as manager of externally managed real estate and alternative funds, presents a conflict of interest but one that we are comfortable to manage as we believe in the value of alignment between our clients and our firm principals. Several of API's partners have invested their

personal wealth into these funds alongside clients (please note that these principals are the McNally family). We also help to limit this conflict of interest by comparing the funds' performance to similar offerings to ensure that the products are competitive and restrict initial allocations into alternative funds to no more than 10% for all our clients.

- M. **Custody:** API does not have custody of client funds. Clients receive statements from a qualified custodian. We urge our clients to compare API's statements with the statements of the qualified custodian.
- N. **Reporting:** API sends quarterly reports and account statements to our clients alongside their annual Financial Review.
- O. **Discretionary management:** API accepts discretionary authority to manage securities on behalf of clients. Clients are invited to place limitations on this authority such as maintaining certain stock positions. In order to assume this authority, the client and API must agree to and sign an Investment Management Agreement.
- P. **Voting:** If clients ask us to vote for their securities, we will do so on their behalf and in accordance with their wishes. If clients want to vote for their own shares, we send them their proxy statements.