

Kearns & Associates LLC

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Form ADV, Part 2A Brochure

March 30, 2023

This brochure provides information about the qualifications and business practices of Kearns & Associates LLC. If you have any questions about the contents of this brochure, please contact us at 310-378-4023. 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.

Any reference to or use of the terms "registered investment adviser" or "registered," does not imply that Kearns & Associates LLC or any person associated with Kearns & Associates LLC has achieved a certain level of skill or training.

Additional information about Kearns & Associates LLC is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 - MATERIAL CHANGES

Kearns & Associates, LLC has not made material changes to this document since our last annual update. We review and update this brochure at least annually to make sure that it remains current.

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ITEM 4 - ADVISORY BUSINESS

Description of Advisory Firm

Kearns & Associates LLC ("Kearns & Associates," "we," "our," or "us") is a privately owned limited liability company headquartered in Palos Verdes Estates, California. Joseph J. Kearns founded Kearns & Associates in January 1998. Jeffrey J. Kearns joined Kearns & Associates in July 2003. Jeffrey J. Kearns owns 99% of Kearns & Associates LLC.

Advisory Services Offered

Kearns & Associates provides investment advisory services. We are principally engaged in the following activities:

- Evaluation of portfolio construction and management
- Portfolio construction, which includes formulating asset mix, transition management, investment manager searches, implementation, and oversight
- Performance analysis and coordinating consolidated performance reporting, as required
- Portfolio management, which includes ongoing supervision, monitoring, and rebalancing of our clients' assets

We coordinate our clients' investments with their overall estate plans by working with each client's attorney, accountant and/or other advisors.

Tailored Services and Client Imposed Restrictions

Kearns & Associates tailors its advice to each client's specific investment objectives and financial situation, as discussed below under *Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss*. This can include managing assets on either a discretionary or non-discretionary basis as well as advising on assets managed by other Asset Managers as discussed in *Item 16 - Investment Discretion*. We work with each client to define their risk tolerance and investment goals. Clients can direct us to not invest in certain investments or hold specific securities. We make investment decisions for clients based on information the client supplies about their financial situation, goals, and risk tolerance. Our recommendations may not be suitable if the client does not provide us with accurate and complete information. It is the client's responsibility to keep Kearns & Associates informed of any changes to their investment objectives or restrictions.

Assets Under Management

As of 12/31/2022, the discretionary assets under our management are \$246,203,747 and \$355,575,689 is managed on a non-discretionary basis. Additionally, we have another \$521,986,850 in assets under advisement.

ITEM 5 - FEES AND COMPENSATION

Fee Schedule & Billing Method

Kearns & Associates' services are offered based on either a fixed retainer fee or an asset-based fee. Investment advisory fees generally range from a minimum of \$5,000 to \$10,000 annually. Fees are based on the scope, complexity of the services provided, and unique client needs. Some accounts may be under different fee schedules honoring prior agreements. Our fees may be negotiable based on a number of factors, which include but are not limited to "grandfathered" accounts, related accounts, and other structures that we may consider in special situations. Generally, we may aggregate client accounts that have family relationships with each other for purposes of determining the investment advisory fee applicable to each client. We also manage some family and related accounts without charge. Kearns & Associates may offer services on a pro-bono basis.

We may however make exceptions to this minimum at our discretion based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, account composition, related accounts, and pre-existing client relationships.

Our investment advisory fees are typically payable quarterly either in advance at the beginning of each calendar quarter or arrears at the end of each calendar quarter. There are however certain client relationships where investment advisory fees are payable either annually or semi-annually. We will send an invoice to each client. The invoice is payable upon receipt and will include the amount due. For certain clients, their investment advisory fees will be deducted directly from their custodial accounts.

Termination

Either party may terminate the agreement upon thirty (30) days written notice to the other party. The client may terminate the agreement by writing to Kearns & Associates at our office. Upon notice of termination, Kearns & Associates will calculate the final fees due for services provided through the date of termination. Any investment advisory fees that we have earned for the services provided will be due upon termination although we reserve the right to waive such fees on a case-by-case basis. If the client paid fees in advance that were more than the amount due for services, Kearns & Associates will refund any unearned fees. We will prorate the refund based on the effective date of termination.

Other Fees and Expenses

Kearns & Associates' fees do not include custodian fees or Mutual Fund and ETF fees. A client could invest in such securities directly, without using our services. In that case, the client would not receive the services we provide, which include assisting the client in determining which securities we feel are most appropriate to each client's financial condition and objectives.

Accordingly, clients should review both the fees charged by such funds and the investment advisory fees we charge to understand the total amount of fees the client will pay and evaluate the advisory services we provide. Clients pay all brokerage commissions and stock transfer fees, and other similar charges incurred in connection with transactions in accounts, from the assets in the account.

Other Compensation

We do not accept compensation from any other Asset Managers. We also do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

ITEM 6 - PERFORMANCE-BASED FEES

Kearns & Associates does not charge performance-based fees.

ITEM 7 - TYPES OF CLIENTS

Kearns & Associates provides services to individuals, trusts, and foundations.

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

Methods of Analysis and Investment Strategies

Our process starts with continuous analysis of current and projected macroeconomic conditions. We look closely at relevant market issues and their effect in the capital markets.

Methods of Analysis for Selecting Securities

Kearns & Associates recommends Mutual Funds or ETFs for the management of all or a portion of a client's portfolio. These securities are recommended based on several factors including each client's investment objectives and financial situation. We perform ongoing monitoring and due diligence on the securities by researching historical performance metrics. We recommend changes as necessary.

Investment Strategies for Managing Portfolios

We seek capital growth proportionate with the level of risk the client is willing to take. We treat each client account uniquely. We recommend securities based on the clients' attitudes about risk and their need for capital appreciation or income, and we incorporate tax considerations. Different instruments involve different levels of exposure to risk. We deal with any client restrictions on an account-by-account basis. Since we treat each client account uniquely, we may recommend different asset

allocations and different securities for client portfolios with similar investment objectives.

For certain portfolios, clients may grant us discretionary authority to trade specific securities held in their portfolio, such as low cost basis stock. In actual practice we monitor the securities and make recommendations as to the quantity and timing of transactions. In these instances, our policy is to obtain pre-approval from the client prior to implementing a specific trade on the client's behalf.

Investing Involves Risk

Investing in securities involves risk of loss, and clients should be prepared to bear that risk.

Specific Security Risks

General Risks of Owning Securities

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

Mutual Funds (Open-end Investment Company)

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads).

Mutual funds have benefits such as professional management, diversification, affordability, and liquidity. However, they also have features that some investors might view as disadvantages:

Costs Despite Negative Returns

Mutual funds charge investors sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

Lack of Control

Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

Price Uncertainty

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

Exchange-Traded Funds (ETFs)

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) containing a basket of stocks. Typically, the objective of an ETF is to achieve returns similar to a particular market index, including sector indexes. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, the prices of the underlying securities and the overall market may affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track that particular sector.

Other Business Risks

Cybersecurity Risk

Investment advisers and their service providers may be prone to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally (including, for example, through cyber-attacks known as "phishing" and "spear-phishing"), denial-of-service attacks on websites, the unauthorized release of confidential information and causing operational disruption. Cyber-attacks may interfere with the processing of transactions, cause the release of private information or confidential information of Kearns & Associates, cause reputational damage, and subject to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. While Kearns & Associates has established business continuity plans and systems designed to prevent such cyber-attacks, there are limitations in such plans including the possibility that certain risks have not been identified or mitigated.

Coronavirus or Pandemic Risk

The global outbreak of the 2019 novel coronavirus ("COVID-19"), together with resulting voluntary and U.S. federal and state and non-U.S. governmental actions, including, without limitation, mandatory business closures, public gathering limitations, restrictions on travel and quarantines, has meaningfully disrupted the global economy and markets. Although the long-term economic fallout of COVID-19 is difficult to predict, it has and is expected to continue to have ongoing material adverse effects across many, if not all, aspects of the regional, national and global economy. A pandemic such as COVID-19 may impact the ability of Kearns & Associates to operate effectively, including the ability of its personnel or its service providers and other contractors to function, communicate and travel to the extent necessary. The spread of any contagious and debilitating health condition among Kearns & Associates' personnel and its service providers may also affect Kearns & Associates' ability to properly perform our duties.

ITEM 9 - DISCIPLINARY INFORMATION

Kearns & Associates and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. Kearns & Associates does not have any disciplinary information to disclose.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Kearns & Associates does not offer any other services or have any affiliates in the financial industry. Joseph J. Kearns is a director of the Morgan Stanley Funds, where he serves as Chairman of the Audit Committee as well as the Designated Financial Expert as required by the Sarbanes-Oxley Act of 2002. We do not share operations with the Morgan Stanley Funds or any of its affiliated entities (collectively, "Morgan Stanley") and have no business dealings with Morgan Stanley. Clients of Kearns & Associates are not referred to Morgan Stanley, and Morgan Stanley does not refer prospective clients to Kearns & Associates. We have no reason to believe that Joseph J. Kearns' serving as a director of the Morgan Stanley Funds creates a conflict of interest for our clients or presents a time burden on Mr. Kearns' required duties to Kearns & Associates and its clients.

In addition, Joseph J. Kearns serves as on the Investment Committee at Mount Saint Mary's College. We have no reason to believe that any of these activities create a conflict of interest for our clients or presents a time burden on Mr. Kearns' required duties to Kearns & Associates and its clients.

ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

Kearns & Associates believes that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. Kearns & Associates' personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

Kearns & Associates' Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. Kearns & Associates' personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, prohibitions of insider trading, and adherence to applicable federal securities laws. Additionally, individuals who formulate investment advice for clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities, are subject to personal trading policies governed by the Code of Ethics (see below).

Kearns & Associates will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

Personal Trading Practices

Kearns & Associates' investment advisory services largely involves recommending Mutual Funds and ETFs for client portfolios. However, there are certain clients who have requested that we retain discretionary authority over specified individual securities in their portfolio.

Our personnel may purchase or sell securities for themselves that we or third-party Asset Managers also recommend to clients. This presents a potential conflict of interest as we may have an incentive to take investment opportunities from clients for our own benefit, favor our personal trades over client transactions when allocating trades, or use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients. Our objective is that Kearns & Associates' personnel do not personally benefit from the short-term market effects of our recommendations to clients.

Our policies to address these conflicts include the following:

1. We prohibit trading in a manner that takes personal advantage of investment recommendations we make for clients.
2. Our personnel's personal trades in positions also held in client accounts must take place only after all transactions in clients' accounts have been placed. In the case of portfolios that are managed by third-party Asset Managers, our personnel must not transact in any security (in their personal account) that they know is also being considered in a client account, until that security transaction has been executed in our client's account.

3. Conflicts of interest also may arise when Kearns & Associates' personnel become aware of Limited Offerings or IPOs, including private placements or offerings of interests in limited partnerships or any thinly traded securities, whether public or private. Given the inherent potential for conflict, Limited Offerings and IPOs demand extreme care. Our personnel must obtain pre-approval from the Chief Compliance Officer before trading in these types of securities.

4. Kearns & Associates maintains records of quarterly personal securities transactions and annual securities holdings.

ITEM 12 - BROKERAGE PRACTICES

Kearns & Associates requires clients to open one or more accounts in their own name at a qualified custodian of the client's choice. For clients in need of brokerage or custodial services, Kearns & Associates may recommend, but not require, the use of certain broker-dealers/custodians based on the client's investment strategy and the types of securities held in a clients' portfolio. We consider several factors in selecting broker-dealers/custodians. Factors that we may consider may include their execution capabilities, pricing, research, ease of use, and technology available to monitor our client's portfolios). We also consider reputation and financial strength.

Clients are not under any obligation to custody their assets with any custodian we recommend. All clients are free to select any custodian of his or her choice. The client will enter into a separate agreement with the custodian to custody the assets. Clients grant Kearns & Associates discretion to select broker-dealers for client transactions. Kearns & Associates is independently owned and operated and is not affiliated with any broker-dealer or custodian.

Directed Brokerage Transactions

Clients may not direct Kearns & Associates to use a particular broker-dealer for some or all trading.

Where we effect trades for client accounts, the transactions for each client will be affected independently and will not be aggregated. While aggregating trades may benefit clients by purchasing or selling in larger blocks, we do not feel that clients are at a disadvantage due to the best execution practices of our custodians.

ITEM 13 - REVIEW OF ACCOUNTS

Account Review

Generally, either the President or the Senior Advisor will review all client accounts on a regular basis. We offer account reviews to clients on a quarterly basis. Clients may choose to receive reviews in person, by telephone, or in writing. Either the President or Senior Advisor conducts client reviews based on a variety of factors. These factors may include

but are not limited to stated investment objectives, economic, environment, outlook for the securities markets, and the merits of the securities in the accounts.

Account Reporting

Each client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. Depending on the terms of the agreement, we may provide clients with written custom reports. This custom reporting may encompass assets that are managed by independent third-party investment advisors, and in certain situations, those investments that were directed by a client. Lastly, we periodically offer clients a written economic and investment commentary.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

Kearns & Associates does not refer outside third-party professionals to our clients. We also do not provide any compensation to individuals or firms that may refer our services to prospective clients.

ITEM 15 - CUSTODY

Clients will engage an independent broker-dealer/custodian to maintain their account(s) and, as such, Kearns & Associates will not have physical custody of Client assets, monies or securities. However, since Kearns & Associates may withdraw investment advisory fees directly from Clients' accounts, as described in *Item 5 - Fees and Compensation*, above, Kearns & Associates is considered to have custody in a limited capacity. Again, this custody is due solely to the direct withdrawal of fees and does not entail all of the same legal and regulatory requirements as an independent investment adviser with physical custody of Clients' assets, monies or securities. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

ITEM 16 - INVESTMENT DISCRETION

At the outset of an advisory relationship, we often receive discretionary authority from the client to select the identity and amount of securities to be bought or sold. We have a limited power of attorney to place trades on the client's behalf. When selecting and determining amounts of securities, we observe the investment policies, limitations, and restrictions of our clients, and this discretion limited to the universe of securities mutually agreed upon with the client when starting a relationship. To trade outside of this universe, we will obtain pre-

approval from the client similarly to our non-discretionary accounts. For non-discretionary accounts, we will contact the client before making recommendations we deem appropriate for the client. No transactions will be effected until receiving either written or verbal approval from the client.

ITEM 17 - VOTING CLIENT SECURITIES

Kearns & Associates does not accept or have the authority to vote on matters requiring shareholder voting in connection with the securities held in a client's account, or with respect to certain legal actions involving securities including, for example, voting of proxies, mergers, bankruptcies or restructuring, class actions, or similar matters.

Clients can contact Kearns & Associates if they have questions about a particular solicitation. Kearns & Associates will not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client.

ITEM 18 - FINANCIAL INFORMATION

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. Kearns & Associates does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

Kearns & Associates is financially capable of meeting all contractual commitments to clients. Kearns & Associates has never been the subject of a bankruptcy petition.