

# **LUMINIST CAPITAL, LLC**

## **FIRM BROCHURE**

March 15, 2023

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This brochure provides information about the qualifications and business practices of Luminist Capital, LLC. If you have any questions about the contents of this brochure, please contact us at (616) 600-4517 or [jtimmermans@luministcapital.com](mailto:jtimmermans@luministcapital.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.

Luminist Capital, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Luminist Capital, LLC is available on the SEC's website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for the adviser is 173396.

## **2. MATERIAL CHANGES**

The firm has no material changes to report since the last annual update on March 24, 2022.

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#### **4. ADVISORY BUSINESS**

##### OWNERSHIP/ADVISOR HISTORY

Luminist Capital, LLC was formed in August 2014 by John Timmermans. Its members are John Timmermans, Justin Biebel, The Stanley Group, LLC and The Gearhart 2009 Irrevocable Trust. It is a Michigan limited liability company. It was registered in Michigan in June 2015 as an investment adviser. Mr. Timmermans is the firm's managing member. Additional information about Mr. Timmermans can be found in Item 19 and the Brochure Supplement.

##### ADVISORY SERVICES OFFERED

Prior to the Adviser/Client relationship, the firm may offer a complimentary general consultation to discuss services available and to give a prospective client time to review services desired. Investment advisory services begin only after the client and firm formalize the relationship with a properly executed client agreement. After engaging the firm, the client will be asked to share in a data gathering and discovery process in an effort to determine the client's stated needs, goals, intentions, time horizons, risk tolerance and investment objectives, based upon information provided by the client and the nature of services requested. The client will then be placed in one or more of the firm's portfolios. They are:

##### *Market Participation and Tactical Market Participation Models*

The Luminist Capital Market Participation models are designed to provide low-cost passive participation in a diversified blend of liquid ETFs. The allocation between equities and fixed income are based upon each investor's risk appetite. The models are rebalanced quarterly, and dividends are reinvested according to investor preferences.

The Luminist Capital Tactical Market Participation models are intended to provide low-cost participation in diversified combinations of liquid ETFs selected for specific market regimes. The holdings in the models are allocated toward equities, fixed income and alternative assets classes based upon the prevailing and expected market regimes. The models are rebalanced quarterly and as market regime shifts occur. Dividends may be reinvested according to investor preferences.

##### *Hedged Models*

Luminist Capital's Hedged models are designed to participate in a diversified portfolio of equity and fixed income ETFs while using a combination of options to reduce an investor's exposure to volatility. The options in the models are selected to help protect against severe negative returns while allowing the investor to participate in a narrower range of market fluctuations. The models can be customized to an investor's unique risk appetite. The options are generally rebalanced on a monthly basis while the underlying ETFs are rebalanced quarterly. Dividends may be reinvested according to investor preferences.

##### *Risk-Wrap™*

Risk-Wrap™ is a trademarked and proprietary portfolio protection strategy by Luminist Capital LLC. The purpose of Risk-Wrap™ is to help protect portfolios from catastrophic loss due to

severe market movements while at the same time minimizing the cost of the protection. Risk-Wrap™ utilizes combinations of exchange traded options to hedge positions in the underlying markets. Risk-Wrap™ has insurance-like characteristics in that participants pay a premium to buy coverage against adverse events. The premium is offset by forgoing some participation in positive market movements in the relevant underlying. The typical duration of the contracts used in Risk-Wrap™ is 1 to 3 months. The contracts are rolled into new contracts near the end of their term. It is important to note that while Risk-Wrap™ may offer protection against major market corrections, portfolios utilizing the strategy are still subject to normal negative market moves. Risk-Wrap™ can be added to most liquid ETFs (Exchange Traded Funds) and individual equities that offer listed options. ETF and individual equity eligibility for Risk-Wrap™ is determined by Luminist Capital. While Risk-Wrap™ utilizes products that are inherently leveraged, the strategy attempts to reduce the risk associated with an exposure at a reasonable cost. It is anticipated that portfolios utilizing Risk-Wrap™ could expect to outperform the relevant underlying markets in periods of low volatility or sharp market decreases. It is also expected the portfolios may underperform the relevant underlying market during periods of unexpectedly high market increases. In this case, while the portfolios may underperform the underlying market, results are still expected to be positive.

#### *Stock Portfolio*

The firm will create a portfolio consisting mainly of individual stocks. The portfolio will be tailored the client's investment goals and objectives. For example, a portfolio may be designed for growth or income depending upon the specific goals of the client and size of the account.

#### *Financial Planning and Consulting Services*

The Adviser offers clients financial planning and consulting services to evaluate their financial situation, goals and risk tolerance. Through a series of personal interviews and the use of questionnaires the Adviser will collect pertinent data, identify goals, objectives, financial problems, potential solutions, prepare specific recommendations and implement recommendations. As a result of these actions, the Adviser's advice may be provided on financial and cash management, risk management, financial issues relating to divorce or marital issues, estate planning, tax issues, stretch IRA planning, Investment Planning/Asset Allocation, retirement planning, educational funding, goal setting, or other needs as identified by the client and Adviser. The Adviser may offer broad-based written planning services, or the client may desire advice on certain planning components that does not include a written plan; the Adviser can tailor services as desired by the client.

#### *Selection of Third-Party Investment Advisers*

After an initial meeting with the client and when deemed appropriate, we may recommend the services of an independent investment adviser ("Third Party Adviser"). The recommendation will depend on the client's circumstances, goals and objectives, strategy desired, account size, risk tolerance, or other factors. Working with the client we determine which Third Party Adviser may be appropriate.

We will review Third Party Advisers prior to making a recommendation to the client. We will

consider the following factors during its review: fees, reputation, performance, financial strength, management, price, reporting capabilities, client's financial situation, client's goals, client's needs, and client's investment objectives. After its review we will present the client with one or more recommendations.

If the client wishes to proceed with the recommendation, we will enter a solicitor relationship with the recommended Third-Party Adviser. The solicitor relationship means our firm and the Third-Party Adviser will have separate rolls while serving the client. In effect, the client will engage both us and the Third-Party Adviser to serve his/her accounts and we and the Third-Party Adviser will provide separate services to the client.

Under this arrangement, the Third-Party Adviser will be responsible for portfolio management, best execution, portfolio reporting, trading, trade error resolution, and custodian reconciliations. While we will maintain our relationship with the client by monitoring the status of the client's accounts with the Third-Party Adviser, make recommendations about the performance of the Third-Party Adviser, meeting the client at least annually and acting as the client's primary financial adviser. All questions regarding the Third-Party Adviser's services and performance shall be directed to us.

When using the services of a Third-Party Adviser, clients will be given a copy of its Form ADV Part 2A. Clients are encouraged to read and understand this disclosure document.

#### TAILORED SERVICES

The firm's services are individualized to each client. Portfolio management clients may impose restrictions on investment in certain securities or types of securities. All restrictions must be presented to Advisor in writing.

#### WRAP PROGRAM

The firm does not sponsor or participate in a wrap program. This section is not applicable.

#### CLIENT ASSETS MANAGED

As of December 31, 2022, the firm manages \$102,834,587 in client assets on a discretionary basis and \$0 on a non-discretionary basis.

### **5. FEES AND COMPENSATION**

#### *Financial Planning and Consulting Services*

The Adviser may charge either an hourly or a fixed fee for financial planning and consulting services. The fixed fee ranges from \$500 to \$10,000 and the hourly rate ranges from \$150 - \$1,000 per hour. The fee is negotiable and is based upon the number of topics covered, the amount of time required to research the client's situation and whether a written plan is requested. The Planning fee is due upon delivery of the plan.

A client may terminate the financial planning and consulting service for any reason within the first five (5) business days after signing the contract without any cost or penalty. Thereafter, the contract may be terminated by either the client or the Adviser at any point in time through written notice to

the party's respective address of record.

### *Portfolio Management Services*

Fees for portfolio management services will be based on the assets under management. The annual fee is 1.50%. The fee is negotiable, and the client contract will reflect the negotiated fee. A client may aggregate multiple accounts to negotiate a lower fee. Cash balances and investments in money market funds, demand deposit accounts, and certificates of deposit in the account are included in the fee calculations.

The management fees are calculated one of two ways dependent on the custodian that holds the client's funds:

For accounts held at Interactive Brokers, the management fees are calculated on a daily basis by the account's custodian and collected monthly. The management fee is based on the day's end custodian reported account balance and prorated for the number of business days in the year.

For accounts held at TD Ameritrade, the management fees will be paid monthly, in advance, based on the account value as of the last business day of the prior month.

The monthly statement will reflect the management fees withdrawn. The client will be asked to authorize the firm with the ability to withdraw its fee from the client's account. The client may terminate this authorization at any time by giving the firm and the custodian notice.

The firm's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses that are incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third-party investment advisers or other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to the firm's fees and the firm does not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that the firm considers in selecting or recommending broker/dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

A client may terminate this service for any reason within the first five (5) business days after signing the contract without any cost or penalty. Thereafter, the contract may be terminated at any time by giving seven (7) days written notice to the firm at Luminist Capital LLC, 4981 Cascade Road Suite C, Grand Rapids, MI 49546. In order to receive a prorated refund of unearned fees, the client must send the firm a written request. Upon written notice of termination, the client will receive a prorated refund based on the amount of the time elapsed during the month for any fees paid in advance. For example, if a client cancels 15 days into a 30-day month, the client will receive a refund of 50% of the fees. (15 days divided by 30 days equal 50 percent). Please note the prorated refund may be adjusted for additional deposits and withdrawals to the advisory account within the termination month. If permitted by the client's custodian the refund will be

deposited into the client's account; otherwise, the refund will be paid to the client by company check directly to the client within 30 days of the termination notice receipt. Please note that the client will not receive a prorated refund without providing a written request.

#### *Selection of Third-Party Investment Advisers*

When we are a solicitor of the recommended Third-Party Adviser, we do not charge a separate fee for the service. Instead, we enter into an agreement with the selected Third-Party Adviser and share in a portion of the Third-Party Adviser's management fee that is charged to the client. Our portion can be up to 50% of the Third-Party Adviser's management fee. The exact amount will be disclosed in the Third-Party Adviser's Solicitor Disclosure Document. Additionally, when the management fee is withdrawn (quarterly or monthly, in advance or in arrears) will vary with each Third-Party Adviser. These details will be disclosed in the Third-Party Adviser's ADV Part 2A and the Third-Party Adviser's Solicitor Disclosure Document; both documents will be given to the client upon solicitation.

As established in Item 10.D – Other Industry Affiliations, by receiving a portion of the Third-Party Adviser's management fee, this creates a conflict of interest for the Adviser. The sharing of the management fees creates a financial incentive to recommend Third Party Advisers that would pay us a higher percentage of their fee. We attempt to mitigate the conflict of interest to best of our ability by placing the client's interest a head of our own, through our fiduciary duty and by following our Code of Ethics that establishes ideals for ethical conduct.

The fee paid to the Third-Party Adviser (which we share in) is separate and distinct from any brokerage and custodian fees or expenses. These fees and expenses may include transaction fees, or other related costs and expenses. Additionally, clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, as disclosed in a fund's prospectus, which are separate and distinct from the Third-Party Adviser's fee.

The termination of the Recommendation and Monitoring of Third-Party Adviser Services will be controlled by the terms and conditions of the Third-Party Adviser's ADV Part 2A. The client will need to review the Third-Party Adviser's ADV Part 2A – Item 5 – Fees and Compensation. The client may also contact the Third-Party Adviser directly at the address located on its Form ADV Part 2A, Third Party Adviser Agreement or Solicitor Disclosure Document. The Third-Party Adviser Agreement also controls whether the client will receive a refund of any pre-paid fees.

#### OTHER SECURITIES COMPENSATION

The firm does not receive any additional securities compensation. The item is not applicable.

#### RETIREMENT ROLLOVER CONFLICTS OF INTEREST

When we recommend you rollover a retirement account for us to manage, this creates a financial incentive because we charge a fee for our services. We attempt to mitigate the conflict of interest



by acting in your best interest and applying an impartial conduct standard to all rollovers. Please note that you are not under any obligation to roll over a retirement account to an account managed by us.

## **6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The firm does not charge any performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client). This section is not applicable.

## **7. TYPES OF CLIENTS**

The firm's services are offered to individuals, trusts, estates, corporations and other businesses entities. The firm does not require a minimum account size to become a client.

## **8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

Advisers are required to give a description of their methods of analysis and investment strategies that are used in formulating investment advice or managing assets. The firm may use one or more of the following depending on the portfolio:

**Fundamental Analysis** – Fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's *actual* business and its future prospects. The analysis is performed on historical and present data. On a broader scope, one can perform fundamental analysis on industries or the economy as a whole. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements. The risk associated with fundamental analysis is that despite that appearance that a security is undervalued, it may not rise in value as predicted.

**Technical Analysis** – Technical Analysis is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. The risk associated with technical analysis is that there is no broad consensus among technical traders on the best method of identifying future price movements.

**Asset Allocation** – Asset Allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon. Each class has different levels of risk and return, so each will behave differently over time.

**Tactical Asset Allocation** – Tactical Asset Allocation is an active management portfolio strategy that rebalances the percentage of assets held in various categories in order to take advantage of market pricing anomalies or strong market sectors. This strategy is designed to allow portfolio managers to create extra value by taking advantage of certain situations in the marketplace. It is as a moderately active strategy because portfolio managers return to the portfolio's original strategic asset mix when desired short-term profits are achieved.

Investment Strategies the firm uses include: long-term purchases (securities held at least a year); short-term purchases (securities sold within a year); and periodic rebalancing.

#### INVESTMENT RISKS

All investments bear different types and degrees of risk and **investing in securities involves risk of loss that clients should be prepared to bear.** While the firm recommends various securities that are designed to provide appropriate investment diversification, some investments have significantly greater risks than others. Obtaining higher rates of return on investments entails accepting higher levels of risk. Recommended investment strategies seek to balance risks and rewards to achieve investment objectives. Clients need to ask questions about risks they do not understand. The firm would be pleased to discuss them.

The firm strives to render our best judgment on behalf of its clients. Still, the firm cannot assure or guarantee clients that investments will be profitable or assure that no losses will occur in an investment portfolio. Past performance is an important consideration with respect to any investment or investment adviser but is not a reliable predictor of future performance. The firm continuously strives to provide outstanding long-term investment performance, but many economic and market variables beyond our control can affect the performance of an investment portfolio.

#### RECOMMENDED SECURITIES AND THEIR RISKS

The firm recommends several types of securities to its clients. These include, but are not limited to: mutual funds, stocks, bonds, certificates of deposit, commercial paper, municipal securities, options, real estate investment trusts and exchange traded funds. An investment in a security could lose money over short or even long periods. A client should expect his/her account value and returns to fluctuate within a wide range, like the fluctuations of the overall stock and bond markets. The risks associated with the recommended securities include, but are not limited to:

- **Stock market risk:** The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.
- **Interest rate risk:** The chance that bond prices overall will decline because of rising interest rates.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Manager risk:** The chance that poor security selection will cause a mutual fund or other managed product to underperform relevant to benchmarks or other securities products with similar investment objectives.
- **Active management fees risk:** Active management strategies that involve frequent trading generate higher transaction costs which diminish the fund's return. In addition, the short-term capital gains resulting from frequent trades often have an unfavorable income tax impact when such funds are held in a taxable account.

- **International Investing Risk:** Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social or economic developments overseas or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, as well as regulatory and financial reporting standards, which differ from those of the U.S.
- **Leverage Risk:** Using derivatives to increase a portfolio's combined long and short exposure creates leverage, which can magnify the portfolio's potential for gain or loss and, therefore, amplify the effects of market volatility on the portfolio.
- **Options Risk:** Like other securities - including stocks, bonds, and mutual funds - options carry no guarantees, and a person must be aware that it is possible to lose all of the principal he/she invests, and sometimes more. As an option holder, a person risks the entire amount of the premium he/she paid pay. But as an options writer, a person takes on a much higher level of risk. For example, if a person writes an uncovered call, he/she faces unlimited potential loss, since there is no cap on how high a stock price can rise. However, since initial options investments usually requires less capital than equivalent stock positions, potential cash losses as an options investor are usually smaller than if someone bought the underlying stock or sold the stock short. The exception to this general rule occurs when an option is used to provide leverage: Percentage returns are often high, but it is important to remember that percentage losses can be high as well.
- **Leveraged Exchange Traded Fund ("ETF") and Mutual Fund Risk:** A leveraged ETF or mutual fund seeks to generate a return that is a multiple (usually 2X or 3X or -2X or -3X) of its benchmark index's performance over a specific, pre-set time period indicated in each fund's prospectus. That time period is also referred to as the "rebalancing period", and it is generally only one day, although it could be for a longer time period such as a month. As a result, the returns for these types of ETFs and mutual funds can differ significantly from that of their benchmark index, over periods lasting longer than the rebalancing period because of the compounding of returns. Generally, the longer the security is held, the more likely the returns of the leveraged product will differ from the long-term return of the index. **Although potential returns are increased by leveraging, so are the potential losses, so these securities carry significant risk.** As a result, leveraged ETFs and mutual funds are intended only for investors with an aggressive tolerance for risk.
- **Inverse Exchange Traded Fund ("ETF") and Mutual Fund Risk:** An inverse ETF or mutual fund attempts to mimic the inverse, or opposite, of its stated benchmark. For example, an inverse S&P 500 ETF would attempt to deliver the opposite of the S&P 500's daily performance, net of fees. These funds, also called "short ETFs or Bear ETFs"/"short mutual funds or bear mutual funds" are often in an attempt to profit from a downturn in a given market, sector, or index, or to hedge against a potential loss in their portfolio. Although an inverse ETF or mutual fund does not explicitly use leverage to magnify the intended return, they can suffer from the same compounding effects as the leveraged long and leveraged short ETFs or mutual funds.

Clients need to ask questions about risks they do not understand. The firm would be pleased to discuss them.

## **9. DISCIPLINARY INFORMATION**

The firm is required to disclose whether there are legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. There are a number of specific legal and disciplinary events that the firm must presume are material for this item. The firm and its management persons have no information applicable to this item.

## **10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### BROKER-DEALER AFFILIATIONS

The firm and its owners are not affiliated or registered with a broker-dealer.

### FUTURES/COMMODITIES FIRM AFFILIATION

The firm and its owners are not affiliated with a futures or commodities broker.

### OTHER INDUSTRY AFFILIATIONS

We are co-owners of Advisory Advocates, LLC, a Michigan registered investment adviser. While we act as a subadvisor to Advisory Advocates, LLC, we do not refer clients to it. However, if we were to refer clients to Advisory Advocates, it would create a conflict of interest because we receive subadvisor fees. We attempt to mitigate any conflict of interest to the best of our ability by placing the client's interests ahead of our own, through our fiduciary duty and by informing clients that they are never obligated to use recommended services.

The firm's investment adviser representative may be their own registered investment advisors, and they may recommend those advisory services to the firm's clients. This creates a financial incentive to recommend the other advisory services because the other services pay fees that are separate from the fees outlined above. The firm, its owners and investment adviser representatives attempt to mitigate any conflicts of interest to the best of their ability by placing the client's interests ahead of their own, through their fiduciary duty and through the implementation of policies and procedures that address the conflict. Additional information about each representative's other advisory service activities can be found in their ADV Part 2B – Supplemental Brochure.

The firm's investment adviser representative may be independent insurance agents. This activity is considered investment related and they may recommend it to the firm's clients. All sales as an insurance agent will pay a commission that is separate from the fees outlined above. This creates a conflict of interest because it creates a financial incentive to recommend investment products based on compensation rather than on a client's need. The firm, its owners and investment adviser representatives attempt to mitigate any conflicts of interest to the best of their ability by placing the client's interests ahead of their own, through their fiduciary duty and through the implementation of policies and procedures that address the conflict. Additional information about each representative's insurance activities can be found in their ADV Part 2B – Supplemental

Brochure.

The firm owns an independent insurance agency, Illuminated Insurance Services, LLC. This activity is considered investment related and the insurance products may recommend to the firm's clients. All sales as an insurance agent will pay a commission that is separate from the fees outlined above. This creates a financial incentive to recommend investment products based on compensation rather than on a client's need. The firm, its owners and investment adviser representatives attempt to mitigate any conflicts of interest to the best of their ability by placing the client's interests ahead of their own, through their fiduciary duty and through the implementation of policies and procedures that address the conflict. Clients are informed that they are never obligated to purchase recommended insurance products through the firm.

#### SELECTION OF THIRD-PARTY INVESTMENT ADVISERS

We may recommend the services of third-party investment advisers. This information can be found under Items 4 and 5. We will ensure that the Third-Party Adviser is properly registered or exempt from registration in the client's state of residence prior to making any recommendation. We receive a portion of the Third-Party Adviser's management fee, which creates a financial incentive to recommend Third Party Advisers that pay a higher percentage of the management fee. We attempt to mitigate the conflict of interest to best of our ability by placing the client's interest ahead of our own, through our fiduciary duty and by following our Code of Ethics that establishes ideals for ethical conduct.

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

#### DESCRIPTION

The firm's Code of Ethics establishes ideals for ethical conduct upon fundamental principles of openness, integrity, honesty, and trust. The firm will provide a copy of our Code of Ethics to any client or prospective client upon request.

The firm's Code of Ethics covers all supervised persons, and it describes its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at the firm must acknowledge the terms of the Code of Ethics annually, or as amended.

#### MATERIAL INTEREST IN SECURITIES

The firm and its owners and investment adviser representatives do not have securities in which they have a material financial interest.

#### INVESTING IN OR RECOMMENDING THE SAME SECURITIES

On occasion, the firm's owners and investment adviser representatives may buy or sell for their own accounts securities that are the same as, similar to, or different than those that they recommend

to their clients for purchase or sale. Differences can arise due to variations in personal goals, investment horizons, risk tolerance, and the timing of purchases and sales. When trading or recommending the same securities for client accounts that the owners or investment adviser representatives trade for themselves, the firm attempts to mitigate the conflict of interest to the best of its ability through the enactment of the firm's Code of Ethics, trading policies, and its fiduciary responsibilities. Nonetheless, the firm generally attempts to place client transactions ahead of owners and investment adviser representatives' trades. The associates of the firm are aware of their fiduciary duty to their clients and the prohibitions against the use of any insider information. Records of all associates' proprietary trading activities will be reviewed by the firm, available to regulators to review on the premises.

## **12. BROKERAGE PRACTICES**

### RECOMMENDATION CRITERIA

The firm has an arrangement with TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"), Member FINRA/SIPC and Interactive Brokers, through which both TD Ameritrade and Interactive Brokers provide us with custodian services.

Through TD Ameritrade, the firm participates in the TD Ameritrade Institutional program. TD Ameritrade is an independent and unaffiliated SEC – registered broker-dealer. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance, and settlement of transactions. The firm receives some benefits from TD Ameritrade through its participation in the program. Please see the disclosure under Item 14 below.

### RESEARCH AND SOFT DOLLAR BENEFITS

"Soft dollars" are defined as a form of payment investment firms can use to pay for goods and services such as news subscriptions or research. When an investment firm gives its business to a particular brokerage firm, the brokerage firm in return can agree to use some of its revenue to pay for these types of services. The firm does not receive any soft dollar benefits.

### BROKERAGE FOR CLIENT REFERRALS

The firm does not receive client referrals or any other incentive from the recommended custodians.

### DIRECTED BROKERAGE

Some clients may direct us to a specific broker/dealer to execute securities transactions for their accounts. When so directed, we may not be able to effectively negotiate lower brokerage commissions or achieve best execution on client's transactions. This can result in substantially higher fees, charges or dealer concessions in one or more transactions for the client's account because the firm cannot negotiate favorable prices.

### BLOCK TRADING

Transactions for each client account generally will be effected independently, unless the firm decides to purchase or sell the same securities for several clients at approximately the same time. The firm may, but is not obligated to, combine or "batch" such orders to obtain best execution or to allocate equitably among the firm's client's differences in prices and commissions or other

transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients' accounts in proportion to the purchase and sale orders placed for each account on any given day. To the extent that the firm determines to aggregate client orders for the purchase or sale of securities, including securities in which the firm's principal(s) and/or associated person(s) may invest, the firm shall generally do so in accordance with the parameters set forth in SEC No-Action Letter, SMC Capital, Inc. The firm shall not receive any additional compensation or remuneration as a result of the aggregation.

### **13. REVIEW OF ACCOUNTS**

#### PERIODIC REVIEWS

The firm's owner, Mr. Timmermans reviews client accounts on a monthly basis.

#### OTHER REVIEWS

Additional reviews are conducted periodically depending on market conditions, economic or political events, or by changes in a client's financial situation (such as retirement, termination of employment, physical move or inheritance). Any changes in a client's financial situation, goals, or risk tolerance may also affect the current strategy guiding a client's portfolio and other investments. Clients are urged to notify their investment adviser representative of any such change at their earliest convenience.

#### REPORTS

Portfolio Management clients receive at least quarterly statements from their custodian. The firm urges clients to carefully review such statements.

### **14. CLIENT REFERRALS AND OTHER COMPENSATION**

As disclosed in Item 12, above, we participate in TD Ameritrade's institutional customer program we may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between our participation in the program and the investment advice it give to its clients, although we receive economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to the trading desk serving our participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products and services provided to us by third-party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the program may benefit us but not benefit its client accounts.

These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop its business enterprise. The benefits received by us or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, our endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by us or its related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

#### CLIENT REFERRALS

We may offer our portfolios to other independent registered investment advisers pursuant to third-party management or solicitor agreements. When registered investment advisers use our portfolios, they receive a portion of our annual management fee, but not a portion of the program fee. The registered investment advisers will likely share a portion of the fees with their own representatives. It is important to note that the annual management fee is determined by our fee schedule. The registered advisers' portion is deducted from the management fee, not added to it.

We are aware of the special considerations promulgated pursuant to SEC Rule 206(4)-3 of the Investment Adviser Act of 1940 (the "Act"). As such, appropriate disclosures describing the terms and fee arrangements between the us and a solicitor will be made to our clients, all required written records will be maintained, and all applicable laws and regulations will be observed. A Solicitor's Disclosure Document will be provided to each client, as required under the Act, and we will retain the client's signed acknowledgement of receiving the Adviser's Form ADV Part 2A and the Solicitors Disclosure Document.

### **15. CUSTODY**

All client funds, securities and accounts are held at third-party custodians (Interactive Brokers LLC and TD Ameritrade). The firm does not take possession of a client's securities. However, the client will be asked to authorize the firm with the ability to deduct fees directly from the client's account. The firm follows the guidelines established by the Securities and Exchange Commission for directly debiting advisory fees from client custodial accounts to ensure that the firm will not be deemed to have custody of client funds and/or securities with the regard to the practice of debiting. Additionally, when deducting a management fee, the firm will send its Florida and California clients a fee invoice that details the fee, how it was calculated, the amount on which it was calculated, and the time period it covers.

Clients should receive at least quarterly statements from the broker/dealer, bank or other qualified custodian that holds and maintains client's investment assets. The statements will show the fee withdrawn. The firm urges each client to carefully review such statements and compare them to the fee invoice.

At times, we assist some clients with the ability to move money from one account to another. In these situations, you will sign standing letter of instruction ("SLOAs") with your custodian that



grants us the ability to facilitate the transfer. When your money is transferred between accounts with different titles, this is considered a limited form of custody. In 2017, the SEC issued a no-action letter (“Letter”) with respect to the Rule 206(4)-2 (“Custody Rule”) under the Investment Advisers Act of 1940 (“Advisers Act”). We and your custodian, follow the safeguards outlined in the letter. These safeguards include:

- The client provides an instruction to the qualified custodian, in writing, which includes the client’s signature, the third party’s name, and either the third party’s address or the third party’s account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian’s form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client’s qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client’s authorization and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client’s qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client’s instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client’s qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

## **16. INVESTMENT DISCRETION**

The firm’s Portfolio Management Services are discretionary. This means that the firm has discretionary authority to determine the securities to be bought or sold for a client’s account, amount of securities to be bought or sold for a client’s account and the broker or dealer to be used for the purchase or sale of securities for a client’s account. The firm’s discretionary authority is obtained when a client signs an investment management agreement and also a limited power of attorney. The agreement and power of attorney allows the firm to buy and/or sell securities the firm has selected, within the tolerance agreed to by the client, and in the amounts the firm deems suited to the agreed upon portfolio structure. It allows the firm to place each such trade without the client’s prior approval. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account, and any other investment policies, limitation or restrictions. The firm’s discretionary authority also includes the ability to choose a custodian for client accounts. The client may limit the firm’s discretionary authority related to the choice of custodian by notifying the firm when signing the engagement agreement.

The firm also offers non-discretionary management services. A non-discretionary investment account means the client retains full discretion to supervise, manage, and direct the assets of the

account. The client maintains full power and authority to purchase, sell, invest, reinvest, exchange, convert, and trade the assets in the Account in any manner deemed appropriate and to place all orders for the purchase and sale of Account assets with or through brokers, dealers, or issuers selected by the client. The client is free to manage the account with or without the recommendation of the firm and all with or without prior consultation with the firm.

#### **17. VOTING CLIENT SECURITIES**

The firm will not be responsible for responding to proxies that are solicited with respect to annual or special meetings of shareholders of securities held in clients' accounts. Proxy solicitation materials will be forwarded to clients directly from their accounts' custodian for response and voting. In the event a client has a question about a proxy solicitation, the client should contact his/her investment adviser representative.

#### **18. FINANCIAL INFORMATION**

Registered investment advisers are required in this item to provide you with certain financial information or disclosures about the firm's financial condition. The firm has no financial commitment that impairs its ability to service its clients. Also, the firm and its owners have not been the subject of a bankruptcy proceeding.

The firm does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance.