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## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Apella Capital, LLC. If there are any questions about the contents of this brochure, please contact us at 860.785.2260 or visit our website at [www.apellawealth.com](http://www.apellawealth.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 Apella Capital, LLC, is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Apella Capital, LLC, is 171106.

Apella Capital, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **ITEM 2: MATERIAL CHANGES**

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Apella is required to update this Brochure on an annual basis or more frequently in the event information contained herein becomes materially inaccurate.

The following material changes have been made to this brochure since its last annual update on March 30, 2022. In addition, certain other non-material updates have been made to the brochure to supplement existing disclosure regarding Apella's advisory business and associated conflicts of interest.

- Item 14, Client Referrals and Other Compensation, has been revised to describe the impact of amended Rule 206(4)-1 on Apella's arrangements with Promoters.

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## **ITEM 4: ADVISORY BUSINESS**

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### **A. Description of Advisory Firm**

Apella (the “Firm”) is an investment adviser registered with the Securities and Exchange Commission (“SEC”) under the Investment Adviser Act of 1940 (the “Advisers Act”). The firm is located in Glastonbury, Connecticut and was established in 2013. The firm was founded by and is currently operated under the control of David E. Connelly Jr. and Patrick A. Sweeny, and continues to be majority owned by David Connelly and Patrick Sweeny through Strategic Investment Holdings, LLC. Apella provides investment advisory services to individuals, trusts, estates, charitable organizations, corporations, and other business entities, pension plans, endowments, 401k, 403b and similar account structures, among other types of clients. The Firm has been an SEC Registered Investment Adviser since April 2014. As of December 31, 2022, the Firm had approximately \$2,121,000,000 in discretionary assets under management.

In addition to the main Apella office in Glastonbury, CT. the Firm also has offices in Marblehead, MA - Lenox, MA - Knoxville, TN – Providence, RI – Lake Oswego, OR - Southold, NY - Dallas, TX - San Francisco, CA – Bellevue, WA – Olympia, WA – Denver, CO – Lake Oswego, OR – Atlanta, GA – and Berwyn, PA.

Apella offers services through its various branch offices. All Firm office locations are under common supervision and the advisory services are provided through Apella.

### **B. Types of Advisory Services**

#### ***Investment Advisory Services***

Apella offers investment advisory services to clients through the efforts of the firm's investment adviser representatives (“IARs or Financial Advisors”). Acting as a client's investment adviser, the Apella IAR builds custom investment programs. The IAR collaborates with the client to develop objectives within suitable risk/reward parameters relative to the client's financial circumstances, and then develop an appropriate asset allocation strategy. The Apella IAR begins with a model portfolio constructed for each specific investment strategy the Firm offers, and then tailors the model for each client, taking into account the client's individual needs, including client requested restrictions, cash needs, tax considerations, and other items, while generally remaining consistent with the Firm's model for that strategy. There may be an opportunity to employ client requested restrictions on a case-by-case basis; any proposed client requested restrictions should be provided to the Firm in writing in advance for its consideration. The Firm will also consider allowing clients to impose restrictions on investing in certain securities or types of securities.

Apella acknowledges that it is a fiduciary with respect to any investment advice. Apella strives to ensure high standards of ethical conduct among its employees to protect the firm's clients and firm reputation. Apella employees take their positions of trust seriously and must act professionally and with complete propriety at all times.

The model strategies utilized by Apella IARs cover a range of investment strategies that include equity and fixed income allocations in varying percentages. The various model strategies are generally composed of pooled investments including mutual funds, exchange

traded funds, and other similar registered products. Some of the model strategies are designed and maintained by The Investment Committee of Symmetry Partners, LLC (“Symmetry”) (an affiliated registered investment adviser). Apella or the Investment Committee, as the case may be, selects third party investment advisory firms (“External Managers”) to manage specific portions of the allocation consistent with the overall asset allocation strategy developed by the Investment Committee, including model portfolios comprised of the Symmetry-managed Panoramic Funds (described below under Panoramic Fund Model Portfolios). External Managers are selected based on an evaluation of the investment advisory organization, including the organization’s performance against selected benchmarks, investment style within a particular asset class, expenses and related factors. Apella also creates individual security portfolio solutions under the Apella Select program, designed to give clients exposures similar to several diversified indices, as well as offering specific factor emphasis.

Apella or the Investment Committee, as the case may be, monitors the performance of External Managers, including managers’ adherence to investment style and continuing suitability with respect to model strategies and overall asset allocation strategy, as well as overall expense levels. As part of this monitoring process, Apella or the Investment Committee, as the case may be, employs the services of various outside consulting and research providers to obtain performance measurement, including index and peer group comparisons, and/or other services. Apella and/or the Investment Committee continually monitor the capital markets and various asset classes. Periodically, Apella and/or the Investment Committee may recommend adjustments to model strategies in seeking to avoid risk or gain exposures associated with investment opportunities.

The Firm’s advisory services may include the following: reviewing the client’s investment portfolio at the commencement of the Apella advisory relationship; assessing the client’s investment needs and objectives; investment policy planning and suitability; developing an asset allocation strategy designed to meet client objectives; ongoing monitoring of the performance of the accounts; implementation of asset allocation strategy; reviewing accounts to ensure adherence to policy guidelines and rebalancing asset allocations when Apella, in its discretion, deems such re-balancing appropriate for the client; answering client inquiries; updating client information; and interviewing the client at least annually to identify changes in the client’s financial situation. The client should notify Apella promptly if the client’s financial situation or investment objectives change.

*Discretionary Services* - As designated in the client’s Investment Advisory Agreement, Apella may be engaged to provide investment advisory services on a discretionary basis, whereby Apella may, without client consent, implement investment strategies or change portfolio holdings or allocations, provided all actions are consistent with a client’s risk tolerance and investment objectives. Please see Investment Discretion below, Item 16.

*Non-Discretionary Services* - In contrast to “Discretionary Services,” when Apella is engaged (per the Investment Advisory Agreement) to provide Non-Discretionary advisory services, the Apella IAR will recommend a course of action and seek client consent or direction before proceeding with implementation.

*Qualified Plan Clients* - Apella IARs may refer qualified plan clients to Symmetry for investment management services provided by the Symmetry Retirement Program. Qualified plan clients include those complying with the requirements of Section

401(a) (and related sections) of the Internal Revenue Code. Should a qualified plan client engage Symmetry for investment management services, the Apella IAR would serve as a co-adviser to the qualified plan client.

Symmetry is an investment manager as defined in sections 402(c)(3) and (3)(38) of the Employment Retirement Income Security Act of 1974 ("ERISA"). Symmetry works with a select group of third-party administrators referred to as Symmetry's QP Partners. Symmetry offers its investment management services to 401(k) and qualified plans through the Symmetry Retirement Program. Symmetry services include, but are not limited to, reviewing investment options, recommending a portfolio structure, and recommending appropriate changes in portfolio holdings.

A full description of the Symmetry Retirement Program will be provided to plan sponsor/client by the Apella IARs. Other Apella IARs services may include, but are not limited to, assist in assessing and gathering information to determine the suitability of Symmetry's services for the plan, assist in enrollment meetings, provide investment education to participants, be reasonably available to plan sponsor for questions and requests, and contacting the plan sponsor at least annually to see if there has been a change in the plan's financial situation.

To the extent that an account is an employee benefit plan described in section 3(3) of ERISA and subject to Title I of ERISA (an "ERISA plan") or a plan described in Section 4975(e)(1)(B) through (F) of the Internal Revenue Code of 1986, as amended ("Code") and subject to Section 4975 of the Code, including an individual retirement account (an "IRA") (each a "Retirement Client"), Apella acknowledges that it is a fiduciary under ERISA or the Code, or both, as applicable, with respect to any investment advice (as defined in 29 C.F.R. § 2510.3-21) it provides to the Retirement Client with respect to the Account.

For additional information on Symmetry Partners, LLC, and their Retirement Program, please refer to Symmetry's ADV Part 1 and 2A, which can be found at [www.adviserinfo.sec.gov/Firm/120982](http://www.adviserinfo.sec.gov/Firm/120982).

#### Conflict of Interest – IRA Rollover Recommendations

When recommending that a client rollover his or her account from current retirement plan to an IRA, Apella and its investment adviser representatives have a conflict of interest. Apella and its representatives can earn investment advisory fees by recommending that a client rollover his or her account at the retirement plan to an IRA. Apella has taken steps to manage this conflict of interest arising from rolling over funds from an ERISA covered retirement plan to an IRA. Apella and its investment adviser representatives will:

- i. provide investment advice to ERISA covered retirement plan participant regarding a rollover of funds from the ERISA covered retirement plan in accordance with the fiduciary status described below,
- ii. not recommend investments which result in the firm receiving unreasonable compensation related to the rollover of funds from the ERISA covered retirement plan to an IRA, and
- iii. fully disclose compensation received by Apella and its supervised persons and any material conflicts of interest related to Apella recommending the rollover of funds from the ERISA covered retirement plan to an IRA and

refrain from making any materially misleading statements regarding such rollover.

#### Written Acknowledgement of Fiduciary Status

When we provide investment advice to a client regarding their retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts, and will comply with Impartial Conduct Standards as described below. The way we make money creates some conflicts with client interests, so we operate under a special rule that requires us to act in the client's best interest and not put our interest ahead of the client's interest. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice)
- Never put our financial interests ahead of the client's interest when making recommendations (give loyal advice)
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in the client's best interest;
- Charge no more than is reasonable for our services;
- Give basic information about conflicts of interest: and
- Assess, in writing, whether a rollover to Apella is in the client's best interest.

If our investment advice includes a recommendation that the Retirement Investor roll over assets to a Firm Account, or from one type of Firm Account to another, we are required to provide documentation of the specific reasons that such recommendation is in the Retirement Investor's Best Interest.

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

Apella also provides advice in the form of a financial plan. An advisory client of Apella may receive these services as part of the bundled services offered under the established advisory fee. Alternatively, clients who are seeking financial planning services only, may receive these services on a standalone basis for a flat fee. The flat fee is negotiable depending on the services provided and is typically a one-time fee unless the client requests the services the following year. The financial planning fee is typically refunded to the client if the client chooses to engage Apella for investment advisory services. Financial Planning clients that come through the Knoxville, Tennessee, ("TN") office may pay an on-going financial planning fee for the services provided. All financial planning clients receive a written financial plan, providing the client with a detailed financial plan designed to achieve the client's stated financial goals and objectives. Implementation of financial plan recommendations is entirely at the client's discretion.

In order to develop a comprehensive plan, the Apella IAR will:

- Determine and prioritize personal and financial goals, needs and objectives.
- Gather the pertinent data and documents and conduct personal interviews with the client and professional advisers.

- Analyze and evaluate a client's overall financial situation.
- Develop and present investment and financial planning recommendations both verbally and in writing.
- Implement all investment and financial plans as directed by the client.
- Monitor and adjust plans as needed and directed on an ongoing basis.

Depending on a client's objectives, the resulting formal written plan will cover general financial planning, estate planning, educational fund planning, individual tax planning, retirement planning, risk management, and insurance planning.

### ***Joint Marketing Relationship***

Apella has entered into a Joint Marketing Agreement with CFS Financial, LLC, an investment adviser registered in the state of MA ("Referring Firm"), whereby Apella co-sponsors college planning seminars with Referring Firm. The purpose of the seminars is to educate participants regarding college funding options and, for a planning fee, to guide individuals ("College Planning Clients") through the college funding process. Certain College Planning Clients have financial planning or investment advisory needs beyond the scope of services provided by Referring Firm. Referring Firm may refer such College Planning Clients to Apella for broader scope financial planning and/or for ongoing investment advisory services. Referring Firm receives fees for services it provides and additional compensation from Apella for referrals of clients for investment advisory services.

As described above, Referral Firm receives a fee for referring College Planning Clients to Apella for investment advisory services. Therefore, Referral Firm has a financial incentive to recommend Apella to its College Planning Clients over similar firms that do not compensate Referral Firm for referrals.

Clients referred by Referring Firm are subject to the same standard fee schedule as other Apella clients as other clients serviced by the same Apella office location. A portion of the investment advisory fee earned by Apella is then paid to Referral Firm. Given that Apella does not charge referred clients a higher fee than those clients not referred by Referral Firm, the referral fee serves to reduce the net fee retained by Apella.

### ***Investment Management Services***

Apella IARs may use any methods of analysis and any investment strategies the Firm believes will be helpful in achieving the investment objectives of its clients, consistent with any guidelines and restrictions that the client may otherwise request, and consistent with the information provided herein.

The Firm uses a variety of investment approaches and techniques in managing client portfolios, with an emphasis on the use of quantitative research and proprietary models to manage accounts, and to monitor selected investments and performance against internal parameters. The Firm primarily utilizes model strategies designed by Symmetry to cover a wide range of investment objectives, risk tolerances, and time horizons, while individually providing managed investment allocations more closely tailored to a particular investor profile. The strategies vary in their equity and fixed income exposures – and, within the equity allocations, further variance with respect to market capitalization and style – and, within the fixed income allocations, further variance in credit quality and duration.



The recommendations implicit in the model strategies may reflect recommendations being made by Symmetry contemporaneously to, or investment advisory decisions made contemporaneously for, similarly situated discretionary clients of Symmetry or affiliated entities. As a result, Symmetry or its affiliates may have already commenced trading before an Apella IAR has received or has had the opportunity to evaluate or act on Symmetry's model strategy information. In this circumstance, trades ultimately placed by an Apella IAR for its clients may be subject to price movements that may result in Apella clients receiving prices that are less or more favorable than prices obtained by Symmetry for its client accounts.

Symmetry also has model portfolios composed of proprietary mutual funds, the Symmetry Panoramic Funds, each a Fund and collectively the "Funds" which are registered with the SEC under the 1940 Act, ("40 Act") and the Securities Act of 1933. Use of Symmetry Panoramic Funds in client portfolios is discussed further under *Symmetry Panoramic Model Portfolios*, below.

Apella IARs manage the assets in client accounts and may invest a portion or all of a client's assets in accordance with model strategies. IARs may also customize portfolios to better address the client's stated investment objective, including but not limited to, tax sensitivity, allocation criteria, and liquidity requirements. In some cases, when a client account is transitioned to Apella through one of Apella's office location locations, the client may remain in their legacy portfolio and continue to have that portfolio managed by Apella. The Firm may use other funds and/or other investments vehicles apart from those mentioned in this section based on the client's unique circumstances. However, the primary investment vehicles utilized by Apella are mutual funds or exchange traded funds and the primary methodology is model based. Risks associated with these various vehicles are identified in Item 8 of this brochure.

Certain Apella IARs manage assets for participants in specific employee sponsored retirement plans and annuity contracts. The individual investments available in the employee sponsored retirement plans and annuity contracts differ from the model portfolios designed and managed by the Apella IARs and Symmetry. For this reason, while target allocations are materially similar to those provided directly by Apella or Symmetry, the returns for similar allocations will differ. Apella has contracted with Orion Advisory Services, LLC ("Orion") to utilize its technology platforms to support data reconciliation, performance reporting, fee calculation and billing, research, client database maintenance, quarterly performance evaluations, payable reports, website administration, models, trading platforms, and other functions related to the administrative tasks of managing client accounts. As a result of this arrangement, Orion will have access to client accounts, but Orion will not serve as an investment advisor to Apella clients. Apella has a separate Confidentiality Agreement with Orion and a copy of Apella's privacy policy can be obtained on the Apella website at [www.apellawealth.com](http://www.apellawealth.com). Apella and Orion are non-affiliated companies. Orion charges Apella a fee for each account administered by Orion. The annual fee is paid from the portion of the management fee retained by Apella.

### **Symmetry Panoramic Model Portfolios (Previously known as Structured Panoramic)**

The Apella IAR may recommend and utilize managed portfolio solutions composed of Symmetry Panoramic Funds. When Apella utilizes Symmetry Panoramic Fund Model Portfolios, Symmetry Partners receives a management fee from the Panoramic Funds. The

management fee is in addition to the advisory fee paid to Apella by Clients. While every mutual fund or sub-advised portfolio component used by Apella carries its own sub-advisory or investment management fee, in cases when Apella uses the Symmetry-managed Panoramic Funds, the affiliated entities receive both the advisory fee at the Client account level (paid to Apella) and the investment management fee at the fund level (paid to Symmetry).

While an Apella IAR will not receive more compensation for using Panoramic Fund Model Portfolios, Symmetry Partners will. The higher overall compensation received by the affiliated entities may create an incentive for an Apella IAR to recommend Panoramic Fund Model portfolios over another investment solution. This conflict created by higher affiliate compensation is addressed in a variety of ways, including disclosure of the conflict in this Brochure. In addition, as fiduciaries, the Apella IARs are required to consider the costs of any investment solution in conjunction with the anticipated benefits to the Client. The Apella IARs are further required to recommend only those investment solutions that are suitable for each client based on the client's investment objectives, risk tolerance and financial situation and needs.

### **Apella Select**

Apella Select services includes two distinct separately managed account (SMA) options. The Investable Index Series targets popular equity indexes, while the Multi-Factor Strategies are designed to capture multi-factor strategies comprised of individual stocks and ADRs.

- ***Investable Index Series***

Our Investable Index Series was designed to provide your Financial Advisor with Model options that behave in a manner similar to a broad-market index while, at the same time, allowing for customization and active overlay management techniques through individual security ownership.

- ***Multi-Factor Strategies***

Our Multi-Factor Strategies are comprised of broadly diversified investment solutions that include individual stocks and ADRs. These portfolios are constructed based on quantitative rules-based methods that seek to capture specific factor premiums, such as Value, Momentum and Profitability, and will rebalance on a regular basis to maintain intended diversification and factor exposures. Portfolios of individual securities may be the appropriate solution for clients with tastes and preferences or needs that are better met by these portfolios. The current offering includes strategies that cover the United States, International, and Global geographies and can include factors such as Value, Momentum, and Profitability (or Quality).

Your Financial Advisor may utilize either of these Models to serve several construction objectives inside your portfolios. Your Financial Advisor may wish to use these Models as a core module inside of a larger core/satellite portfolio. These Models may also be suitable as a starting point to express your preferences for lifestyle- or religious- specific customizations that could otherwise not be expressed through a pooled vehicle such as an ETF or Mutual Fund. Finally, these Models may be utilized as a tax-aware module within your portfolio where specific tax lots of individual securities may be loss-harvested (see Tax Overlay Management Services) while at the same time demonstrating index-like tracking

characteristics. While the Models themselves are not managed in a tax sensitive fashion, the structure does help facilitate more effective tax management from the dispersion among a sample of the constituents securities of an index as well as the potential for various tax lots for these securities.

- ***Completion Portfolios***

As noted above, the Investable Index Series offers investment solutions that closely track the performance of indices. In some cases, those solutions may not represent the entirety of a client's appropriate investment solution. As such, Apella may offer model portfolios of mutual funds or ETFs that are intended to be paired with various solutions offered in the Investable Index Series in order to achieve a total portfolio solution consistent with a client's needs. Examples of what may be included in Completion Portfolios include Emerging Market equity, small and micro-cap equity, high-turnover factor strategies like momentum, and other sub-strategies of a portfolio that may not be offered in the Investable Index Series.

- ***Tax Overlay Management Services***

Apella can provide Tax Overlay Management services to Apella Select accounts. In providing Tax Overlay Management services, we consider the tax consequences of transactions in your account and will adjust our services accordingly. We attempt to accomplish tax-aware investment management through gain-loss matching, harvesting losses and/ or gains, deferring gains until securities reach preferential tax status, and avoiding imprudent wash sale transactions to improve the after-tax return while staying as consistent as possible with the risk/return characteristics of your account's Strategy.

Our ability to improve your after-tax return depends on various factors beyond our control including economic and market conditions, regulatory changes, actions taken by your custodian broker-dealer, the specifics of your account's strategy, the starting portfolio in your account, your tax circumstances and mandates as communicated by your Financial Advisor. Tax Overlay Management may cause the actual performance in your account to vary from the "stated" performance of the Strategy's Manager.

Tax Overlay Management services are provided in connection the Apella Select Program and to financial planning clients who receive services from one of Apella's appropriately credentialed IARs. We do not provide general tax planning advice or services outside of these types of client engagements. To provide Tax Overlay Management services, we rely solely on the information provided by you and your custodian broker-dealer. If that information is inaccurate, incomplete or not timely, our ability to provide Tax Overlay Management may be adversely affected. We make no guaranty that taxes in your account will be reduced. If an account contains mutual funds and/or exchange traded funds ("ETFs"), our Tax Overlay Management services are generally applied on the portion of your account containing equity securities and not to the portion that consists predominantly of mutual funds and/or ETFs.

By default, accounts are managed without Tax Overlay Management Services unless specifically elected by your Financial Advisor. Please note that with Apella Select there are minimum investment levels.

### **C. Individual Tailored Services and Reasonable Restrictions**

Apella's IARs assist clients in determining which model strategy or allocation is most appropriate for a client's particular needs. Apella IARs may also customize portfolios to meet the unique needs and objectives of its clients. Clients may place reasonable restrictions on their accounts. However, Apella may decline a restriction request upon notice to the client if the request is fundamentally inconsistent with Apella's investment philosophy, is counter to the client's stated investment objectives, or would prevent the firm from properly servicing client accounts.

### **D. Wrap Fee Programs**

Apella is not a sponsor of or a portfolio manager to a wrap fee program.

### **E. Assets Under Management**

As of December 31, 2022, Apella's assets under management total for discretionary assets under management was approximately \$2,121,000,000 and non-discretionary assets under management of approximately \$356,900,000.

## ITEM 5: FEES AND COMPENSATION

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### A. Fees

Advisory services can be priced in multiple ways depending on various factors and the client's specific situation. Advisory fees are generally based upon an analysis of the client's financial goals and needs, along with the complexity of their objectives. A client's specific pricing is fully described in the client's Investment Advisory or Financial Planning agreement.

Fees are based on a number of criteria, which may include, but are not limited to:

- Investable assets / assets subject to the agreement;
- Complexity of the client's needs, objectives or planning concerns;
- Services provided;
- Amount of time allocated and/or anticipated to be allocated to the client's advisory or planning needs; and/or
- Customization and requests for expedited services.
- Office location servicing the client.

Fees may be charged in a number of ways depending on the specific services being rendered and the client's specific situation, including:

- Fees charged as a percentage of assets under management or advisement;
- Negotiated flat fee (one time or annually recurring); and/or
- Hourly fee.

The client's fee is generally deducted from the client account. Though, clients may be billed for certain services or upon request. The client is also charged a custodian fee and may incur transaction costs such as, but not limited to, wire fees, commissions, and termination fees – such fees are charged by and payable to the client's custodian. A description of these expenses and fees can be found in the client's custodial agreement and are described in greater detail below. In addition, the client also pays fees and expenses related to the client's investments in mutual funds and ETFs. A description of these fees and expenses can be found in each fund's prospectus. Mutual fund and ETF fees are collected by the mutual fund or ETF as a fund expense and do not result in additional billed expenses. Unless a flat fee has been requested or negotiated, Apella will charge an annual fee based on the client's assets under management. The following tiered fee schedule (which may be negotiable) applies to the organic clients of Apella, however, Apella has acquired various firms that may have a higher fee schedule:

Range Start	Range End	Percentage
\$0	\$1,000,000	1.00%
\$1,000,001	& Above	0.50%

The following tiered fee schedule applies to the clients that come to Apella through the Dallas, Texas office:

Range Start	Range End	Percentage
\$0	\$1,000,000	1.25%
\$1,000,001	\$2,500,000	1.00%
\$2,500,001	\$5,000,000	0.90%
\$5,000,001	\$10,000,000	0.80%
\$10,000,001	& Above	0.60%

The following tiered fee schedule applies to the clients that come to Apella through the Irvine, California office:

Range Start	Range End	Percentage
\$0	\$1,000,000	1.25%
\$1,000,001	\$2,500,000	1.00%
\$2,500,001	\$5,000,000	0.80%
\$5,000,001	\$10,000,000	0.70%
\$10,000,001	\$25,000,000	0.60%
\$25,000,001	& Above	0.50%

### ***Retirement***

For Symmetry's investment management services under the Symmetry Retirement Program, clients will be charged an annual fee based on client's assets under management. Symmetry's fees are negotiable. The progressive fee schedule is as follows:

Range Start	Range End	Percentage
\$0	\$1,000,000	0.35%
\$1,000,001	\$3,000,000	0.32%
\$3,000,001	& Above	0.30%

For additional information on fees regarding the Symmetry Retirement Program, please refer to Symmetry's ADV Part 2A located at [www.symmetrypartners.com](http://www.symmetrypartners.com).

Apella IARs charge an annual fee for accounts in the Retirement Program. The fee is negotiable, but will not be over the maximum fee allowed, which is 0.80%.

In addition, Apella IARs charge a separate fee on assets in the Apella Select Program. The standard fee is 0.25% on assets under management within the program. This fee is in addition to the standard advisory fees described above.

On assets subject to an investment management agreement, the Firm receives no additional remuneration outside of asset-based fees directly paid by clients for investment management services, with the following exceptions:

### ***Financial Planning Fees***

Should clients engage Apella for financial planning services, specific planning fees will

apply. Financial planning fees can vary based on the Apella office providing the services, along with the scope and duration of planning services provided. If a client engages Apella for ongoing investment management services, financial planning fees may be rebated or credited against Advisory fees. Financial planning fees may not be rebated or used to offset investment management fees depending on the nature of and duration of the planning services.

The client may be charged a flat fee for financial planning services, which is negotiable depending on the services provided. Generally, the fee range starts at \$1,000.00 and increases based on complexity. Financial planning fees may be rebated or credited against Advisory fees if the client chooses to engage Apella for investment advisory services.

Further, fees may vary from the above standard fee schedule depending on the time frame the client was introduced to Apella or which office location is servicing the client. In all cases, fees are disclosed to the client.

### ***Insurance Referral Revenue***

Effective April 1, 2023, Apella will no longer actively participate in insurance referral sales. The Firm may continue to receive revenue from trailer commissions from insurance sales referred prior to that date. Assets used for the purchase of insurance products fall outside the asset base for which Apella charges asset-based fees for investment management services. For a more complete description of insurance sales revenue, please refer to Item 5.

On assets participating in an Apella investment management service, the Firm receives no fees in addition to the asset-based fees directly paid by clients, with limited exceptions for ongoing financial planning as described above. However, Apella does compensate affiliated entities for support services provided to Apella clients and on Apella accounts, including:

*Administrative Services* – On a limited basis, Symmetry provides a variety of administrative services on certain Apella accounts, including certain platform services and marketing support. As stated above, Symmetry is compensated for back office services to Apella directly.

*Model Portfolio Management Services* – In the event all or a portion of a client portfolio is allocated to a model strategy designed and managed by Symmetry, a portion of the asset-based fee paid to Apella by an Apella client is used to compensate Symmetry for model portfolio management services.

The costs associated with Administrative and Model Portfolio Management Services are a sub-set of the Apella asset-based fee and are not an additional fee.

## **B. Fees Calculation and Process**

### ***Billing in Advance***

Certain Apella clients are billed quarterly in advance, based on the quarter-end values of a client's account on the last trading day of the previous quarter. Advance billed clients will be charged a partial fee for the first quarter calculated in arrears. The first quarter fee will be based on the client's initial assets under management (discretionary) or advisement (non-



discretionary) and pro-rated from the later to occur of 1) the date the assets are transferred into the custodial account or 2) the date of the Investment Advisory Agreement. In the event non-discretionary assets are not held with an Apella-approved custodian, such pro-rated billing will begin on the date of the Investment Advisory Agreement. Accounts closed mid-quarter will receive a pro-rated rebate. For clients billed based on prior period-end account values, there is no adjustment made to Apella's fee as a result of increases or decreases in account values during a billing period. Fees payable upon establishment or termination of the account will be prorated for the portion of the billing period during which the account is managed. A prorated refund will be given to the client if the relationship is terminated after fee payment and prior to the end of the billing period. Investments in pooled investments made in client accounts, whether in mutual funds, exchange traded funds, limited partnerships or other structures, will include their own fees and expenses, including management and fund administration fees, among others (as more fully described below). A complete explanation of all fees and expenses charged by commingled funds is contained in each fund's offering documents, which should be read carefully.

### ***Billing in Arrears***

Certain other Apella clients are billed quarterly in arrears, based on the quarter-end values of a client's account on the last trading day of the quarter. The first quarter's fee will be based on the client's initial assets under management and pro-rated from the date the assets are traded in the account. Should an account be terminated, the fee will be calculated based on the ending value of the previous day market value. Per the advisory contract, the client directs the firm to direct the custodian to deduct fees from the account.

### ***Billing Based on Average Daily Balance***

Certain Apella clients are billed based on average daily balance. An account's "average daily balance" is determined by combining each day's account balance for the prior billing period and then dividing that total by the number of days in the period. For purposes of billing, the average daily balance is used as the account value on which the advisory fee is based. Whether billed in advance or arrears, the average daily balance is calculated over the period preceding the billing date.

Apella's fees may be amended at its discretion.

The client, depending on the custodian, may request that related accounts be combined in order to meet fee breakpoints and reduce the advisory fee charged. Apella will evaluate such requests on a case-by-case basis. Apella reserves the right to waive the advisory fee for certain accounts, such as but not limited to, employee accounts. The standard fee schedules and minimum account sizes indicated for the investment management services are negotiable and as a result, clients with similar assets may have differing fee schedules and pay different fees. Clients who negotiate a flat fee schedule may or may not pay a higher fee than those who pay under a tiered schedule, depending on asset levels. Clients will be charged a fee on all assets (securities, cash and cash equivalents), in the account unless otherwise agreed upon between parties.

In the event multiple related accounts are managed by Apella, the Firm may designate specific account(s) to deduct advisory fees for the client relationship.



## **C. Custodian Fees and Other Expenses**

### ***Pooled Investment Fees/Expenses***

Fees paid to Apella for investment advisory services are separate and distinct from the fees and expenses charged by underlying pooled investments such as mutual funds and exchange traded funds. In the case of mutual funds, these fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expense, and possible distribution fee. As a general rule, Apella does not use mutual funds that charge sales charges or distribution fees. Expenses of a fund, including management fees payable to the mutual fund manager and other expenses, will not appear as transaction fees on a client's Apella statement, as they are deducted from the value of the fund shares by the mutual fund service provider.

Shareholder fees are fees charged directly to mutual fund investors in connection with trans- actions such as buying, selling, or exchanging shares, or on a periodic basis with respect to account fees. An investor can find these fees and charges listed in the "Fee Table" section of a mutual fund's prospectus or summary prospectus under the heading "Shareholder Fees." ETFs don't charge these fees directly to investors, but they may have several types of trans- action fees and costs.

Operating expenses are ongoing mutual fund and ETF costs such as investment advisory fees for managing the fund's holdings, marketing and distribution expenses, as well as custodial, transfer agency, legal and accountant's fees. Operating expenses are regular and recur- ring fund-wide expenses that are typically paid out of fund assets, which means that investors indirectly pay these costs. These expenses are identified in the "Fee Table" section of a mutual fund's or ETF's prospectus or summary prospectus under the heading "Annual Fund Operating Expenses."

Certain mutual funds charge an early redemption fee if fund shares are sold prior the particular fund's required holding period. Clients should refer to each fund's prospectus for specific information regarding early redemption fees.

### ***Custodial and Transaction Fees and Expenses***

Clients will incur certain charges imposed by financial institutions and other third parties such as custodial fees, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on broker- age accounts and securities transactions. Additionally, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to the Apella asset-based fee. For information relating to custodial fees and expenses, please refer to the applicable custodial agreement or contact the applicable custodian.

Depending on custodian, employees of Apella may benefit from lower transaction and custodial fees relative to those fees paid by clients.

## **D. Fees in Advance**

As explained above, Apella has clients whose fees are deducted in advance. The first full quarter is calculated in advance based on the quarter-end values of a client's account on the last trading day of the previous quarter. The first quarter fee will be based on the client's

initial assets under management and pro-rated from the date the assets are traded in the account. The clients will be charged a partial fee for the first quarter calculated in arrears. Accounts closed mid-quarter will receive a pro-rated rebate.

#### **E. Additional Compensation**

Except as described below, Apella does not receive any transaction-based compensation for the sale of securities or investment products, asset-based sales charges, or service fees from the sales of mutual funds that are in addition to the investment management asset-based fee described above.

Apella and certain Apella IARs are licensed insurance agents. Apella is registered as an insurance producer in various jurisdictions. As a result, the financial planning or investment management processes may have resulted in recommendations to purchase insurance products (life insurance, annuities, disability insurance, among other products). In the event an Apella client purchased an insurance product as a result of an Apella IAR referral, Apella and the Apella IAR would receive a portion of the total commission. These commissions typically increased as the cost of the insurance product increased.

**Effective April 1, 2023, Apella and its IARs will no longer participate in insurance referrals. However, Apella and some of its IARs may continue to receive trailer commissions from insurance referrals made prior to that date.**

While Apella does not receive transaction-based compensation for client investments, please refer to the Advisory Business section, above, for details relating to the Symmetry Panoramic Model Portfolios and associated affiliate revenue.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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Apella does not assess performance-based fees. Apella does not engage in side-by-side management.

## ITEM 7: TYPES OF CLIENTS

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### A. Types of Clients

Apella provides services to individuals, trusts, corporations, charitable organizations, pensions, profit sharing plans, and state and government entities.

### B. Conditions for Managing Accounts

#### *General Information on Portfolios*

There is typically a cash position in each portfolio. The cash positions will be invested in a money market fund, which will vary depending on the custodian.

Changes to portfolio holdings which comprise the portfolios may have tax consequences. If a client sells assets in a taxable account, they may have to pay tax on any gain. While Apella seeks to mitigate tax exposure when possible, clients may incur a taxable event in connection with Apella's management of their portfolios.

#### *Mutual Fund Portfolios*

Clients' investments may not match exactly the target allocations for the applicable model portfolio due to a variety of implementation factors, including but not limited to:

- the custodian or trading platform's own trading algorithm;
- any changes in price from the time the positions are calculated to the time they are actually traded;
- certain custodians may eliminate positions with small allocations; and,
- Apella may determine not to implement, for a given client, changes made to the applicable model portfolio due to client-specific factors, such as the desire to avoid realizing capital gains or otherwise.

The holdings comprising the model portfolios and the allocations to those holdings have changed over time and may change in the future.

Please be advised that a Mutual Fund Portfolio which utilizes Vanguard mutual funds would subject investors to the funds' frequent trading limitations.

#### *ETF Portfolios*

Clients' investments may not match exactly the target allocations for the applicable model portfolio due to a variety of implementation factors, including but not limited to:

- the custodian or trading platform's own trading algorithm;
- any changes in price from the time the positions are calculated to the time they are actually traded;
- the fact that ETFs can only be purchased in whole shares;
- certain custodians may eliminate positions with small allocations entirely; and Apella may also determine not to implement, for a given client, changes made to the

applicable model portfolio due to client-specific factors, such as the desire to avoid realizing capital gains or otherwise.

The holdings comprising the model portfolios and the allocations to those holdings have changed over time and may change in the future.

### *Operational Requests*

Unless otherwise noted in this brochure, trading, back office and operational requests are directed to the Apella Glastonbury, Connecticut, ("CT") office. Apella has adopted the following operational protocols which may affect the processing of a client's account and requests.

Some requests including, but not limited to, distributions and liquidations, will ordinarily be processed on the same day if received by Apella, in good order, by 12 noon EST. All requests received after 12 noon EST will be handled on a best-efforts basis.

Please note that Apella will use its best efforts to invest deposits and process model change requests within 5 business days of receipt. Distributions from accounts may take up to 10 business days from receipt of request due to settlement dates, administrative duties and other involved institutions' various timelines. Please note that distributions or transfers related to the closing of an account may take up to 30 business days.

Upon termination of an account, the custodian and/or firm to which the client is transferring their account to may not be able to hold the funds in which the client is currently invested.

### *Trade Error Policy and Process*

Apella's policy and process is to reconcile all trading activity. Apella seeks to identify and resolve trade errors in a reasonable timeframe; document each trade error with appropriate supervisory approval; and maintain a trade error file. Apella does not engage in any soft dollar arrangements to correct trades and does not correct trades by selling to or purchasing securities from other clients' accounts. Apella does not derive any economic benefit from correcting a trade error. The trade policies and procedures of the custodian may also be a factor in the correction of a trade error.

Apella will analyze the trade to determine if the client has experienced a loss resulting from an internal error. Apella will reimburse the client for any losses suffered due to an internal error. If the client benefitted from the error, the resulting gains would remain in the client account. If the same error results in both losses and gains to a client account, Apella will offset the losses with the gains and will reimburse the client in the event the losses exceed the gains. For losses suffered as a result of Apella's error, generally, Apella will issue a check to the client or applicable custodian or otherwise credit the client account for the amount of loss. In certain circumstances, Apella may credit the client the next advisory fee for the amount of the loss. Apella will notify the client of errors for which Apella is responsible that resulted in a loss of more than \$10. Errors that result in a loss of less than \$10 will be corrected in the client account without notification

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## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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### A. Method of Analysis and Investment Strategies

Apella IARs will assist each client in identifying the client's financial objective through the use of approved documentation and third-party software. Apella's asset allocation process involves the development of structured allocation strategies (either internally or by the "Investment Committee"), determining client specific asset-class weightings based on sought-after returns and specific risk tolerance levels, and determining the optimal mix of alternative investment strategies, if any, for each client. The Firm will review a client's current investments, discuss the client's investment objectives and risk tolerance, as well as any potential investment restrictions, and plan a transition for the client's assets from their current holdings to the Firm recommended positions. Transition plans may involve the transition of client assets to one or more model allocation strategies designed and managed by Symmetry. In the alternative, transition plans may involve the transition of client assets to a custom portfolio designed by the client's IAR in conjunction with the Investment Committee. Transition plans may also include a combination of Investment Committee designed model portfolios or other custom designed solutions.

Apella formulates investment advice based on its understanding of a client's unique financial circumstances, investment return objectives, and behavioral and economic tolerance for sustaining losses in portfolio value. Periodic face-to-face meetings and analysis of client financial assets and liabilities form the basis of the Firm's recommendations concerning how to structure an investment portfolio best suited to a client's circumstances.

The Firm generally seeks to manage portfolios with similar investment objectives, strategies, guidelines and restrictions, in a manner which, over a reasonable period of time, results in comparable asset class, market capitalization, style, and geographic weightings across such portfolios. However, at times it may be appropriate for the Firm to make recommendations and take actions that are different for otherwise similar accounts. Different actions may be taken for similar accounts because of other circumstances that affect the account, including, but not limited to the account's size, cash additions and withdrawals for the account, the account's tax status, the tax ramifications of particular trades, the timing of an account's entry into the market.

The model investment portfolios may be comprised of open-end mutual funds and / or ETFs offered by unaffiliated investment companies, or they may be comprised of Symmetry Partners' proprietary line of Panoramic mutual funds. The Symmetry Panoramic mutual funds may hold substantially the same open-end mutual funds and ETFs, or substantially the same coverage of investment strategies, included in other asset allocation models. Symmetry's Panoramic mutual funds' principal investment strategies are defined by asset class and / or by geographic region.

Model portfolios incorporate multiple factors, or sources of an expected return premia, that are relevant to multiple asset classes and all geographic regions.

Apella's **equity strategies** are factor-based, broadly diversified across global markets and do not engage in market timing, or stock picking outside of what is entailed in the factor orientation of the portfolios. The firm does overweight or underweight at the asset class level in an effort to capture factor premiums that academic research has shown

have historically been available.

Apella's **fixed income strategies** are primarily focused on investment grade securities, but could include below investment grade, or High Yield, allocations up to approximately its share of the overall market in higher equity allocation portfolios.

The degree of interest rate risk, diversification among credit qualities, and inclusion of foreign bond issues (whose foreign currency risk is largely hedged back to the U.S. dollar) increases across the asset allocation spectrum as investor's risk tolerance increases. Apella's fixed income allocations for tax-sensitive investors typically include a large proportion of municipal bonds due to the largely tax-exempt nature income from these securities.

The methods of analysis and investment strategies are based on academic research into optimal investing, with an emphasis on Modern Portfolio Theory (MPT) and Quantitative Methods of Analysis that extend from MPT. The analysis methods may include: use of MPT metrics such as return, standard deviation, and Sharpe Ratio, etc. Please see definitions of these terms below. Apella's investment strategies consist of equity, fixed income components (or one or the other), and possibly also alternatives, and are comprised of open-end mutual funds, exchange traded funds, and sub-advised accounts.

### ***Modern Portfolio Theory***

Modern Portfolio Theory is a method for investing assets in such a way as to maximize the amount of return offered by the investment per unit of risk taken.

*MPT Metrics:* Modern Portfolio Theory metrics include return, standard deviation, and Sharpe Ratio.

*Return:* A measure of the amount the investment has earned as a percentage of the amount that was invested.

*Standard Deviation:* A measure of volatility or the dispersion of returns that the investment has experienced. A high standard deviation indicates a wide dispersion, which is considered to indicate a higher risk than an investment with a low standard deviation.

*Sharpe Ratio:* A measure that combines return and standard deviation in an attempt to show the client the amount of return the investment offered for the level of risk that was taken. Specifically, Sharpe ratio measures the return of the investment over and above the return that could have been obtained in a relatively risk free investment instrument (such as Treasury Bills), divided by the standard deviation of that additional return.

### ***Quantitative Methods of Analysis***

Apella employs quantitative investment analysis techniques to both make its asset allocation decisions and to assess ex-post performance of these asset allocation models. Regression analysis and holdings-based analysis are the quantitative analysis methods used by Apella that are significant.

*Regression Analysis:* A statistical measure that attempts to determine whether there is a relationship between two or more variables. Regression analysis is often used to determine whether the behavior of one investment asset is dependent upon the behavior of one or more other assets, by quantitatively analyzing their returns. For example, whether the performance of a certain mutual fund is dependent upon the performance of the stock market in general.

*Holdings-Based Analysis:* An analysis of fund holdings that allocates underlying securities to various segments based on chosen characteristics and measures how different the weight of the fund's allocation to that segment is from the benchmark's weight to that segment.

## **B. Risk of Loss Involved for Investment Strategy**

The following is a description of the principal risks of Apella's methods of analysis and investment strategies that may adversely affect risk and return. There are other circumstances (including additional risks that are not described here) which could prevent Apella from achieving its investment objectives. As with any investment strategy, there is a possibility of loss. No current or prospective client should assume that future performance of any specific investment strategy or product made reference to directly or indirectly in this material will be profitable.

### *Economic and Market Events Risk*

Markets can be volatile in response to a number of factors, as well as broader economic, political, military and regulatory conditions. Events in the U.S. and global financial markets, including actions taken by the U.S. Federal Reserve or foreign central banks to stimulate or stabilize economic growth, may at times result in unusually high market volatility, which could negatively impact performance and may prevent Apella from executing a particular strategy successfully. It is not always possible to access certain markets or to sell certain investments at a particular time or at an acceptable price, thereby impacting the liquidity of a given portfolio. The value of a client account will change daily based on changes in market, economic, industry, political, military, regulatory, geopolitical and other considerations.

### *Epidemic and Pandemic Risk*

The outbreak of the novel coronavirus ("COVID-19") is an unprecedented event that may continue to disrupt market activity and could have material adverse impacts on the performance of a client's account. It has led to global travel restrictions, market disruptions, and economic uncertainty, which have impacted markets negatively. The economic uncertainty and impact of COVID-19 could continue for an extended period of time and result in economic volatility or recession. Health crises caused by outbreaks, such as COVID-19, can exacerbate other pre-existing political, social and economic/market risks. The overall impact of COVID-19 has negatively affected, and other epidemics and pandemics that arise in the future could negatively affect, the worldwide economy, as well as the economies of individual countries, national, state or local governments, individual companies and the market in general in significant, potentially material, and unforeseen ways.



### *Managed Portfolio Risk*

Apella's investment strategies or selection of specific securities may be unsuccessful and may cause clients to incur losses.

### *Asset Allocation Risk*

The risk that the chosen allocation of assets will result in the underperformance of other strategies with similar investment objectives. In this regard, a strategy may also temporarily deviate from its factor exposures. In addition, strategies may be allocated to a limited number of underlying investment funds or managers, which could make those strategies dependent on the performance of those managers.

### *Apella Select Program Risk*

The Apella Select program provides clients with individual security portfolio solutions designed around individual client preferences. The Apella Select separately managed accounts (Apella Select SMAs) can be index- or factor-based. The index-based solutions are designed to give clients exposures similar to popular market indices, with far fewer individual security positions. The factor-based solutions are designed to emphasize those factors the Research/Portfolio Management team believes will optimize risk-adjusted return. Both the index-based and factor-based portfolios hold individual securities.

### *Issuer Risk*

The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's products or services.

### *Modern Portfolio Theory Risk*

A primary risk inherent in using Modern Portfolio Theory metrics is that these measures are necessarily based on historical returns, which may not accurately represent what can be expected going forward. Regression analysis and simulations both use the same historical data as is used in the calculation of MPT metrics and are therefore open to the same issues. Apella does not make predictions about future returns and therefore generally does not use "forward-looking" forecasts as inputs for its analyses.

### *Tracking Error Risk*

Tracking error risk refers to the risk that the performance of a client portfolio may not match or correlate to that of the index it attempts to track, either on a daily or aggregate basis. Factors such as fees and trading expenses, client-imposed restrictions, imperfect correlation between the portfolio's investments and the index, changes to the composition of the index, regulatory policies, high portfolio turnover and the use of leverage all contribute to tracking error. Tracking error risk may cause the performance of a client portfolio to be less or more than expected.

### *Factor Risk*

There can be no assurance that performance will be enhanced or risk will be reduced for funds or client portfolios holding individual securities that seek to provide exposure to certain quantitative investment characteristics ("factors"). Exposure to such investment factors may detract from performance in some market environments, perhaps for extended periods. In such circumstances, a fund or client portfolio may seek to maintain exposure to the targeted investment factors and not adjust to target different factors, which could result in losses.

### *Market Capitalization Risk*

Investing primarily in issuers in one market capitalization category (large, medium, small or micro) carries the risk that due to current market conditions that category may be out of favor with investors. Larger, more established companies may be unable to respond quickly to new competitive challenges or attain the high growth rate of successful smaller companies. Stocks of medium, small and micro capitalization companies may be more volatile than those of larger companies due to, among other things, narrower product lines, more limited financial resources and fewer experienced managers. In addition, there is typically less publicly available information about small and micro capitalization companies, and their stocks may have a more limited trading market than stocks of larger companies. Generally, the smaller the company size, the greater the risk.

### *Investment Style Risk*

The risk that different investment styles (e.g., "momentum", "value" or "quantitative") tend to shift in and out of favor, depending on market and economic conditions as well as investor sentiment. A portfolio may outperform or underperform other portfolios that employ a different investment style.

### *Momentum Style Risk*

Investing in or having exposure to securities with positive momentum entails investing in securities that have had above-average recent returns. These securities may be more volatile than a broad cross section of securities. In addition, there may be periods when the momentum style is out of favor, and during which the investment performance of a portfolio using a momentum strategy may suffer.

### *Value Investing Risk*

Value Investing Risk is the risk that the market will not recognize a security's inherent value for a long time, or that a stock judged to be undervalued by the Adviser may actually be appropriately priced or overvalued. Value oriented funds will typically underperform when growth investing is in favor.

### *Quantitative Investing Risk.*

The risk that the value of securities or other investments selected using quantitative analysis can perform differently from the market as a whole or from their expected performance. This may be as a result of the factors used in building the multifactor quantitative model, the

weights placed on each factor, the accuracy of historical data supplied by third parties and changing sources of market returns.

#### *Profitability Investment Risk*

High relative profitability stocks may perform differently from the market as a whole and an investment strategy purchasing these securities may cause a portfolio to at times underperform portfolios that use other investment strategies.

#### *Passive Investment Risk*

Apella uses passive or “enhanced passive” type funds to implement its strategies. Passive management implies that no attempt is made to “shield” the investor from down markets by selling out of investments. Diversification is used to mitigate risk, but while spreading assets out among various equity securities can reduce the risk of overweighting any one investment, it does not protect the client from the aforementioned market risks.

#### *Non-U.S. Securities Risk*

To the extent that Apella invests in companies based outside the U.S., we face the risks inherent in foreign investing, which includes the loss of value as a result of political or economic instability; nationalization, expropriation or confiscatory taxation; changes in foreign exchange rates and restrictions; settlement delays and limited government regulation. Adverse political, military, economic or social developments could undermine the value of our investments or prevent us from realizing their full value. Political and military events, including in North Korea, Russia, Venezuela, Iran, Syria, Ukraine and other areas of the Middle East, and nationalist unrest in Europe and South America, may cause market disruptions. Financial reporting standards for companies based in foreign markets differ from those in the US. Additionally, foreign securities markets generally are smaller and less liquid than U.S. markets. To the extent that Apella invests in issuers located in emerging markets, the risk of loss may be heightened by political changes and changes in taxation or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.

#### *Currency Risk*

The value of an investment may fall as a result of changes in exchange rates.

#### *Geographic and Sector Risk*

The risk that if a significant portion of a strategy’s total assets are invested in certain issuers within the same geographic region or economic sector, an adverse economic, business or political development affecting that region or sector may affect the value that strategy more than if a client’s investments were not so focused.

#### *Money Market Instrument Risk*

The value of money market instruments may be affected by changing interest rates and by changes in the credit ratings of the investments. An investment in a money market fund is

not insured or guaranteed by the FDIC or any other government agency. It is possible to lose money by investing in a money market fund. Recently, the SEC adopted money market fund reform intended to address potential systemic risks associated with money market funds and to improve transparency for money market fund investors.

### *ESG (Environmental, Social and Governance) Investing Risk*

ESG Investments may not be perfectly correlated to the broader market indexes they seek to replicate. Stocks screened by the index sponsor for ESG criteria may underperform the stock market as a whole or particular stocks selected for the Index will, in the aggregate, trail returns of other funds investment strategies screened for ESG criteria. The individual companies deemed eligible by the index provider may not reflect the beliefs and values of any particular investor and may not exhibit positive or favorable ESG characteristics. The components of the Index are likely to change over time.

### *Tax-Managed Investing Risk*

Investment strategies that seek to enhance after-tax performance may be unable to fully realize strategic gains or harvest losses due to various factors. Market conditions may limit the ability to generate tax losses. A tax-managed strategy may cause a client portfolio to hold a security in order to achieve more favorable tax treatment or to sell a security in order to create tax losses. A tax loss realized by a U.S. investor after selling a security will be negated if the investor purchases the security within thirty days. Although Apella avoids “wash sales” whenever possible and temporarily restricts securities it has sold at a loss to prevent them, a wash sale can occur inadvertently because of trading by a client in portfolios not managed by Apella.

### *Tax Regulation Risk*

The tax treatment of investments held in a client portfolio may be adversely affected by future tax legislation, Treasury Regulations and/or guidance issued by the Internal Revenue Service that could affect the character, timing, and/or amount of taxable income or gains attributable to an account. Income from tax-exempt municipal obligations could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or non-compliant conduct of a bond issuer.

### *Tax-Straddle Risk*

Investment strategies that utilize off-setting positions on a security or a portfolio of securities must adhere to specific rules and provisions under the Internal Revenue Code in order to avoid negative tax consequences. These provisions apply to an investor’s entire investment portfolio including accounts not managed by Apella. While Apella seeks to avoid “tax straddles”, an investor’s ability to realize tax benefits (e.g., defer gains, deduct interest, convert short term gains into long term gains) may be negated by transactions and holdings of which Apella is not aware.

### *Third-Party Managers*

The use of third-party managers in investment programs involves additional risks. The success of the third-party manager depends on the capabilities of its investment

management personnel and infrastructure, all of which may be adversely impacted by the departure of key employees and other events. The future results of the third-party manager may differ significantly from the third-party manager's past performance. While Apella and Symmetry intend to employ reasonable diligence in evaluating and monitoring third-party managers, no amount of diligence can eliminate the possibility that a third-party manager may provide misleading, incomplete or false information or representations, or engage in improper or fraudulent conduct, including unauthorized changes in investment strategy, insider trading, misappropriation of assets and unsupportable valuations of portfolio securities.

### *Cyber Security Breaches and Technology Risk*

Apella and its service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage or interruption from computer viruses, network failures, computer and telecommunications failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes.

A cybersecurity breach could expose Apella, its employees and clients to substantial costs (including, without limitation, those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage), civil liability as well as regulatory inquiry and/or action. In addition, any such breach could cause substantial withdrawals from client accounts. While Apella has established a business continuity plan in the event of, and risk management strategies, systems, policies and procedures to seek to prevent, cybersecurity breaches, there are inherent limitations in such plans, strategies, systems, policies and procedures including the possibility that certain risks have not been identified. Furthermore, Apella cannot control the cybersecurity plans, strategies, systems, policies and procedures put in place by other service providers to the client accounts and/or the issuers in which client assets are invested.

## **C. Risks of Specific Securities Utilized**

Apella primarily recommends open ended mutual funds and exchange traded funds. In addition, within the Apella Select Program, Apella builds individual security portfolios using index-based screening. The following are risks involved with these investments. As stated in Item 4, when a client is transitioned to Apella, through one its office locations, the client may remain in their legacy portfolio and is managed accordingly. As such, Apella may use other investment vehicles. The risks associated with these vehicles are also listed below.

### *Exchange Traded Funds*

ETFs do not sell individual shares directly to investors and only issue their shares in large blocks. Exchange traded funds are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when

redeemed or sold, may be worth more or less than their original cost. ETF shares are bought and sold at market price (which may be higher or lower than NAV) and are not individually redeemable from the fund. Brokerage commissions will reduce returns. An investor should consider investment objectives, risks, charges and expenses before investing. A description of these risks can be found in each ETF's prospectus.

### *Mutual Funds*

Past performance does not guarantee future results. The investment return and principal value of a mutual fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Investors should consider the investment objectives, risks, and charges and expenses of the investment company carefully before investing. A description of these items can be found in each fund's prospectus.

### *Alternative Mutual Funds*

The following strategies may be employed by Alternative Mutual Funds to create performance characteristics that have low or no correlation to long-only investment options.

**Long/Short** – Long/short investment strategies utilize short selling, which involves selling a security not owned in anticipation that the security's price will decline or to offset a similar long position in an attempt to either hedge risk and/or capture a spread in return. Generally, both long and short trades are paired together in an attempt to capture a performance spread, while reducing the systematic exposure to the underlying asset class. This strategy could result in losses if the value of the securities held long decrease and the value of the securities sold short increase or if the spread in performance is other than expected.

**Commodities** – Investing in commodities is often through futures trading, where the risk of loss in these contracts can be substantial. The client and advisor should carefully consider whether such trading is suitable depending on the client's financial situation.

Investments in commodities may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity-linked derivatives creates the possibility for greater loss.

**Derivatives** - Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns.



### *Options*

Transactions in options can carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the seller holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

### *Equities*

The value of equity securities may decline as a result of general market conditions and may exhibit relatively high volatility of returns over short time horizons. This volatility risk is applicable to any individual equity security, as well as any equity components of mutual funds or ETFs, including the equity-based Panoramic Mutual Funds.

### *Bonds*

Issuer and idiosyncratic risk: Bonds are generally considered less risky than equities. However, bonds are still subject to the same issuer and idiosyncratic risks as equities in that an adverse performance at the firm level can impact on the value of the bond, including complete loss of value.

### *Liquidity risk*

Liquidity risk is the risk that thinly traded securities will not be able to be traded at a fair market value when the investor desires to make the trade. Although liquidity risk may be relatively small for large cap, highly traded, securities, it does impact the risk associated with small cap securities. Negative events surrounding smaller cap firms with already thin trading markets can decrease the ability for investors to sell their holdings at a fair market value. If an investor seeks to sell a security that suffers from high levels of liquidity risk, it is possible that he will have to accept a price significantly lower than its fair market value.

### *Default risk*

Default risk refers to the risk that a company will be unable to repay its debts and can result in the loss of an investor's entire investment in a firm. Should a company default and go into bankruptcy, equity holders are at the highest risk as they are residual claimants and are the last in line to be repaid, with no requirements on the issuing company to, if at all, repay shareholders their investment. Uncollateralized bond holders also bear a significant likelihood of sustaining significant losses should the company fail as they also have no guaranteed claims on the company's remaining assets. Asset backed bonds are bonds that are backed by a company's assets should default occur. These bonds offer lower rates of return due to the decrease in potential losses should default occur.

### *Commodities*

Investing in commodities is often through futures trading, where the risk of loss in these contracts can be substantial. A client and a client's advisor should carefully consider whether such trading is suitable depending on a client's financial situation. Apella does not invest

directly in commodities in client accounts or in any of its Model Strategies, though commodities may be held in various mutual funds and ETFs, as well as in the Panoramic Mutual Funds. Investments in commodities may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by charges in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity-linked derivatives creates the possibility for greater loss.

#### *Derivatives*

Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in the investment losses, and the cost of such strategies may reduce investment returns. Apella does not invest directly in derivatives in client accounts or Model Strategies. Certain model funds and ETFs, as well as several Panoramic Mutual Funds, do invest in derivatives.

*The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment managed by Apella.*



**ITEM 9: DISCIPLINARY INFORMATION**

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Apella and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

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**ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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**A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Apella and members of the management personnel are not registered, nor do they have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

**B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.**

Apella and members of the management personnel are not registered, nor do they 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.

**C. Arrangements with Related Persons**

The managers and members of Apella, are also the managers and members of Symmetry.

Apella has an arrangement with Symmetry under which Symmetry makes model portfolios available to Apella for use with Apella's clients. Further, as stated in Item 4 of this Brochure, Apella IARs may recommend and utilize managed portfolio solutions composed of Symmetry Panoramic Funds.

When Apella utilizes Symmetry Panoramic Fund Model Portfolios, Symmetry Partners (an affiliate of Apella) receives a management fee from the Panoramic Funds. The management fee is in addition to the advisory fee paid to Apella by Clients. While every mutual fund or sub-advised portfolio component used by Apella carries its own sub-advisory or investment management fee, in cases when Apella uses the Symmetry-managed Panoramic Funds, the affiliated entities receive both the advisory fee at the Client account level (paid to Apella) and the investment management fee at the fund level (paid to Symmetry).

While an Apella IAR will not receive more compensation for using Panoramic Fund Model Portfolios, Symmetry Partners will. The higher overall compensation received by the affiliated entities may create an incentive for an Apella IAR to recommend Panoramic Fund Model portfolios over another investment solution. This conflict created by higher affiliate compensation is addressed in a variety of ways, including disclosure of the conflict in this Brochure. In addition, as fiduciaries, the Apella IARs are required to consider the costs of any investment solution in conjunction with the anticipated benefits to the Client. The Apella IARs are further required to recommend only those investment solutions that are suitable for each client based on the client's investment objectives, risk tolerance and financial situation and needs.

**D. Selection of other Advisors or Managers**

Apella may recommend or select other investment advisers (sub-advisers) for clients and pay a portion of the investment advisor fee received by Apella from the client to those advisors for their services.

Apella IARs may refer qualified plan clients to Symmetry for investment management



services under Symmetry's Retirement Program. The relationship between Symmetry and Apella, the services provided, and fees are fully disclosed to the client. Please also see Items 4 and 5 of this brochure.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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### **A. Code of Ethics**

Apella has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 and is predicated on the principal that Apella owes a fiduciary duty to its clients. Through its Code of Ethics, Apella strives to ensure high standards of ethical conduct among its employees. In addition, the Apella Code of Ethics sets forth processes for compliance with applicable federal securities laws with respect to, for example, insider trading and personal securities transactions. The goals of the Apella Code of Ethics are to protect the firm's clients and the firm's reputation by educating employees about their fiduciary duties and the laws governing their conduct.

A copy of the Apella Code of Ethics is available upon request by calling 860.785.2260.

### **B. Material Financial Interest**

Neither Apella nor its employees have any material financial interest in the securities it recommends to its clients. However, as disclosed elsewhere in this brochure, Symmetry (an Apella affiliate) does have a financial interest in the Symmetry Panoramic Funds, which may be used in Apella client portfolios.

### **C. Invest in the Same Securities that are Recommended to Clients**

Apella's employees are allowed to invest in same securities that are recommended to clients. The securities recommended by Apella are primarily shares of mutual funds and ETFs. They are generally not "reportable securities," and as such the Apella Code of Ethics does not ordinarily limit the ability of Apella's employees to invest in the same open-end mutual funds and ETFs that are recommended to clients. All employees of Apella are prohibited from profiting at the expense of clients and competing with clients with respect to transactions in "reportable securities" as defined in Rule 204A-1(e) (10) under the Investment Advisers Act of 1940. Apella employees' personal transactions in reportable securities are reviewed on a quarterly basis to assure compliance with all personal security transaction policies.

### **D. Buy or Sell Securities for Client's Accounts at or about the same time it Buys the Same Securities for its Own Account.**

Apella does not participate in these types of transactions.

## **ITEM 12: BROKERAGE PRACTICES**

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### **A. Selecting or Recommending Broker-Dealers for Client Transactions**

Apella primarily recommends transactions in mutual funds and ETFs. As such, Apella does not recommend broker-dealers for client transactions. Apella would seek best execution of client transactions were it to choose a broker-dealer to execute client transactions. While best execution is difficult to define and challenging to measure, there is some consensus that it does not solely mean the achievement of the best price on a given transaction but the best overall qualitative execution in the particular circumstance. Transactions in mutual fund shares are affected directly between a client's custodian and the mutual fund or its agents. Because such transactions are, pursuant to Rule 22c-1 under the Investment Company Act of 1940, required to be affected at a price based on the net asset value of such shares next computed after the order to purchase or sell such shares is received, and clients do not pay any sales loads in connection with such transactions, a price based on the net asset value of the mutual fund shares next computed after the order to purchase or sell such shares is received will be the most favorable trade execution reasonably available. At present, Apella has relationships with three primary custodians, Charles Schwab, TD Ameritrade, and Axos Advisor Services, that are operationally set up to maintain client accounts, and each client selects his or her own custodian. In selecting its custodian, each client will be deemed to have directed Apella to affect any transactions in ETF shares and other individual securities through such broker as the client's custodian may from time to time direct. It should be noted that on occasion clients may have their assets held by Fidelity and TIAA-CREF. TIAA CREF is limited to clients that are participants in employee sponsored retirement plans who utilize TIAA-CREF's services.

#### **1. Research and Other Soft Dollar Benefits**

Apella does not in any way direct clients to a broker dealer or custodian for the exchange of products, research or services.

#### **2. Brokerage for Client Referrals**

Apella does not in any way direct clients to a broker-dealer or third party for client referrals.

#### **3. Directed Trades**

As noted above, each client directs its own trades with respect to ETFs and other individual securities. As a result, the client may incur higher commissions, greater spreads or less favorable net prices than if the client had chosen a different custodian and thereby directed Apella to execute ETF trades through another broker- dealer. Apella may not be able to obtain best execution for such trades.

### **B. Trade Aggregation and Rotation**

Although Apella does not aggregate trades for execution, Apella offices transmit instructions with respect to transactions in mutual funds and ETFs to its clients' custodians at various times throughout the day, and instructions with respect to transactions on behalf of multiple clients with the same custodian may be trans- mitted at the same time. Client transactions in ETFs may be held for part of a trading day until the next regular transmission to their custodians, which

may adversely affect the price at which they are affected. A client's custodian may further aggregate such orders for execution.

Please note that trades are aggregated with each custodian separately. Depending on the number of shares traded, the custodians may participate in a trade rotation process. The trade rotation process provides objective preference to the custodian by submitting trades for each custodian in sequence starting with a different custodian on each series of block trades. The starting custodian moves down one position on the list at the start of each new trading day. The submission process for each custodian is done in an efficient timely manner. Axos is not part of the trade rotation process.

Please note in limited situations, Apella may be transmitting instructions through Symmetry's back office operations.

## **ITEM 13: REVIEW OF ACCOUNTS**

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### **A. Frequency, and Responsible Parties of Periodic Reviews**

Client accounts are monitored on a periodic basis, annually and as needed. Financial plans are reviewed on an annual basis and as needed with the client. Apella investment adviser representatives conduct the reviews.

### **B. Factors Trigger a Non-Periodic Review**

A non-periodic review of a client's account can be triggered by a change in the client's financial circumstances such as, but not limited to, termination of employment, moving or retirement. A material market event could also trigger a review.

### **C. Reports**

Clients receive either a quarterly or monthly statement from the custodian. Apella may also provide clients with quarterly performance reports. In addition, Apella has other tools it may use in connection with the review of client accounts which may include, without limitation, research notes, white papers, and analysis on related market events

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

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### **A. Individual who is not a Client Provides an Economic Benefit in Connection with Giving Advice to Client**

With the exception of insurance revenue described in Item 5, Apella does not receive any economic benefit including, but not limited to, commissions, equipment, research services, sales awards and/or prizes from any non-client in connection with giving advice to clients.

### **B. Indirect or Direct Compensation to Third Parties for Client Referrals**

#### *Indirect Compensation*

Individual Promoter - Apella currently maintains one “individual” Promoter arrangement. For this arrangement, Apella adheres to the marketing rule pursuant to the Advisors Act Rule 206(4)-1. All material information describing the Promoter’s activities and compensation is disclosed to the client in the Promoter’s Disclosure Statement, which remains part of the Apella Investment Advisory Agreement.

#### *Direct Compensation*

Apella pays a portion of its advisory fee to an affiliate, Symmetry, to assist with functions associated with the management of client accounts. Such tasks may include, but are not limited to, sub-advisory services, back office operations and trading, reporting, and investment research.



## ITEM 15: CUSTODY

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All Apella client accounts are held in custody by an unaffiliated qualified custodian. However, Apella is deemed to have custody of clients' assets for the following reasons:

### *Direct Fee Debiting Authority*

Apella can access client funds through its ability to instruct the custodian to debit its advisory fees directly from clients' accounts.

### *Standing Letters of Authorization ("SLOA")*

Apella also has custody as a result of having standing letters of authorization ("SLOA") in place from clients that allow Apella to instruct the custodian to send client funds to identified third parties. Apella has no ability change any routing information regarding such disbursements and the client can terminate such arrangements at any time. The SLOAs on file meet the necessary conditions and as such, Apella is not subject to the surprise audit requirement by a certified public accounting firm for those accounts.

### *Trustee*

Some of Apella's employees serve as trustees on certain client accounts. Where that employee is not the trustee due to a prior personal relationship with the client, the SEC considers Apella to have custody of the account. These accounts are subject to an annual surprise examination by an independent accountant in order to comply with the SEC's rule on the custody of client assets.

When a client opens an account with Apella, the assets are held with a qualified custodian. Clients will receive monthly or quarterly account statements, depending on the custodian. Clients should review the statements carefully for accuracy of information. In addition, Apella can provide advisers quarterly performance reports of clients' accounts to share with clients. When reviewing this report, clients should note that this report does not take the place of brokerage statements, any fund company statements, or 1099 tax forms. The client is urged to compare this report with the statement received from the custodian covering the same period.

## **ITEM 16: INVESTMENT DISCRETION**

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Clients grant Apella discretionary authority to implement all investment decisions such as, but not limited to, investment selection, asset allocation and rebalancing. The discretionary authority granted to Apella is evidenced in the investment advisory agreement that is executed by Apella and the client at the inception of the advisory relationship. This discretion is limited only by reasonable restrictions the client may place on the account. Apella will assist the client in understanding and evaluating the possible impact of such restrictions on the account.

Apella typically maintains a cash balance in each portfolio. Clients appoint Apella as client's agent and attorney-in-fact with respect to trading authorization. Apella manages the asset allocation on a continuous basis and all allocation and investment decisions are reviewed and monitored.

All clients must provide information on their investment objectives, financial circumstances, risk tolerance and any reasonable restrictions they may wish to impose on investment activities. Apella will send an email on a semiannual basis requesting that clients update information and confirm if there have been any changes in their financial situation, investment objectives or instructions, and clients agree to inform Apella in writing of any material change in financial circumstances that might affect the manner in which assets should be invested. Apella will act on any changes deemed to be material or appropriate within five business days after it becomes aware of the change.

## **ITEM 17: VOTING CLIENT SECURITIES**

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### **Proxy Voting Statement**

Apella's standard policy regarding discretion to vote proxies is as follows:

Unless Apella and the client otherwise agree in writing, Apella is precluded from and the client shall be responsible for:

- a) directing the manner in which proxies solicited by issuers of securities the client beneficially owns shall be voted; and
- b) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other events pertaining to the securities in the account.

The client authorizes and directs the custodian to forward to the client all proxies and shareholder communications relating to the assets. Should a client wish to grant Apella discretion to vote proxies, the client must do so in writing, and such voting authority will not be effective until accepted in writing by Apella.

**ITEM 18: FINANCIAL INFORMATION**

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Apella is required to disclose certain information to clients regarding financial matters of the firm.

- A.** Apella does not require or solicit prepayment of more than \$1,200 in fees per client for investment advisory services expected or scheduled to be delivered more than six months after such prepayment.
- B.** Apella has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.
- C.** Apella has not been subject of a bankruptcy petition at any time.