

# AssetGrade, LLC

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of AssetGrade, LLC (hereinafter "AssetGrade" or the "Firm") a registered investment advisor with the United States Securities and Exchange Commission. If you have any questions about the contents of this brochure, please contact us at (617) 933-7257 or by email at: [susan.powers@assetgrade.com](mailto:susan.powers@assetgrade.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about AssetGrade is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). AssetGrade's CRD number is: 168779.*

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*Registration does not imply a certain level of skill or training.*

Version Date: March 22, 2023

## **Item 2: Material Changes**

This brochure dated March 22, 2023, replaces the version dated March 25, 2022. The following material changes have been made since AssetGrade's last annual updating amendment:

- Item 4: has been updated with respect to assets under management (AUM).
- Item 5: the minimum annual fee has been updated.
- Item 7: the minimum annual fee has been updated.

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## Item 4: Advisory Business

AssetGrade seeks to provide clients with an experience that addresses a client's financial concerns in a holistic manner. The Firm anticipates being able to provide clients an intimate experience and direct interaction with their adviser to address the client's current income, expenses, assets and liabilities. By reviewing these silos, the Firm will provide the client with an AssetGrade and will seek strategies to improve that grade.

AssetGrade offers a variety of advisory services, which include financial planning, consulting, retirement plan consulting, and investment and wealth management services. Prior to the rendering of any of the foregoing advisory services, clients are required to enter into one or more written agreements with AssetGrade setting forth the relevant terms and conditions of the advisory relationship (the "*Agreement*").

AssetGrade has been registered as an investment adviser since September 2013 and is owned by Patrick Cote Corp., Susan Powers, and Katherine Hennessy. As of December 31, 2022 AssetGrade, had approximately \$199,838,397 of assets under management managed on a discretionary basis and \$5,789,905 of assets under management managed on a non-discretionary basis.

While this brochure generally describes the business of AssetGrade, certain sections also discuss the activities of its *Supervised Persons*, which refer to the Firm's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on AssetGrade's behalf and is subject to the Firm's supervision or control.

### Financial Planning and Consulting Services

AssetGrade offers clients a range of financial planning and consulting services, addressing a variety of investment and non-investment related matters. These services, which are not offered on a stand-alone basis, are offered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (as described below). These services may include the following:

- *Cash Flow Forecasting*, including projecting future cash flows to determine how income impacts a client's ability to achieve financial goals;
- *Asset Allocation*, including recommendation on implementing an investment strategy that attempts to balance investment risk with potential growth;

- *Retirement Planning*, including recommendations with respect to savings and investments required to support a client's spending needs in retirement;
- *Estate Planning*, including analysis of exposure to estate tax and consultation on initiating new and evaluating existing estate plans;
- *Financial Reporting*, including producing statements that set forth a client's financial status;
- *Investment Consulting*, including advice on investment strategies, asset selection, and portfolio design; and
- *Risk Management*, including analysis of a client's exposure to risks that could have an adverse impact on a client's financial matters.

These services typically include between ten to forty hours of services in the first year of a client's engagement with the Firm, and from ten to forty hours of service per year in subsequent years of a client's engagement with the Firm.

In performing these services, AssetGrade is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising AssetGrade's previous recommendations and/or services.

AssetGrade may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage AssetGrade to provide additional fee-based services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by AssetGrade under a financial planning or consulting engagement or to engage the services of any such recommended professionals, including AssetGrade itself.

### **Investment Management and Wealth Management Services**

AssetGrade manages client investment portfolios on a discretionary or non-discretionary basis. For non-discretionary accounts, it is important to note that the ultimate decision to buy or sell assets within such an account lies with the investor. Further, AssetGrade may provide clients with wealth management services which generally include a broad range of comprehensive financial planning and consulting services in addition to the aforementioned discretionary and/or non-discretionary management of investment portfolios.

AssetGrade primarily allocates client assets among various mutual funds, exchange-traded funds (“ETFs”), individual debt and equity securities and options, as well as the securities components of variable annuities and variable life insurance contracts, in accordance with the investment objectives of its individual clients. Where appropriate, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios.

Clients may also engage AssetGrade to advise on certain investment products that are not maintained at their primary custodian, such as assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, AssetGrade directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the custodian designated by the product’s provider.

AssetGrade tailors its advisory services to meet the needs of its individual clients and continuously seeks to ensure that client portfolios are managed in a manner consistent with their specific investment profiles. AssetGrade consults with clients on an initial and ongoing basis to determine their specific risk tolerance, time horizon, liquidity constraints and other qualitative factors relevant to the management of their portfolios. Clients are advised to promptly notify AssetGrade if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if AssetGrade determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm’s management efforts. AssetGrade does not participate in a wrap fee program.

### **Retirement Plan Consulting Services**

AssetGrade provides various consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in structuring, managing and optimizing their corporate retirement plans. Each engagement is individually negotiated and customized and may include any or all of the following services: Plan Design and Strategy; Plan Review and Evaluation; Executive Planning and Benefits; Investment Management and Review; Plan Fee and Cost Analysis; Retirement Plan Committee Consultation; Fiduciary and Compliance; and Legacy Plan Services.

As disclosed in the *Agreement*, certain of the foregoing services are provided by AssetGrade as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of AssetGrade’s fiduciary status, the specific services to be rendered and all direct and indirect compensation the Firm reasonably expects under the engagement.

## **Educational Seminars/Workshops**

AssetGrade provides periodic educational seminars and workshops to clients.

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

AssetGrade offers its services on a fee basis, based upon assets under management or advisement.

### **Financial Planning and Consulting Services**

There is no charge for financial planning and consulting services for our clients paying an annual fee for Investment Management or Wealth Management.

### **Investment Management and Wealth Management Fees**

AssetGrade provides investment management and wealth management services for an annual fee based on the amount of assets under the Firm's management, subject to annual minimum of \$7,500. Fees are based on the following fee schedule:

<b>Portfolio Value</b>	<b>Annual Fees</b>
First \$2M	1.00%
\$2M to \$5M	0.85%
\$5M to \$10M	0.70%
Over \$10M	0.55%

The annual fee is prorated and charged quarterly in advance, based upon the market value of the assets being managed by AssetGrade on the last day of the previous billing period. Where the annual fee based on the amount of assets under the Firm's management is less than AssetGrade's minimum annual fee, the Firm generally charges its minimum annual fee, as described at length in Item 7, below.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the *Agreement* is terminated, the fee for the final billing period is prorated through the effective date of the termination and the unearned portion is refunded to the client, as appropriate.

### **Retirement Plan Consulting Fees**

For employee benefit plans and fiduciaries receiving our retirement plan consulting services, as

described above in Item 4, each engagement is individually negotiated and tailored to accommodate the needs of the individual plan sponsor, as memorialized in the *Agreement*. These fees vary, based on the scope of the services to be rendered subject to an annual minimum fee of \$7,500.

### **Fee Discretion**

AssetGrade, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and *pro bono* activities.

### **Additional Fees and Expenses**

In addition to the advisory fees paid to AssetGrade, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "*Financial Institutions*"). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

### **Fee Debit**

Clients generally provide AssetGrade with the authority to directly debit their accounts for payment of the Firm's investment advisory fees. The *Financial Institutions* that act as qualified custodians for client accounts have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to AssetGrade. As required by applicable state securities laws, AssetGrade also sends clients an itemized summary detailing the advisory fees deducted from their accounts.

### **Account Additions and Withdrawals**

Clients may make additions to and withdrawals from their account at any time. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to AssetGrade, subject to the usual and customary securities settlement procedures. However, AssetGrade designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. AssetGrade may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications.



## **Educational Seminars/Workshops**

AssetGrade does not charge for educational seminars and workshops.

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

AssetGrade does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

### **Item 7: Types of Clients**

AssetGrade provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

#### **Minimum Annual Fee**

As a condition for starting and maintaining an investment management relationship, AssetGrade generally imposes a minimum annual fee of \$7,500. This minimum fee may have the effect of making AssetGrade's services cost prohibitive for certain clients. For example, the minimum annual fee of \$7,500 would be more than 1% annually for a client with less than \$750,000 in assets under AssetGrade's management. AssetGrade, in its sole discretion, may waive or reduce its minimum annual fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationships, account retention and pro bono activities.

### **Item 8: Methods of Analysis, Investment Strategies, & Risk of Loss**

#### **Methods of Analysis & Investment Strategies**

AssetGrade largely utilizes a model portfolio approach focusing on strategic asset allocation but may also employ tactical asset allocation. Strategic asset allocation involves determining appropriate long-term allocations to a select group of asset classes. Tactical asset allocation involves determining appropriate short-term changes to the allocations of asset classes that might deviate from the strategic asset allocation, typically based on expectations of risk and return for each asset class.

The choice of asset classes to be included is based on an evaluation of the risk and return of each asset class, as well as the expected diversification that will occur from a portfolio of asset classes. Larger portfolios will have the opportunity to include a larger group of asset classes. Smaller portfolios, that may otherwise not be able to reach adequate levels of diversification, may be invested in target date funds.

The exact weighting of each asset class for each model portfolio will be driven by a number of factors, including the expected risk and return of each asset class and the expected correlation between assets. The specific model portfolio assigned to each investor will in turn be driven by a number of factors, including the age, income, expenses, assets, liabilities and risk tolerance of each investor.

In order to better understand these factors, the Firm gathers and analyzes detailed information about the client, including goals, existing investments, insurance coverage, sources of income and other assets and liabilities. The Firm then seeks to define the client's investment objectives and risk profile, which together form the basis for the selection and diversification of investments. The Firm's investment advisers monitor its clients' portfolios, making changes on a regular basis as driven by the criteria of the specific client.

In making these determinations, the Firm may rely on fundamental or technical methods of analysis. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may have a negative impact. A substantial risk in relying upon technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that AssetGrade will be able to accurately predict such a reoccurrence.

## **Risks of Loss**

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear potential losses.

### *Market Risks*

The profitability of a significant portion of AssetGrade's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that AssetGrade will be able to predict those price movements accurately.

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a funds stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from

the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their *pro rata* NAV.

There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### *Options*

Options allow investors to buy or sell a security at a contracted strike price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge against potential losses or to speculate on the performance of the underlying securities. Option transactions involve inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase or decrease to the level of the respective strike price. Holders of option contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

#### *Management Through Similarly Managed "Model" Accounts*

AssetGrade manages certain accounts through the use of similarly managed "model" portfolios, whereby the Firm allocates all or a portion of its clients' assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients' net after tax gains. The Firm seeks to ensure that clients' assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy typically take into account a client's individual tax ramifications. Clients should contact AssetGrade if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

#### *IRA Rollover Considerations*

As stated above, AssetGrade manages client investment portfolios on a discretionary or non-discretionary basis. For non-discretionary accounts, it is important to note that the ultimate decision to buy or sell assets within such an account lies with the investor. As a firm policy, we will never recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") for our management. Instead, we

will provide you with enough educational resources to make an informed decision. You are under no obligation, contractually or otherwise, to complete such a rollover. Moreover, if you do choose to complete a rollover for any reason, you are under no obligation to have the assets in an IRA managed by the Firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - a. Employer retirement plans generally have a more limited investment menu than IRAs.
  - b. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees.
  - a. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - b. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. Rolling the funds into an IRA rollover account may allow you to pay your investment advisor fees on a pretax basis. Investment advisor fees for 401k accounts are generally paid on an after-tax basis, which would cost you more than paying fees on a pretax basis in a rollover IRA.
4. Different strategies may have higher or lower risk than the current investment options in your plan.
5. Your current plan may also offer financial advice.
6. If you keep your assets titled in a 401k or retirement account and remain with that employer, you could potentially delay your required minimum distribution beyond age 72.
7. Your 401k may offer more liability protection than a rollover IRA; each state may vary. You should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.

8. You may be able to take out a loan on your 401k if you remain at that employer, but not from an IRA.
9. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
10. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.

While we will never recommend a rollover, we can direct you to educational information to assist in your decision. It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you.

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

AssetGrade has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

Neither AssetGrade nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

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

AssetGrade has adopted a code of ethics in compliance with applicable securities laws ("*Code of Ethics*") that sets forth the standards of conduct expected of its *Supervised Persons*. AssetGrade's *Code of Ethics* contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its *Supervised Persons* and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The *Code of Ethics* also requires certain of AssetGrade's personnel (called "*Access Persons*") to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, AssetGrade *Supervised Persons* are permitted to buy or sell securities that it also recommends to clients if done in a manner consistent with the Firm's policies and procedures. This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may knowingly effect for themselves or for their immediate family (i.e., spouse,

minor children and adults living in the same household as the Access Person) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Access Person is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

The Firm may recommend certain clients invest in the JP Morgan Strategic Income Opportunities Fund (ticker JSOSX or JSOAX). One of the fund's key persons is a client of the Firm so the Firm has a conflict of interest when recommending a purchase of JSOSX or JSOAX. The Firm does not consider this a significant conflict of interest, and it will only make such a recommendation when it is in the client's best interest.

Clients and prospective clients may contact AssetGrade to request a copy of its *Code of Ethics*.

## Item 12: Brokerage Practices

AssetGrade generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("*Fidelity*") for investment management accounts. Factors which AssetGrade considers in recommending *Fidelity* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* enables AssetGrade to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Fidelity* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by AssetGrade's clients comply with the Firm's duty to obtain "*best execution*." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to affect the same transaction where AssetGrade determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates and responsiveness. AssetGrade seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

AssetGrade periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct AssetGrade in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution* and the Firm will not seek better execution services or prices from other *Financial Institutions* or be able to “batch” client transactions for execution through other *Financial Institutions* with orders for other accounts managed by AssetGrade (as described below). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, AssetGrade may decline a client’s request to direct brokerage if, in the Firm’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be affected independently, unless AssetGrade decides to purchase or sell the same securities for several clients at approximately the same time. AssetGrade may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among AssetGrade’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among AssetGrade’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that AssetGrade determines to aggregate client orders for the purchase or sale of securities, including securities in which AssetGrade’s *Supervised Persons* may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. AssetGrade does not receive any additional compensation or remuneration as a result of the aggregation. In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, AssetGrade may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker- dealers in return for investment research products and/or services which assist AssetGrade in its investment decision-making process. Such research generally will be used to

service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because AssetGrade does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

AssetGrade may receive from *Fidelity*, without cost to AssetGrade, computer software and related systems support, which allow AssetGrade to better monitor client accounts maintained at *Fidelity*. AssetGrade may receive software, tools, training programs, seminar services and related support without cost because AssetGrade renders investment management services to clients that maintain assets at *Fidelity*. The software and support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). However, the software and related systems support may benefit AssetGrade, but not its clients directly. In fulfilling its duties to its clients, AssetGrade endeavors at all times to put the interests of its clients first. Clients should be aware, however, that AssetGrade's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence AssetGrade's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support or services.

Additionally, AssetGrade may receive the following benefits from *Fidelity* through the Fidelity Institutional Wealth Services Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Institutional Wealth Services Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information. Clients should be aware, however, that the receipt of economic benefits by AssetGrade or its related persons in and of itself creates a potential conflict of interest and may indirectly influence AssetGrade's recommendation of *Fidelity* for custody and brokerage services.

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

### **Account Reviews**

For those clients to whom AssetGrade provides investment management services, AssetGrade monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least an annual basis. For those clients to whom AssetGrade provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of AssetGrade's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with AssetGrade and to keep AssetGrade informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.



## Account Statements and Reports

At least quarterly, clients are provided with transaction confirmation notices and summary account statements directly from the *Financial Institutions* where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from AssetGrade and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with those they receive from AssetGrade or an outside service provider. Those clients to whom AssetGrade provides financial planning and/or consulting services will receive reports from AssetGrade summarizing its analysis and conclusions as requested by the client or as otherwise agreed to in writing by AssetGrade.

## Item 14: Client Referrals and Other Compensation

### Other Economic Benefits

In addition, AssetGrade is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

## Item 15: Custody

AssetGrade's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize AssetGrade through such *Financial Institution* to debit the client's account for the amount of AssetGrade's fee and to directly remit that management fee to AssetGrade in accordance with applicable custody rules.

The *Financial Institutions* recommended by AssetGrade have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to AssetGrade. In addition, as discussed in Item 13, AssetGrade also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from AssetGrade.

## Item 16: Investment Discretion

AssetGrade may be given the authority to exercise discretion on behalf of clients. AssetGrade is considered to exercise investment discretion over a client's account if it can affect transactions for the client without first having to seek the client's consent. AssetGrade is given this authority through a power- of-attorney included in the agreement between AssetGrade and the client.

Clients may request a limitation on this authority (such as certain securities not to be bought or sold). AssetGrade takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

### **Item 17: Voting Client Securities (Proxy Voting)**

AssetGrade is required to disclose if it accepts authority to vote client securities. AssetGrade does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

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

AssetGrade is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.