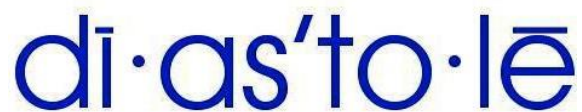


# Form ADV Part 2A

Last Updated: March 21, 2023



## Diastole Wealth Management, Inc.

SEC File Number: 801-57610

CRD Number: 111604

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*This brochure provides information about the qualifications and business practices of Diastole Wealth Management, Inc. (“DWM” or the “Firm”). If you have any questions about the contents of this brochure, please contact Elizabeth Cook at (203) 458-5220 and/or via [ecook@dwinvest.com](mailto:ecook@dwinvest.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.*

*DWM a registered investment adviser. Registration as an investment adviser does not imply that DWM or any of its principals or employees possess a particular level of skill or training in the investment advisory business. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser.*

*Additional information about DWM also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## Item 2. Material Changes since Last Update

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### **Material Changes since last annual filing update on March 30, 2022:**

**Item 15: Custody:** Both Eden Partners Absolute Growth Fund, LP and The Steamboat Fund, LP are in violation of Rule 206(4)-2, the Custody Rule, for failing to deliver audited financial statements to Clients within 180-days of each Private Fund's year-end December 31, 2021. Such audited financial statements remain outstanding, however DWM conducts periodic calls with the auditors, and is working to obtain information from the underlying investments.

DWM routinely makes changes throughout its brochure in an effort to improve and clarify the description of its business practices and compliance policies and procedures or in response to evolving industry and Firm practices.

We encourage all recipients to read this brochure carefully in its entirety.

### **Full Brochure Available**

Clients who would like to receive a complete copy of our Firm Brochure, please contact us by telephone at (203) 458-5220 or visit our website at <https://www.dwinvest.com> .

## Item 3. Table of Contents

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## Item 4. Advisory Business

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### Principal Owners

Diastole Wealth Management, Inc. (“**DWM**” or the “**Firm**”), a Connecticut Corporation, was founded in November 1996 and has been in business as an SEC registered investment adviser since May 2000. The Firm’s majority owners are Elizabeth D. Eden and Elizabeth E. Cook.

### Types of Advisory Services Offered

#### *Investment Advisory Consulting Services*

DWM provides portfolio management and investment advisory services primarily to individuals, high net worth individuals, trusts, pension plans, affiliated pooled investment vehicles and other legal entities herein referred to each as a (“**Client**”, and/or “**Client Account**”), and collectively the (“**Clients**”). A Client is defined as either an individual account managed on behalf of a Client or one of the affiliated pooled investment vehicles (each a “**Fund**” or “**Private Fund**” and collectively the “**Funds**” or “**Private Funds**”) listed below. DWM, on a discretionary and non-discretionary basis, manages Client assets based on the individual goals, objectives, time horizon, and risk tolerance of each Client. DWM gathers and documents such Client information in an Investment Policy Statement (“**IPS**”) for each Client, which outlines the Client’s current financial situation (i.e., risk tolerance levels) and then constructs a tailored investment plan to aid in the construction of a portfolio that aligns with each Client’s financial goals. DWM typically will manage Client assets in separately managed accounts (“**SMA**”). An SMA is a dedicated account owned by a Client and governed through an investment management agreement (“**IMA**”) between a Client and DWM. Investment advisory services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Ongoing portfolio monitoring
- Model Portfolios
- Review of investment objectives
- Investment selection

DWM evaluates the current investments of each Client with respect to their risk tolerance levels and time horizon

Clients can identify investment restrictions and other bespoke requests in the IMA which DWM will comply with.

DWM primarily allocates Clients’ investment advisory assets among mutual funds, exchange-traded funds (“**ETFs**”), independent separate account managers (“**Sub-Advisors**”) and for those Clients who are “accredited investors” as defined under Rule 501 of the Securities Act of 1933, as amended, private pooled investment vehicles and other alternative investments. DWM also invests Clients’ assets in individual equity and fixed incomes securities and options contracts. All recommendations are based on the Clients’ risk tolerance and investment objectives.

For non-discretionary Client Accounts, the same process will occur as outlined above, except that Clients must approve the initial implementation and all subsequent changes to the asset allocation and trades. Sub-Advisors who are allocated to a non-discretionary Client Account will take discretion of their trading based on the IMA the Client will sign directly with the Sub-Advisor. The Firm documents approval of non-discretionary trading via its CRM system.

Within our non-discretionary capacity, we may purchase or sell securities to meet the cash needs of the Client (including without limitation the payment of our management fee). These purchases and sales will be executed in a manner such that the resulting allocations will generally match the allocation and target range for asset classes in the account prior to the purchase or sale.

Our advisory services are tailored to the objectives and strategies of each Client.

### ***Model Development***

The Firm has developed proprietary model portfolios that invest primarily in mutual funds (the Firm may use some ETF securities as temporary holdings from time to time).

Growth and Income Model: Considered our “conservative” model, may be appropriate for Clients who want to seek moderate growth and income and who can withstand moderate fluctuations in market values.

Growth Model: Considered our “balanced” model, may be appropriate for Clients who have a preference for growth and can withstand significant fluctuations in market value.

Aggressive Growth Model: Considered our “aggressive” model, may be appropriate for Clients who seek aggressive growth and can tolerate wide fluctuations in market values, especially over the short-term.

Models are reviewed on a monthly basis and rebalanced generally annually.

### ***Covered Call Writing Investment Strategy***

DWM offers certain Clients the ability to invest in a covered call strategy in addition to investing in the Firm's mutual fund models. This strategy focuses on the generation of income in addition to dividend income that would be received by the underlying individual's equity positions. This strategy is executed by implementing a buy-write strategy that buys a stock then sells potential future upside by writing call options which seeks to generate additional returns. This buy-write strategy can be used in any market condition. The primary risk associated with this investment strategy is losing money if the stock price declines below the breakeven point. No margin is used in this strategy.

### ***Affiliated Private Funds***

DWM also provides investment advice to private pooled investment vehicles. DWM recommends to accredited investors (as defined under rule 501 (a) under Regulation D, as amended) to invest in private pooled investment vehicles. The affiliated Private Fund vehicles include:

- Eden Partners Absolute Growth Fund, LP (“**EPAG**”); and
- The Steamboat Fund, LP (“**Steamboat**”)

Eden Investment Partners, LLC (a Connecticut Limited Liability Company) is the General Partner to Eden Partners Absolute Growth Fund LP and the Steamboat Fund LP and is an affiliate of DWM.

Clients investing in the affiliated Funds will pay management fees, and expenses of such affiliated Funds pursuant to the Funds Private Placement Memorandum (“**Governing Documents**”) of each respective Fund. Clients investing in such affiliated Funds will be provided Governing Documents and be required to execute subscription documents separately from the IMA executed with DWM. The Funds are also Clients of the Firm.

Clients who have investments in the affiliated Funds are unable to tailor or restrict the investment allocation within the Fund. The Fund's Governing Documents will describe the investment strategy for each Fund.

### ***Financial Planning Services***

DWM provides financial planning services (which is part of the Firm's investment advisory services). This service includes the generation of a comprehensive financial plan, consultations on wealth transfers, estate planning, retirement planning, education funding, and charitable gifting. DWM will meet with Clients to understand their current financial situation, existing resources, investment goals, objectives, and risk tolerance.

Based on the information solely provided by the Client, the Firm will write a financial plan that addresses the Client's financial wants, needs, goals, and objectives. There is no obligation that a Client use DWM to implement any of the recommendations made in the financial plan.

### ***ERISA Accounts***

DWM is deemed to be a 3(21) fiduciary to advisory Clients that are employee benefit plans or individual retirement accounts ("**IRAs**") pursuant to the Employee Retirement Income and Securities Act ("**ERISA**"), and regulations under the Internal Revenue Code of 1986 (the "**Code**"), respectively. As such, DWM is subject to specific duties and obligations under ERISA and the Code that include, among other things, restrictions concerning certain forms of compensation.

In addition, DWM has adopted policies and procedures designed to comply with the ERISA fiduciary standards when advising retirement asset rollovers as set forth in the Department of Labor Fiduciary Rule. Clients will receive an investment and fee comparison analysis for approval prior to the investment rollover of retirement assets.

### ***Use of Sub-Advisors***

DWM currently engages one or more independent separate account managers ("**Sub-Advisors**") to manage a portion of Client assets if deemed in the best interest of a Client, subject to that Client's IMA, investment objectives and risk tolerance. DWM Clients who have Sub-Advisory Accounts will generally execute an investment management agreement directly with each Sub-Advisor.

If one or more of the Funds invest with a Sub-Advisor, the General Partner will sign a Sub-Advisory Agreement. While DWM does not impose a minimum account size, certain Sub-Advisors may, however, impose more restrictive account requirements.

It is the Sub-Advisor's responsibility to provide DWM Clients with their Form ADV Part 2A, Part 2B and Form CRS. Sub-Advisors will generally have limited power-of-attorney and have trading authority over those accounts as well as the ability to debit their management fees directly from the Clients account. DWM directs the Sub-Advisor to manage Client assets. Sub-Advisors will be authorized to buy, sell and trade on behalf of a Client's account and to give instructions, consistent to their authority, to the relevant broker-dealer and custodian. The fees charged by the Sub-Advisors will be disclosed to Clients and will be in addition to the management fees charged by DWM. In addition to management fees, the Client incurs transaction and custodial fees on assets by the Sub-Advisors. DWM will monitor and review Sub-Advisory Accounts on a periodic basis.

### ***Insurance Services***

As part of the Firm's financial planning services, DWM offers insurance recommendations. DWM predominantly outsources the sale of investment products to non-affiliated insurance providers. Where appropriate certain personnel of DWM who licensed insurance representatives through are one or more of DWM's non-affiliated insurance providers, execute the sale of investment products.

DWM will review and evaluate Clients' insurance policies and offer Clients the option to purchase such policies as life insurance and fixed annuities by way of a referral or directly by DWM licensed insurance representatives.

All insurance and annuity recommendations are based on a written evaluation which will typically be provided to Client for review and approval. Clients are under no obligation to execute any insurance recommendations made by DWM licensed insurance representatives. Commissions paid for insurance sales made by DWM licensed insurance representatives is paid directly to DWM.

### ***Discretionary and Non-Discretionary Services***

### Discretionary

As a discretionary investment adviser, DWM will have the authority to supervise and direct Client portfolios without prior consultation with the Client.

### Non-Discretionary

In a non-discretionary arrangement, the Client retains the responsibility for the final decision on all actions taken with respect to Client's portfolio. For non-discretionary accounts, the Client may also execute a limited power of attorney, which allows DWM to carry out trade recommendations and approved actions in the Client's portfolio. However, in accordance with DWM's non-discretionary investment advisory agreement with the Client, DWM does not implement trading recommendations or other actions in the account unless and until the Client has approved the recommendation or action. Sub-Advisors who are allocated to a non-discretionary Client Account will manage the accounts in accordance with the Client's IMA and will take discretion of their trading based on the IMA the Client will sign directly with the Sub-Advisor.

The use of non-discretionary accounts may result in a delay in executing recommended trades, which could adversely affect the performance of the portfolio. This delay also normally means the affected account(s) will not be able to participate in block trades, a practice designed to enhance the execution quality, timing and/or cost for all accounts included in the block.

Any trade restrictions will be documented in the Firm's IMA.

Clients are advised to promptly notify DWM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon DWM's investment advisory consulting services.

### **Termination of Account**

Clients who wish to terminate their account must notify DWM verbally within five (5) business days of its execution with written notice to follow within the next twenty-four (24) hours. If services are terminated within (5) business days of executing the Client agreement, services will be terminated without penalty.

After the initial five (5) business days, the Client may be responsible for payment of fees for the number of days services are provided by DWM prior to receipt of notice of termination. The notice of termination is based on the day the Firm is notified by the Client of termination. DWM shall refund any/all pre-paid unearned fees on a pro-rata basis.

Clients who have investments in the affiliated Funds are unable to tailor or restrict the investment allocation within the Fund. The Fund's Governing Documents will describe the investment strategy for each Fund.

### **Wrap Fee Program**

DWM does not participate in a wrap fee program at this time.

### **Assets under Management**

As of December 31, 2022, the amount of Client Assets under management is calculated as follows:

Discretionary:	\$ 222,201,044
Non-discretionary:	\$ 113,398,817
Total:	\$ 335,599,861

## Item 5. Fees and Compensation

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### Investment Advisory Fees

Initial fees are due on the date Client enters into an agreement with the Firm. This fee is based on the beginning absolute value of the account(s) being managed on the inception date of the agreement, pro-rated from the inception date to the end of the next full billing period. On-going fees will be debited directly from Client accounts in advance and calculated quarterly based upon the market value of the account as of the last business day of the previous calendar quarter. Clients may terminate their relationship with DWM without penalty at any time upon written notice and they will receive a pro rata refund of any fees paid in advance. Fees will be billed in accordance with the following fee schedule:

#### Fee Schedule

Assets in Account	Consultant Fee	Standard Program Fee
First \$1,000,000	1.00 %	.40 %
Next \$1,000,000	.80 %	.30 %
Next \$1,000,000	.60 %	.25 %
Next \$1,000,000	.40 %	.25%
Remainder	.20 %	.25%

The Consultant Fee is charged for investment advisory services provided by DWM. The Standard Program Fee is charged for administrative services of DWM to service the Client Accounts. All Clients whose assets are managed in SMA's are charged both the Consultant Fee and the Standard Program Fee. Affiliated Fund assets managed by DWM will also be included in a Client's total assets under management and will be charged a Consultant Fee, however, such affiliated Fund assets will not be charged a Standard Program Fee.

Unless instructed to the contrary, DWM will directly debit each Client's account for the Consultant and Standard Program Fees payable to DWM.

Fees and minimum account sizes may be negotiable in certain circumstances as occasion may warrant in the judgment of DWM. Certain Clients may pay more or less than others depending upon the amount of assets, the complexity of account, the type of account, the anticipated trading activity and the amount for special services required to service the account. DWM may also have Clients with older fee arrangements which have been grandfathered.

In addition to the fees outlined above, Clients also pay an investment management fee and performance fee to the Sub-Advisors recommended by DWM and approved by the Client. DWM may negotiate the fees charged to its Clients by Sub-Advisors to its Clients or the fees may be negotiated between the Sub-Advisor and the Client directly. Any fees charged by Sub-Advisors are separate from, and in addition to any fees charged by DWM. The Client may receive a discounted fee based on the size of DWM's entire position with the Sub-Advisor. Clients maintaining very large accounts may benefit by negotiating directly with Sub-Advisors and may do so at the Clients' discretion.

Clients will also be responsible for third-party fees and/or expenses may include custodial fees, brokerage commissions (see Item 12 – Brokerage Practices), transaction fees, odd lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Mutual funds and ETFs will charge their own investment management fees and will incur their own transaction costs which are in addition to any fees charged by DWM. Detailed information on these costs can be found in the mutual funds' or ETFs' prospectuses which will be provided to Clients prior to or at the time of investment.



DWM is not compensated by any of the mutual fund or ETF companies recommended for Client investment. Clients could avoid DWM investment consulting and administrative fees by purchasing funds directly from the mutual fund companies.

### **Financial Planning Services**

DWM does not charge separate financial planning fees for Clients where the Firm is also providing its Investment Advisory Services. In this instance, fees for financial planning will be covered by the investment advisory service fees listed above.

### **Private Funds**

Investors in EPAG and Steamboat will pay a management fee of 1% paid quarterly in advance. As described above, Fund investors will also be charged a Consultant Fee. The management fee will not be charged on EPAG's investment in Market76. In addition to Funds' management fees, investors will bear indirectly the fees and expenses charged to the Funds. Those fees and expenses will vary, but typically will include fees associated with third party investment advisors, legal and accounting fees, taxes, commissions and brokerage fees, registration expenses, fees to government regulatory agencies, the cost of directors' and officers' liability insurance and other expenses such as litigation costs. Investors should review all fees charged by each Fund outlined in the Governing Documents to fully understand the total amount of fees to be paid by the Funds and, indirectly, their investors.

### **Insurance Producer**

DWM is licensed as an insurance producer with the State of Connecticut. Some of DWM's personnel are licensed insurance agents with the State of Connecticut. From time to time, DWM personnel will recommend certain insurance products to Clients and receives commissions on direct sales of insurance products to Clients. DWM may have a conflict of interest in sales of insurance products as DWM may have an incentive to recommend insurance products based on the compensation it receives. Clients have the option to purchase insurance products from brokers and agents not affiliated with DWM.

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

DWM does not charge any performance-based fees.

DWM has adopted policies and procedures intended to address conflicts of interest that may arise relating to the management of multiple Clients, including Clients with different fee arrangements and the allocation of investment opportunities. DWM will review investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably.

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

DWM primarily provides discretionary and non-discretionary investment management services to high- net-worth individuals, individuals other than high net worth individuals, pooled investment vehicles (other than investment companies and business development companies), trusts, pension plans and other legal entities.

DWM also provides investment advice to Funds which are related private partnerships.

Interests in the Funds that are collective investment vehicles sponsored by the DWM are not registered under the Securities Act of 1933, as amended (the "**Securities Act**"), and such Funds are not registered under the Investment Company Act of 1940, as amended (the "**Investment Company Act**"). Interests in the Funds are only offered to certain "accredited investors" as define in Rule 501 of Regulation D under the Securities Act, as amended, and "qualified purchasers" as such term is defined in Section 2(a)(51) of the Investment Company Act, as amended.

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

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### Methods of Analysis

DWM designs asset allocation strategies rooted in a wide array of factors—from risk and return preferences and cash flow requirements to Clients' personal and family beliefs about wealth—ascertained during the financial and estate planning process. Our advisors draw on the broad expertise within our organization to allocate Client assets across asset classes as appropriate, from fixed income securities to hedged investment strategies, traditional equity investment, and private equity partnerships.

From time to time, DWM may recommend investments in private partnerships or other private investments. DWM may also recommend investments in the affiliated Funds, Eden Partners Absolute Growth Fund LP and/or the Steamboat Fund LP to its Clients.

DWM also provides investment advice regarding the allocation of assets to Sub-Advisors in accordance with the Client's investment objectives. Sub-Advisors considered for recommendation will be subjected to a rigorous due diligence process. Factors considered will include, but not be limited to reputation, performance record, philosophy, continuity of management, service to Clients, awareness of after-tax performance objectives, minimum dollar investment requirement and fees. Information with respect to Sub-Advisors (e.g., performance figures, investment style, etc.) will be obtained from tracking organizations, business publications, Sub-Advisors, personal interviews, and other sources which DWM believes are reliable. DWM may also consider other criteria, including, but not limited to, the administration, recordkeeping and reporting services provided by a Sub-Advisor. DWM may retain outside consultants to assist in preparing Sub-Advisor search lists. In the event that DWM retains an outside consultant, DWM will make the final determination regarding which money managers will be maintained on its search lists.

DWM conducts a great deal of research on Sub-Advisors prior to inclusion on its platform. DWM's selection of recommended Sub-Advisors is based upon three key factors: philosophy, personnel, and performance. DWM implements a proprietary analysis and selection process which may include personal visits to Sub-Advisors' offices as well as extensive qualitative and quantitative analysis.

### Summary of Material Risks

There can be no assurance that the investment objective of our Clients will be achieved, and that Clients will not incur losses. The risks described below are not meant to be a comprehensive collection of all risks with which Clients will be confronted. Each Client is also encouraged to consult with DWM to review the specific risk parameters of, and assets that comprise of, the Client's account at any given time and from time to time.

### Equity Securities

Common stocks and other equity securities generally increase or decrease in value based on the earnings of a company and on general industry and market conditions. The value of a company's share price could decline as a result of poor decisions made by management, lower demand for the company's services or products or if the company's revenues fall short of expectations. There are also risks associated with the stock market overall; in particular, the stock market may experience periods of turbulence and instability.

### Options

Options can be highly volatile investments and involve special risks. Successful investment strategies using options require the ability to predict future movements in securities prices, interest rates and other economic factors. DWM's, or an investment manager's efforts to use options (even for hedging purposes) may not be successful. DWM or an investment manager can invest in options based on any type of security, index, or currency, including options traded on foreign exchanges and options not traded on exchanges. If the Firm or an investment manager applies a hedge at an inappropriate time or judges market conditions incorrectly, options strategies will reduce a Client's return. A Client will also experience losses if the prices of option

positions were to be poorly correlated with its other investments, or if it could not close its positions because of an illiquid secondary market.

### **Fixed Income Securities**

Fixed income or debt securities have varying levels of sensitivity to changes in interest rates. In general, the price of a debt security can fall when interest rates rise and can rise when interest rates fall. Securities with longer maturities and mortgage-backed securities can be more sensitive to interest rate changes. In addition, short-term securities tend to react to changes in short-term interest rates, and long-term securities tend to react to changes in long-term interest rates. Many types of fixed income securities are also subject to prepayment risk. Securities subject to prepayment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. Below-investment grade fixed income securities are generally subject to greater credit risk than investment-grade securities and will be issued by companies whose financial condition is troubled or uncertain and that may be involved in bankruptcy proceedings, reorganizations, or financial restructurings. Many below-investment grade fixed income securities are also less liquid than investment-grade securities and could be subject to greater volatility.

### **Exchange Traded Funds**

Exchange Traded Funds ("ETFs") are designed to represent a fixed portfolio of securities that is intended to track a particular market index. The risks associated with investing in ETFs generally reflect the risks of owning the underlying securities in which they are designed to track, although lack of liquidity in an ETF could result in an ETF being more volatile than the particular market index it intends to track. ETFs also have separate management fees and expenses, which a Client will bear through its investment in the underlying ETF.

### **Private Funds**

A Client may be invested in pooled invested vehicles sponsored by affiliated entities or third-party managers. A Client's ability to withdraw from or transfer interests in such funds is limited and could include risk of significant loss. Furthermore, the performance and success of each underlying fund will depend on the management of the underlying manager.

### **Operational Risk**

Operational risk is the potential for loss caused by a deficiency in information, communication, transaction processing and settlement and accounting systems. DWM will maintain controls that include systems and procedures to record and reconcile transactions and positions, and to obtain necessary documentation for trading activities.

### **Business Continuity Risks**

DWM's business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disasters, terrorist attacks or other circumstances resulting in property damage, network interruption and/or prolonged power outages. Although DWM has implemented measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. These risks of loss can be substantial and could have a material adverse effect on DWM and investments therein.

## **Pandemic Risk**

An epidemic outbreak and reactions to such an outbreak caused uncertainty in markets and businesses, including DWM's business, and adversely affected the performance of the global economy, including causing market volatility, market and business uncertainty and closures, supply chain and travel interruptions, the need for employees and vendors to work at external locations, and extensive medical absences. DWM has policies and procedures to address known situations, but because a large epidemic may create significant market and business uncertainties and disruptions, not all events that could affect DWM's business and/or the markets can be determined and addressed in advance. During the recent COVID-19 outbreak, DWM's Business Continuity Plan allowed DWM's personnel to work remotely without interruption to DWM's investment management or Client service. This incident response may not be representative of future incident conditions.

## **Economic Conditions**

Changes in economic conditions, including, for example, interest rates, inflation rates, currency and exchange rates, industry conditions, competition, technological developments, trade relationships, supply-chain disruptions, economic sanctions, political and diplomatic events, economic sanctions, tax laws and innumerable other factors, can affect substantially and adversely the investment performance of Clients. Economic, political, and financial conditions, or industry or economic trends and developments, may, from time to time, and for varying periods of time, cause volatility, illiquidity or other potentially adverse effects in the financial markets. Economic or political turmoil, a deterioration of diplomatic relations or a natural or man-made disaster in a region or country where DWM's Client assets are invested may result in adverse consequences to such Clients. None of these conditions is or will be within the control of DWM, and no assurances can be given that DWM will anticipate these developments.

As of the beginning of 2023, there is an especially high degree of economic uncertainty given elevated inflation, a rapid increase in interest rates by Central Banks, and a high level of geopolitical uncertainty in Europe and Asia. The likelihood of a recession, and the magnitude of any such recession, is highly uncertain and would have significant implications across asset classes, particularly if a recession occurs and is of significant magnitude or duration. In addition, due to the recent bank failures, there is a risk of loss of deposits in excess of \$250,000, risks surrounding liquidity concentration, systemic risk regarding the failure of other banks, and increased compliance costs associated with diversifying deposits among multiple banks.

In addition, due to the recent bank failures, there is a risk of loss of deposits in excess of \$250,000, risks surrounding liquidity concentration, systemic risk regarding the failure of other banks, and increased compliance costs associated with diversifying deposits among multiple banks.

## **Pay-to-Play**

A number of U.S. states and municipal pension plans have adopted so-called "pay-to-play" laws, regulations, or policies that prohibit, restrict, or require that individuals or entities seeking to do business with state entities, including those seeking investments by public retirement funds, disclose payments to and/or contracts with state officials. The SEC has adopted rules prohibiting investment advisers from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives, employees, or agents makes a contribution to certain elected officials or candidates. If Diastole, any of its employees or affiliates, or any service providers acting on its behalf fail to comply with such laws, regulations, or policies, it could adversely and materially affect Diastole's business and its ability to manage certain client accounts.

## **Custody Risk**

The Firm is required to maintain certain client assets with a qualified custodian. Clients may incur a loss on securities and cash held in custody in the event of a custodian's or sub-custodian's insolvency, negligence, fraud, poor administration, or inadequate recordkeeping. Generally, deposits maintained at a bank do not become part of a failed bank's estate however, the Firm's operations could be impacted by the bank's insolvency in that there may be a delay in access to liquidity, trade settlement, delivery of securities, Form ADV Part 2A for Diastole Wealth Management, Inc

etc. Establishing multiple custodial relationships could mitigate custodial risk in the event of a bank failure.

### **Bank Deposit Risk**

Deposits maintained at an FDIC-insured bank are insured up to \$250,000 per depositor, per insured bank, for each account ownership category, in the event of a bank failure. Any deposits over \$250,000 in cash per account at a single bank may be unrecoverable in the event the bank fails. Diversifying banking relationships could serve to mitigate the potential loss of assets and available liquidity.

### **Counterparty Risk**

The Firm, its Clients, and/or Funds may be subject to credit and liquidity risk with respect to the counterparties. Exposure to credit and liquidity risk from counterparties can occur through a wide range of activities when dealing with, including but not limited to, service providers, banks, brokers, insurance providers, trading counterparties, portfolio companies, prospective portfolio companies, or other entities. Should a counterparty become bankrupt or otherwise fail to perform its obligations under a contract due to financial difficulties, there may be significant delays in obtaining any or limited recovery under a contract in a bankruptcy court or other reorganization proceeding. The lack of any independent evaluation of such counterparties' financial capabilities, and the absence of a regulated market to facilitate settlement or provide access to capital will increase the potential for losses by the Firm, Clients, and/or Funds especially during unusually adverse market conditions.

### **Cybersecurity Risks**

DWM's information and technology systems could be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltrations by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. Although DWM implemented and will continue to implement various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time, or cease to function properly, DWM will have to make a significant investment to fix or replace them. The failure of these systems and/or disaster recovery plans for any reason could cause significant interruptions in DWM's operations and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to Clients. Such a failure could harm DWM's reputation or subject it or its affiliates to legal claims and otherwise affect their business and financial performance. Additionally, any failure of DWM's information, technology or security systems could have an adverse impact on its ability to manage the separately managed Client accounts and private investment fund vehicles referred to herein.

### **Regulatory/Legislative Developments Risk**

Regulators and/or legislators may promulgate rules or pass legislation that places restrictions on, adds procedural hurdles to, affects the liquidity of, and/or alters the risks associated with certain investment transactions or the securities underlying such investment transactions. Such rules/legislation could adversely affect the value associated with such investment transactions or underlying securities.

Future legal, tax and regulatory changes could occur that may adversely affect business and require additional reporting for registered investment advisors. The SEC, other regulators and self-regulatory organizations and exchanges have taken various extraordinary actions in connection with market events and may take additional actions. Registered investment advisors may also be adversely affected by changes in the enforcement or interpretation of existing laws, rules, and regulations, including tax laws, by federal, state, and non-U.S. agencies, courts, authorities, or regulators.

### **Exposure to Material, Non-Public Information**

From time to time, Diastole employees receive material, non-public information with respect to an issuer of publicly traded securities resulting from professional and/or personal channels. In such circumstances, Clients may be prohibited, by law, and policies and procedures for a period of time from (i) unwinding a

position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

## **Risk of Loss**

Investing in securities involves risk of loss that Clients should be prepared to bear. All investments in securities and other financial investments involve substantial risk of volatility arising from numerous factors that are beyond the control of DWM, and alternative investment managers or strategies utilized by DWM, including market conditions, changing domestic or international economic or political conditions, changes in tax laws and government regulation and other factors.

For certain securities purchased for accounts, such as mutual funds and newly issued municipal bonds, Clients receive prospectuses and official statements which identify the risk factors associated with those securities and issuers. Clients are encouraged to review such disclosure documents.

**THIS LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN CONNECTION WITH THE ADVISER'S INVESTMENT OR THE MANAGEMENT OF CLIENTS ACCOUNTS. IN ADDITION, PROSPECTIVE CLIENTS SHOULD BE AWARE THAT, AS THE MARKET DEVELOPS AND CHANGES OVER TIME, INVESTMENTS OF BEHALF OF CLIENTS ACCOUNTS MAY BE SUBJECT TO ADDITIONAL AND DIFFERENT RISKS. CLIENTS INVESTING IN PRIVATE FUNDS SHOULD ALSO CAREFULLY REVIEW THE RISKS DISCLOSURES AND OFFERING DOCUMENTS ASSOCIATED WITH SUCH INVESTMENTS.**

## **Item 9. Disciplinary Information**

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### **Disclosure Events**

There are no disclosure events involving a criminal or civil action in a domestic, foreign, or military court of competent jurisdiction in which DWM or its management personnel are involved.

Regarding disclosure events involving an administrative proceeding before the SEC, on September 10, 2021, the SEC issued a settled order (the "**Order**"), to which DWM and Elizabeth Eden (the "**Respondents**") consented without admitting or denying the findings in the Order. According to the Order, DWM did not adequately disclose certain conflicts of interest relating to investments made by Eden Partners Absolute Growth Fund ("**EPAG**") in notes issued by Market76, Inc. ("**M76**"), a private company owned by Elizabeth Eden's son. According to the Order, a portion of the proceeds from the EPAG investment in M76 were transferred to DWM as repayment of loans that DWM previously had made to M76. EPAG has been reimbursed for that portion of EPAG's investment in M76 that was transferred to DWM. The Order also found that DWM did not timely deliver audited financial statements for EPAG to the Fund's investors. The Order finds that the Respondents violated certain provisions of the Investment Advisers Act of 1940 (the "**Advisers Act**") and orders that (1) Respondents are censured, (2) Respondents cease and desist from future violations of the Advisers Act, (3) DWM pay a civil penalty of \$100,000 and Ms. Eden pay a civil penalty of \$60,000, and (4) Ms. Eden is limited in her activities from serving as a chief compliance officer. Pursuant to the Order, DWM has also engaged an independent compliance consultant to review certain aspects of DWM's compliance program and make recommendations.

There are no disclosure events involving an administrative *proceeding* before any other federal regulatory agency, any state regulatory agency, or any *foreign financial regulatory authority* in which DWM or its management personnel are involved.

There are no disclosure events involving A *self-regulatory organization (SRO) proceeding* in which DWM or its management personnel are involved.

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

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Neither DWM nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither DWM nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

DWM also provides comprehensive financial planning services, which may involve areas or activities other than giving investment advice, such as insurance planning, retirement planning, estate planning, and business planning.

### **Private Funds**

DWM is the investment adviser, and the related party to, Eden Investment Partners LLC, the General Partner of the Private Funds. DWM may recommend investment in the Private Funds to certain of DWM's Clients.

### **Insurance Products**

DWM is licensed as an insurance producer with the state of Connecticut. DWM personnel may recommend certain insurance products to Clients and may receive commissions on direct sales of insurance products to Clients.

### **Other Affiliations**

#### **Northcreek Fund I**

Elizabeth Eden serves as one of the general partners for Northcreek I (an investment owned by the Eden Partners Absolute Growth Fund LP) and receives compensation in the amount of 30% of the total general partnership interest. Elizabeth Eden has decided not to receive this compensation directly and instead, assigns this compensation to the Eden Partners Absolute Growth Fund LP for the benefit of its limited partners.

### **Disclosure of Material Conflicts**

The Eden Partners Absolute Growth Fund, LP holds investments in an affiliated entity, Market 76. This investment is excluded from the Funds billing with respect to the calculation of the Limited Partners management fee

All other material conflicts of interest are disclosed regarding DWM, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

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

### **Code of Ethics**

DWM's Code of Ethics is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940. The Code is based upon the principle that DWM and its employees owe a fiduciary duty to Clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of Clients, (ii) taking inappropriate advantage of their position with the Firm, and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The purpose of DWM's Code of Ethics is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading, and other forms of prohibited or unethical business conduct. As such, DWM and its employees are prohibited from engaging in fraudulent, deceptive, or manipulative conduct. DWM and its employees have an affirmative duty of utmost good faith to act solely in the best interest of its Clients.

DWM has adopted the following Code of Ethics in accordance with SEC rule 204A-1 or similar state rules:

- **Fiduciary Responsibility-** DWM and its staff shall exercise the highest standard of care in protecting and promoting the interests of its Clients and will provide a written disclosure containing any conflicts of interest that may compromise their impartiality or independence. As a fiduciary DWM shall not accept any referral fees or compensation that is contingent upon the purchase or sale of any financial product.
- **Integrity-** All professional services shall be rendered with the highest level of integrity.
- **Objectivity-** DWM and its staff shall provide advice that is objective and in the best interest of the Client and without undisclosed conflicts of interest.
- **Competence-** DWM and its staff shall maintain the necessary knowledge and skills to provide our Clients with competent advice and services.
- **Fairness-** All professional services shall be performed by DWM and its staff in a manner that is fair and reasonable to its Clients.
- **Confidentiality-** DWM and its staff shall maintain and safeguard all confidential Client information in accordance with applicable laws.
- **Diligence-** DWM and its staff shall ensure the accuracy and completeness of records, information, and data collected, used, and managed, and will take necessary steps to correct any discrepancies.
- **Regulatory Compliance-** DWM and its staff shall comply fully with appropriate laws and internal regulations.

DWM will provide a complete copy of its Code of Ethics to any Client or prospective Client upon request.

### **Participation/Interest in Client Transactions**

DWM is the investment adviser, and the related party to, Eden Investment Partners LLC, the General Partner of the Private Funds. DWM recommends investments in the Private Funds to certain of DWM's Clients. From time to time, DWM also recommends mutual funds or other investments that it, or its employees, buy and/or sell for themselves or Sub-Advisors that it, or its employees recommend to Clients.



## Item 12. Brokerage Practices

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### Research and Other Soft Dollar Benefits

Regarding research and other soft dollar benefits, DWM does not receive research (both proprietary and non-proprietary) or other products or services other than execution services from a broker/dealer or a third party in connection with Client securities transactions (otherwise known as “**soft dollar benefits**”).

### Brokerage for Client Referrals

In addition to the investment management fees discussed above, Clients will also be responsible for any brokerage clearing, transaction, and custody charges for their accounts. DWM currently has custody arrangements with Schwab and in some circumstances DWM may work with other custodians as recommended or directed by Clients if possible (see Directed Brokerage below). DWM will generally have authority to determine or suggest brokers used and to negotiate commission rates on behalf of the Client. The criteria for the selection of brokers will be the full range and quality of the broker's services, including execution capability, commission rates, financial condition, responsiveness, and the value and quality of custodial services provided to the Client, if any.

Currently, DWM recommends that Clients establish brokerage accounts with select custodians to include the Schwab Institutional division of Charles Schwab & Co., Inc., a registered broker-dealer, to maintain custody of Clients' assets and to effect trades for their accounts. DWM will work with the Client to seek to obtain the most favorable arrangement for these services. While DWM normally requests that all Clients custody their accounts at Schwab, DWM may accept accounts with other custodians in certain situations. Clients are advised that they may pay more or less for these services than if they were purchased directly from other providers and that not all investment advisors request their Clients to direct brokerage. DWM does not primarily trade in individual equities or fixed income securities. DWM typically invests Clients' assets in open-end mutual funds. However, to the extent that DWM invests Client accounts in individual equities or fixed income securities, DWM, by directing brokerage, may be unable to achieve most favorable execution of Client transactions and Clients may pay more money.

Custodial and transaction fees charged to Client accounts by the broker-dealer will be borne by the Client and are separate and apart from the fees charged by DWM and third-party investment advisors.

Schwab provides DWM with access to its institutional trading and operations services typically not available to Schwab retail investors. These services generally are available to independent investment advisers at no charge to them so long as a total of at least \$10 million of the adviser's Clients' account assets are maintained at Schwab Institutional. Schwab Institutional services include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment. Schwab Institutional also makes available to DWM other products and services that benefit DWM and may not benefit its Clients' accounts. Some of these other products and services assist DWM in managing and administering Clients' accounts. These include software and other technology that provide access to Client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple Client accounts), provide research, pricing information and other market data, facilitate payment of DWM fees from its Clients' accounts, and assist with back-office support, recordkeeping, and Client reporting. Many of these services generally may be used to service all or a substantial number of DWM accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional may also provide DWM with information and consulting services intended to help DWM manage and further develop its business enterprise. These services may include information technology consulting, regulatory compliance publications and presentations. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to DWM.

Sub-Advisors recommended to Clients will have full investment discretion, and trading authority, and shall have sole responsibility for the implementation of the investment program with respect to the Client's account for which investment discretion has been delegated by the Client and accepted by the Sub-Advisor. DWM will not place orders for transactions in the Client's account or otherwise exercise trading authority over the account when the account is being managed by a Sub-Advisor.

### **Directed Brokerage**

From time to time, brokerage transactions may be directed to brokers other than an account's prime or custodian broker. Such direction of brokerage through a broker other than the Client's prime or custodial broker will only be done in the following circumstances: 1) for listed stocks or bonds, to obtain lower brokerage commissions or better execution (net of the prime broker fee), 2) for unlisted bonds, to obtain better pricing or availability, 3) for unlisted stocks, to obtain net pricing from a market-maker, or 4) to seek availability to buy an IPO when directed by the Client. In each case, direction of brokerage to brokers other than the Client's prime broker is done only to obtain for the Client better availability, better pricing, or lower commissions net of any prime broker fees for the away trade and will not typically use a broker for the primary purpose of obtaining research.

### **Aggregation of Client Orders**

DWM will aggregate Client orders when it is in the Clients' best interest to do so.

### **Trade Errors**

DWM will reimburse all losses suffered by Clients as a result of any trade error committed by an employee of DWM. Certain brokers with whom DWM executes trades, such as Charles Schwab, may retain profits gained from a trade error.

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

Each of DWM's investment advisors review their respective Clients' separately managed accounts at least on a monthly basis. Generally, investment advisors do not have more than 100 primary Client relationships. Clients' accounts are also formally reviewed by Elizabeth Eden, or Elizabeth Cook at least quarterly. Accounts may also be formally reviewed more frequently as inflows, outflows, or securities transactions cause DWM's investment advisors to review Client accounts in light of those changes. Clients will receive performance evaluation reports and all households receive reports on a quarterly basis. Upon request from a Client, additional reporting may be provided.

Each of the Private Funds are reviewed at least on a monthly basis. Limited partners will receive quarterly performance information based on the valuation reports received monthly from each Fund's administrator.

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

As noted throughout the brochure, DWM's significant revenue sources are transparent to its Clients. Advisory fees are DWM's primary source of revenue. Currently, the Firm does not compensate any third parties to assist with Client referrals. The Firm may in the future, enter into solicitation agreements pursuant to which it compensates one or more third parties for Client referrals that will result in the provision of investment advisory services by the Firm. DWM has adopted Rule 206(4)-1 of the Advisers Act ("Marketing Rule") and any future client solicitation activities will comply with the Marketing Rule.

## Item 15. Custody

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All Client assets are held in custody by unaffiliated broker/dealers or banks; however, DWM has access to the Fund assets since a related party serves as the General Partner of the Private Funds.

Investors in the Private Funds may not receive statements from the custodian. Instead, the Private Funds are subject to an annual audit and the audited financial statements are distributed to each investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed, for the fund of funds, within 180-days of the Private Funds' fiscal year end. Both Eden Partners Absolute Growth Fund, LP and The Steamboat Fund, LP are in violation of Rule 206(4)-2, the Custody Rule for failing to deliver audited financial statements to Clients within 180-days of each Private Fund's year-end December 31, 2021. Such audited financial statements remain outstanding, however DWM conducts periodic calls with the auditors, and is working to obtain information from the underlying investments.

Pursuant to Rule 206(4)-2, DWM is deemed to have custody of our Client account's funds and securities because (i) we may debit fees directly from the accounts of such Clients and/or (ii) certain Clients have executed a letter or instruction or similar asset transfer authorization arrangement with a qualified custodian whereby we are authorized to withdraw Client funds or securities maintained with a qualified custodian upon our instruction to the qualified custodian (each, an "**SLOA**"). The terms of each such SLOA are consistent with the terms described in the February 21, 2017, letter of the Chief Counsel's Office of the Securities and Exchange Commission clarifying custody with respect to a standing letter of instruction or other similar asset transfer authorization arrangement established by a Client with a qualified custodian. As a result, with respect to transfers of funds and securities between Client accounts and to third parties, Client accounts will not be subject to independent verification (i.e., a surprise examination).

The qualified custodian of each Client account sends or makes available, on a quarterly basis or more frequently, account statements directly to each Client. We urge Clients to carefully review these account statements from their qualified custodians and compare the information therein with any financial statements or information received or made available to Clients through us or any other outside vendor.

## Item 16. Investment Discretion

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As stated above in Item 4 - Advisory Business, DWM will provide discretionary and non-discretionary services to its Clients. The IMAs between DWM and its Clients specifies whether DWM is delegated discretionary or non-discretionary authority over the Client's account. In some cases, DWM may be granted discretionary authority over certain assets in a Client's account and non-discretionary authority over others. A Client's IMA can be amended or cancelled and re-executed at any point during the relationship if the Client wishes to change the authority given to DWM. In cases where DWM exercises discretionary authority, the IMA includes a power of attorney provision.

For non-discretionary Client accounts, the same process will occur as outlined above, except that Clients must approve the initial implementation and all subsequent changes to the asset allocation and trades. Sub-Advisors who are allocated to a non-discretionary Client account will take discretion of their trading based on the IMA the Client will sign directly with the Sub-Advisor. The Firm documents approval of non-discretionary trading via its CRM system.

DWM, or an affiliate, provides investment advisory services to the Funds on a discretionary basis and therefore has the authority to determine the underlying funds and/or securities to be bought or sold, the amount of securities to be bought or sold, the broker-dealers to be used and the commission rates to be paid by the Funds.

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

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DWM does not have the authority to vote Client proxies and therefore is not required to take action or render advice with respect to voting of proxies solicited by or with respect to the issuers of securities in which assets of the Clients account(s) may be invested from time to time. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent.

DWM will not participate in class actions on behalf of Clients.

For portfolios subject to ERISA, responsibility for proxy voting will be determined by the plan document. If an account is managed by a Sub-Advisor, it will retain voting authority for that account.

## **Item 18. Financial Information**

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### **Pre-Payment of Fees**

DWM does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance.