

**Item 1: Cover Page  
Part 2A of Form ADV: Firm Brochure  
March 2023**



**23 Corporate Plaza Dr., Suite 150  
Newport Beach, California 92660**

**Mailing Address:  
P.O. Box 3574  
Palos Verdes Estates, California 90274**

**Firm Contact:  
James Oghigian  
Chief Compliance Officer**

This brochure provides information about the qualifications and business practices of Pavion Blue Capital, LLC. If clients have any questions about the contents of this brochure, please contact us at (213) 805-6698 or at [joghigian@pavionbluecapital.com](mailto:joghigian@pavionbluecapital.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 our firm is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD #301968.

Please note that the use of the term "registered investment adviser" and description of our firm and/or our associates as "registered" does not imply a certain level of skill or training. Clients are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise clients for more information on the qualifications of our firm and our employees.

## Item 2: Material Changes

Pavion Blue Capital, LLC is required to make clients aware of information that has changed since the last annual update to the Firm Brochure ("Brochure") and that may be important to them. Clients can then determine whether to review the brochure in its entirety or to contact us with questions about the changes.

Since our most recent annual amendment filing on February 02, 2022, our firm does not have any material changes to disclose.

### Item 3: Table of Contents

Item 1: Cover Page.....	1
Item 2: Material Changes .....	2
Item 3: Table of Contents.....	3
Item 4: Advisory Business .....	4
Item 5: Fees & Compensation.....	5
Item 6: Performance-Based Fees & Side-By-Side Management .....	6
Item 7: Types of Clients & Account Requirements .....	6
Item 8: Methods of Analysis, Investment Strategies & Risk of Loss .....	7
Item 9: Disciplinary Information.....	11
Item 10: Other Financial Industry Activities & Affiliations.....	11
Item 11: Code of Ethics, Participation or Interest in Client Transactions & Personal Trading.....	11
Item 12: Brokerage Practices .....	12
Item 13: Review of Accounts or Financial Plans.....	14
Item 14: Client Referrals & Other Compensation .....	15
Item 15: Custody .....	15
Item 16: Investment Discretion .....	16
Item 17: Voting Client Securities.....	16
Item 18: Financial Information .....	18

## Item 4: Advisory Business

Our firm is dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Our firm is a limited liability company formed under the laws of the State of California in 2019 and has been in business as an investment adviser since that time. Our firm is owned by James Oghigian and Eric Wong.

The purpose of this Brochure is to disclose the conflicts of interest associated with the investment transactions, compensation and any other matters related to investment decisions made by our firm or its representatives. As a fiduciary, it is our duty to always act in the client's best interest. Our firm has established a service-oriented advisory practice with open lines of communication for many different types of clients to help with investment matters. We work with clients to understand their investment objectives while educating them about our investing, investment process and philosophy.

### **Types of Advisory Services Offered**

---

#### **Discretionary Portfolio Management**

Our firm provides discretionary portfolio management in conjunction with consulting services to clients. We follow an opportunistic disciplined value-based investment philosophy focusing on total return over the long term. We do not focus on quarter to quarter performance. Our approach is flexible in that we will invest anywhere we perceive value and are not constrained as to market capitalization, domestic or foreign investments, sector, industry and ratings of debt instruments. If we cannot find enough investment opportunities to fill out a portfolio we will hold cash and/or cash equivalents until investments that meet our criteria are found. At times cash and/or cash equivalent balances can be substantial. Portfolios are actively managed based on each clients' strategy, needs and objectives.

#### **Non-Discretionary Portfolio Management**

Our firm also advises client portfolios on a non-discretionary basis in conjunction with providing consulting services. The advice we give non-discretionary clients is based on our opportunistic value based investment philosophy focusing on total return over the long term. Often times these portfolios hold investments that do not fit our value based investment philosophy but clients request that we give our opinion on these investments. In non-discretionary accounts only those transactions that have been approved and directed by the client are executed.

#### *Information regarding ERISA Clients*

In providing asset management services for retirement plans, our firm does not provide any advisory services with respect to the following types of assets: employer securities, real estate (excluding real estate funds and publicly traded REITS), participant loans, non-publicly traded securities or assets, other illiquid investments, or brokerage window programs (collectively, "Excluded Assets"). All asset management services provided to retirement plans shall be in compliance with the applicable state laws regulating retirement consulting services. This applies to client accounts that are retirement or other employee benefit plans ("Plan") governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If the client accounts are part of a Plan, and our firm accepts

appointment to provide services to such accounts, our firm acknowledges its fiduciary standard within the meaning of Section 3(21) of ERISA as designated by the Agreement with respect to the provision of services described therein.

### **Tailoring of Advisory Services**

---

Our firm offers individualized investment advice to our Portfolio Management clients. General investment advice will be offered to our Retirement Plan Consulting clients.

Each Portfolio Management client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

### **Participation in Wrap Fee Programs**

---

Our firm does not offer or sponsor a wrap fee program.

### **Regulatory Assets Under Management**

---

As of December 31, 2022, our firm manages \$ 306,028,095 of regulatory assets under management in total; of which \$266,747,059 on a discretionary basis and \$39,281,036 on a non-discretionary basis.

## **Item 5: Fees & Compensation**

### **Compensation for Our Advisory Services**

---

#### **Portfolio Management:**

The maximum annual fee charged for this service will not exceed 1.25%. Fees to be assessed will be outlined in the advisory agreement to be signed by the Client. Annualized fees are billed on a pro-rata basis quarterly in advance based on the value of the account(s) on the last day of the previous quarter. Fees are negotiable and will be deducted from client account(s). Our firm bills on cash and cash equivalents unless indicated otherwise in writing. Adjustments will be made for deposits and withdrawals during the quarter. In rare cases, our firm will agree to directly invoice. As part of this process, Clients understand the following:

- a) The client's independent custodian sends statements at least quarterly showing the market values for each security included in the Assets and all account disbursements, including the amount of the advisory fees paid to our firm;
- b) Clients will provide authorization permitting our firm to be directly paid by these terms. Our firm will send an invoice directly to the custodian; and
- c) If our firm sends a copy of our invoice to the client, legend urging the comparison of information provided in our statement with those from the qualified custodian will be included.

## **Other Types of Fees & Expenses**

---

Clients will incur transaction fees for trades executed by their chosen custodian via individual transaction charges. These transaction fees are separate from our firm's advisory fees and will be disclosed by the chosen custodian. It is important to note that Fidelity Brokerage Services ("Fidelity") eliminated transaction fees for U.S. listed equities and exchange traded funds for clients who opt into electronic delivery of statements or maintain at least \$1 million in assets at Fidelity. Clients who do not meet either criteria will be subject to transaction fees charged by Fidelity for U.S. listed equities and exchange traded funds.

Clients may also pay holdings charges imposed by the chosen custodian for certain investments, charges imposed directly by a mutual fund, index fund, or exchange traded fund, which shall be disclosed in the fund's prospectus (i.e., fund management fees, initial or deferred sales charges, mutual fund sales loads, 12b-1 fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees, and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from custodian, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. Our firm does not receive a portion of these fees.

## **Termination & Refunds**

---

Either party may terminate the advisory agreement signed with our firm for Portfolio Management services in writing at any time. Upon notice of termination our firm will process a pro-rata refund of the unearned portion of the advisory fees charged in advance.

## **Commissionable Securities Sales**

---

Our firm and representatives do not sell securities for a commission.

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

Our firm does not charge performance-based fees.

## **Item 7: Types of Clients & Account Requirements**

Our firm has the following types of clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates or Charitable Organizations;
- Corporations, Limited Liability Companies and/or Other Business Types
- Asset Based Loan Accounts

Clients who opt into electronic delivery of statements or maintain at least \$1 million in assets at Fidelity will not be charged transaction fees for U.S. listed equities and exchange traded funds.

Our firm is flexible regarding requirements for opening and maintaining accounts or otherwise engaging us. Requirements are based upon the facts and circumstances of the client or potential client.

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

### Methods of Analysis

---

As previously stated, we follow an opportunistic disciplined value-based investment philosophy focusing on total return over the long term. We do not focus on quarter to quarter performance and our portfolios are not designed to correlate to any broad market indices. Our approach is flexible in that we will invest anywhere we perceive value and are not constrained as to market capitalization, domestic or foreign investments, sector, industry and ratings of debt instruments. We will invest domestically and internationally in equities, fixed income instruments, convertibles, exchange traded funds, REITs, MLPs, warrants, rights and occasionally options to hedge certain situations. If we cannot find enough investment opportunities to fill out a portfolio we may hold cash and/or cash equivalents until investments that meet our criteria are found. At times cash and/or cash equivalent balances can be substantial.

We do not run a model portfolio where investments are largely identical across all portfolios. Investments are typically only made in a portfolio when an investment is at what we feel to be at an appropriate buy price. We feel this helps to control individual portfolio risk. As a result, even if accounts have similar strategies, needs and objectives, there can be a large dispersion of results between portfolios caused by differences in when an account is funded, begins management and what investment opportunities that are available at that time and in the future. Additionally, investment sizing at the portfolio level is affected by overall asset allocation, cash/cash equivalents available and client risk tolerance. At times portfolios can become concentrated in an investment, sector or industry based the perceived opportunity or lack of other opportunities. Account holdings can differ between accounts due to different risk tolerance, tax implications of investments and transactions and client-imposed limitations for a particular account holder.

Our assets allocation is driven by asset price levels. We will invest where we perceive the best value and risk adjusted returns. Over time we seek to diversify the portfolio as value driven opportunities arise, but we will not diversify for the sake of diversification when value driven opportunities are not found.

As a portfolio matures a number of investment positions may no longer be considered an investment trading at a discount to value, but will continue to be held by the portfolio. The position may be held for tax reasons and/or because we feel the lack of a discount is short term in nature and further appreciation is possible on a long-term basis. Our strategy intends to have a relatively low portfolio turnover.

We will use a variety of fundamental analytical techniques to determine whether an investment's market value is at a discount to its fundamental value. Sources of information include company SEC filings (10-K, 10-Q, Proxy statements, Registration statements, 8-K, etc.), court filings, foreign regulatory filings, industry reports, company conference calls and presentations, general industry

and financial publications, internet searches, social media, credit rating agency reports, interviews and third party research and data.

In the case of fixed income investments in addition to fundamental analysis of debt paying ability, we will analyze where interest rates are relative to the economic cycle, yield curve analysis and yield spreads relative to relevant benchmark. As with all asset classes we only invest where we see value. Many investors will allocate a portion of their portfolio to fixed income investments for diversification purposes regardless of price/interest rates/value, we generally will not do this unless there is a special situation with a client that has been discussed in detail.

Our use of Exchange Traded Funds (ETFs) generally involves situations where an industry/sector as a whole is out of favor by investors due to an event or series of events which effects the valuation of an entire sector/industry. In this situation, since it is a sector/industry issue we will invest in the sector/industry ETF to benefit from the diversification with what we feel is upside potential similar to investing in one or a few companies.

Typically, our use of options is for hedging a specific position due to a specific event, such as a court decision, a release of a quarterly earnings report, release of a government report, after a substantial move in price up due to a buyout rumor, etc. This hedge is usually done through the purchase of put options against a position. On occasion, we may purchase an option as insurance to hedge the portfolio on an overall basis.

## **Risk of Loss**

---

All investing is inherently speculative and involves a potential risk of substantial loss that clients should be prepared to bear. Our analysis and predictions may be incorrect and result in substantial losses. As a buy and hold value investor, we may invest in assets that remain out of favor by the market for extended periods of time and result in client losses or require a substantial holding period to realize predicted value. There are several material risks associated with our investment approach.

The following list summarizes a number of these material risks:

**Style Risk.** As a buy and hold value investor, we may invest in assets that remain out of favor by the market for extended periods of time and result in client losses or require a substantial holding period to realize predicted value. There is the risk that investments may never reach our expected value. Due to our disciplined value approach and because we are not restricted to equity investments only, in a rising stock market we may not perform as well as an all equity portfolio or broad market index. Additionally, as a long term buy and hold investor our firm may buy securities for your account and hold them for a relatively long time (more than a year) in anticipation that the security's value will appreciate over a long horizon. The risk of this strategy is that our firm could miss out on potential short-term gains that could have been profitable to your account, or it's possible that the security's value may decline sharply before our firm makes a decision to sell.

**Market Risk.** Securities markets are subject to changes and at times the volatility can be substantial. The changes, usually economic and market condition related, can affect a client portfolio and can result in substantial losses.

**Stock Market Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and the account(s) could enjoy a gain, it is also possible



that the stock market may decrease and the account(s) could suffer a loss. It is important that clients understand the risks associated with investing in the stock market.

**Small-Cap and Mid-Cap Risks.** Because we are not constrained by market capitalization we may invest in small and mid-size companies. The securities of small and mid-size companies can be more volatile and less liquid than larger company securities. As a result, this can negatively affect the prices at which securities can be bought and sold. Small and mid-size companies can also be at greater risk of failure than larger companies.

**Focused Investing/ Lack of Diversification.** Even though we seek to diversify investments over time, due to our disciplined value-oriented investment style we may become concentrated in a company, sector, industry, theme or country. This concentration could result in greater risk to the client portfolio.

**Fixed Income Securities Risk:** Typically, the values of fixed-income securities change inversely with prevailing interest rates. Therefore, a fundamental risk of fixed-income securities is interest rate risk, which is the risk that their value will generally decline as prevailing interest rates rise, which may cause your account value to likewise decrease, and vice versa. How specific fixed income securities may react to changes in interest rates will depend on the specific characteristics of each security. Fixed-income securities are also subject to credit risk, prepayment risk, valuation risk, and liquidity risk. Credit risk is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of a bond to decline.

**Currency Risk:** Fluctuations in the value of the currency in which your investment is denominated may affect the value of your investment and thus, your investment may be worth more or less in the future. All currency is subject to swings in valuation and thus, regardless of the currency denomination of any particular investment you own, currency risk is a realistic risk measure. That said, currency risk is generally a much larger factor for investment instruments denominated in currencies other than the most widely used currencies (U.S. Dollar, British Pound, German Mark, Euro, Japanese Yen, French Franc, etc.).

**Cash & Cash Equivalents Risk:** Cash and cash equivalents generally refer to either United States dollars or highly liquid short-term debt instruments such as, but not limited to, treasury bills, bank CD's and commercial papers. Generally, these assets are considered nonproductive and will be exposed to inflation risk and considerable opportunity cost risk. Investments in cash and cash equivalents will generally return less than the advisory fee charged by our firm. Our firm may recommend cash and cash equivalents as part of our clients' asset allocation when deemed appropriate and in their best interest. Our firm considers cash and cash equivalents to be an asset class. Therefore, our firm assess an advisory fee on cash and cash equivalents unless indicated otherwise in writing.

## **Foreign Equity Markets**

**Foreign Exposure Risk.** Your investments may have exposure to foreign markets, including emerging markets, which can be more volatile than the U.S. markets. As a result, returns and net asset value may be affected to a large degree by fluctuations in currency exchange rates or political or economic conditions in a particular country. Any investments in emerging market countries may involve risks greater than, or in addition to, the risks of investing in more developed countries.

American Depositary Receipts (“ADRs”). An ADR is a stock that trades in the United States but represents a specified number of shares in a foreign corporation. Investors buy and sell ADRs on American markets just like regular stocks. Banks and brokerage firms issue/sponsor ADRs. ADRs are subject to additional risks of investing in foreign securities, including, but not limited to, less complete financial information available about foreign issuers, less market liquidity, more market volatility, and political instability. In addition, currency exchange-rate fluctuations affect the U.S. dollar-value of foreign holdings. Some ADRs and ordinary shares of foreign securities pay dividends, and many foreign countries impose dividend withholding taxes up to 30%. Depending on a custodian’s ability to reclaim any withheld foreign taxes on dividends, taxable accounts may be able to recoup a portion of these taxes by use of the foreign tax credit. However, tax-exempt accounts, to the extent they pay any foreign withholding taxes, may not be able to utilize the foreign tax credit. Therefore, investors may be unable to recover any foreign taxes withheld on dividends of foreign securities or ADRs.

**ETF & Mutual Fund Risk:** When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF’s or mutual fund’s operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs. The vast majority of ETFs are designed to track on an index, so their performance is close to that of an index mutual fund, but they are not exact duplicates. A tracking error, or the difference between the returns of a fund and the returns of the index, can arise due to differences in composition, management fees, expenses, and handling of dividends.

**Options:** For qualifying clients, options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing call options are highly specialized activities and entail greater than ordinary investment risks. We primarily use options for hedging purposes. An option owner can lose the amount paid (option premium) for the option in a relatively short period of time. The risk of losing the option premium is high because the holder must be right as to the direction and amount of price movement and the time frame over which it occurs. At expiration of the option, if it is not exercised or sold, it can become worthless. Thus the greater the option strike price is out of the money and the shorter the expiration time frame, the greater the probability of loss. There is also the chance of loss because the option may not track the underlying asset as intended. The exercise provisions of options whether European or American style can produce certain risk to cause a loss of capital. Additionally, regulatory agencies can impose exercise restrictions that cause a loss of capital.

**Master Limited Partnerships:** Generally, Master Limited Partnerships (MLPs) are exchange traded investments. MLPs usually focus their investments on the exploration, transportation, development, mining and processing of natural resources. MLPs generally hold cash generation assets in these areas. Risk can include:

- MLPs are often formed by a sponsor who exerts control over the MLP by exerting control over the General Partner (GP) and appointing the GP board of directors. The lack of independence and lower standard of care can cause decisions to be made to the detriment of the limited partners.
- Potentially, there are inherent conflicts of interest due to the relationship between the sponsor, MLP and GP. For example, a typical potential conflict is a transaction between the sponsor and the MLP.
- MLPs are typically focused on one industry and can thus suffer from the risk of industry risk and concentration exposure. MLPs are also exposed to leverage, interest rate, economic, geographic, terrorism and natural disaster risk to name a few.

- If an MLP is not able to maintain distributions, there can be a negative effect on the trading price. This can cause borrowing to maintain distributions and/or a sub-optimal use of cash.
- Because an MLP is a pass-through entity an investor can have a tax liability without receiving a cash distribution.

#### **Real Estate Investment Trust (REITs)**

- A REIT typically owns and operates income -producing real estate or real-estate related assets. Many REITs focus on a particular real estate related asset. Due to its nature REITs can be exposed to various concentration risks.
- REITs are also exposed to leverage, interest rate, economic, geographic, terrorism and natural disaster risk to name a few.
- REITs are exposed to all of the risk of owning real estate.
- The REIT structure and the management of REIT assets can cause conflicts of interest.

**Terrorism and Catastrophe Risks:** Your investments may be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events.

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

There are no legal or disciplinary events that are material to the evaluation of our advisory business or the integrity of our management.

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

Our firm has no other financial industry activities and affiliations to disclose.

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

As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is the underlying principle for our firm's Code of Ethics, which includes procedures for personal securities transaction and insider trading. Our firm requires all representatives to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment with our firm, and at least annually thereafter, all representatives of our firm will acknowledge receipt, understanding and compliance with our firm's Code of Ethics. Our firm and representatives must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. If a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Our firm recognizes that the personal investment transactions of our representatives demands the application of a Code of Ethics with high standards and requires that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, our firm also believes that if investment goals are similar for clients and for our representatives, it is logical, and even desirable, that there be common ownership of some securities.

In order to prevent conflicts of interest, our firm has established procedures for transactions effected by our representatives for their personal accounts<sup>1</sup>. In order to monitor compliance with our personal trading policy, our firm has pre-clearance requirements and a quarterly securities transaction reporting system for all of our representatives.

Neither our firm nor a related person recommends, buys or sells for client accounts, securities in which our firm or a related person has a material financial interest without prior disclosure to the client.

Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

Specifically, for same day trades, unless included in a block trade, our related persons will buy or sell the same securities for themselves at least two hours following buying or selling these securities for their clients.

## Item 12: Brokerage Practices

### Selecting a Brokerage Firm

---

While our firm does not maintain physical custody of client assets, we are deemed to have custody of certain client assets if given the authority to withdraw assets from client accounts (see *Item 15 Custody*, below). Client assets must be maintained by a qualified custodian. Our firm seeks to recommend a custodian who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. The factors considered, among others, are these:

- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors

---

<sup>1</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation
- Quality of services

With this in consideration, our firm has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides our firm with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like our firm in conducting business and in serving the best interests of their clients but that may benefit our firm. Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables our firm to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

As part of the arrangement, Fidelity also makes available to our firm, at no additional charge to our firm, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by our firm (within specified parameters). These research and brokerage services presently include services such as an initial two-year subscription to Black Diamond investment software services and are used by our firm to manage accounts for which our firm has investment discretion. Our firm may also receive additional services which include a two-year subscription to Bloomberg research management services. Without this arrangement, our firm might be compelled to purchase the same or similar services at its own expense.

As a result of receiving such services for no additional cost, our firm may have an incentive to continue to use or expand the use of Fidelity's services. Our firm examined this potential conflict of interest when it chose to enter into the relationship with Fidelity and has determined that the relationship is in the best interests of our firm's clients and satisfies its client obligations, including its duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where our firm determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although our firm will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by our firm will generally be used to service all of our firm's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. Our firm and Fidelity are not affiliates, and no broker-dealer affiliated with our firm is involved in the relationship between our firm and Fidelity.

### **Client Brokerage Commissions**

---

Fidelity does not make client brokerage commissions generated by client transactions available for our firm's use.

### **Client Transactions in Return for Soft Dollars**

---

Our firm does not direct client transactions to a particular broker-dealer in return for soft dollar benefits.

### **Brokerage for Client Referrals**

---

Our firm does not receive brokerage for client referrals.

### **Directed Brokerage**

---

Neither our firm nor any of our firm's representatives have discretionary authority in making the determination of the brokers-dealers and/or custodians with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. Our firm routinely recommends that clients direct us to execute through a specified broker-dealer. Our firm recommends the use of Fidelity.

### **Client-Directed Brokerage**

---

Our firm allows clients to direct brokerage outside our recommendation. Our firm may be unable to achieve the most favorable execution of client transactions. Client directed brokerage may cost clients more money. For example, in a directed brokerage account, clients may pay higher brokerage commissions because our firm may not be able to aggregate orders to reduce transaction costs, or clients may receive less favorable prices.

### **Aggregation of Purchase or Sale**

---

Our firm provides investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when our firm believes that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, our firm attempts to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

## **Item 13: Review of Accounts or Financial Plans**

Our management personnel or financial advisors review accounts on at least an annual basis for our Portfolio Management clients. The nature of these reviews is to learn whether client accounts are in

line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Our firm contacts our clients annually to review suitability.

Our firm may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

## **Item 14: Client Referrals & Other Compensation**

### **National Financial Services LLC, and Fidelity Brokerage Services LLC**

---

Except for the arrangements outlined in Item 12 of Form ADV Part 2A, our firm has no additional arrangements to disclose.

#### **Referral Fees**

---

In accordance with Rule 206 (4)-1 of the Investment Advisers Act of 1940, our firm does not provide cash or non-cash compensation directly or indirectly to unaffiliated persons for testimonials or endorsements (which include client referrals).

## **Item 15: Custody**

Our firm does not have custody of client funds or securities. All of our clients receive account statements directly from their qualified custodians at least quarterly upon opening of an account. If our firm decides to also send account statements to clients, such notice and account statements include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our firm. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

#### **Third Party Money Movement:**

On February 21, 2017, the SEC issued a no-action letter ("Letter") with respect to Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of instruction ("SLOA") is deemed to have custody. As such, our firm has adopted the following safeguarding procedures in conjunction with our custodian, Fidelity:

- Fidelity's forms, used to establish a standing letter of authorization, include the name and account number on the receiving account and must be signed by the client.
- Fidelity's SLOA forms currently require client's signature.
- Fidelity performs verification on all SLOA forms and sends a transfer of notice to the client promptly following the transaction.
- Clients always have the ability to terminate (or amend) an SLOA in writing.



- Our firm has no authority, or ability, to amend the third party designated on a standing instruction.
- Our firm maintains records showing the third party is not a related party of our firm or located at our firm.
- Fidelity notifies the client in writing when a new standing instruction is set up. Clients also receive an annual mailing reconfirming the existence of the standing instruction.

## Item 16: Investment Discretion

Clients have the option of providing our firm with investment discretion on their behalf, pursuant to an executed investment advisory client agreement. By granting investment discretion, our firm is authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. Should clients grant our firm non-discretionary authority, our firm would be required to obtain the client's permission prior to effecting securities transactions. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our firm's written acknowledgement.

## Item 17: Voting Client Securities

Our firm considers proxy voting an important right of our clients as shareholders and believe that reasonable care and diligence must be taken to ensure that such rights are properly and timely exercised. When our firm has discretion to vote the proxies of our clients, our firm will vote those proxies in the client's best interests and in accordance with these policies and procedures. Clients may request a copy of our written policies and procedures regarding proxy voting and/or information on how particular proxies were voted by contacting our Chief Compliance Officer, James Oghigian, by phone at (213) 805-6698.

### Policy for Voting Proxies

---

All proxies received by our firm will be given to our Chief Compliance Officer or designated person for processing. Our Chief Compliance Officer will determine which accounts managed by our firm hold the security to which the proxy relates. These accounts and their share holdings will be matched to the proxies received for each security. Missing proxies or significant variances in shares held will be investigated.

A grid of securities being voted will be updated with each proxy being voted. The grid will also contain a list of clients with the security voted upon. Our Chief Compliance Officer will review each item for voting on each proxy. Based on our proxy voting guidelines outlined below, a determination of how our firm votes will be made. Proxies will generally be voted online unless custodian requires mailed forms. In the absence of standing voting guidelines from the client, our firm will vote proxies in the best interest of each particular client.

### Proxies Voting Guidelines

---



We will decide to vote a proxy on a case by case basis. If we deem that the proposal in the proxy is in the clients' best interest and not voting will not harm the clients' best interest, we may not vote on the proxy. If we deem that the proposal in the proxy is not in the client's best interest but the outcome is not in doubt we may not vote the proxy. We will also refrain from voting in certain instances where the cost of voting outweighs the benefit to the client.

Where voting authority exists and is exercised, proxies are voted by our firm according to Board recommendations in categories listed below among others unless not deemed to be in the best interests of the client:

- for directors and for management on routine matters;
- for a limit on or reduction of the number of directors, and for an increase in the number of directors on a case by case basis;
- against the creation of a tiered board;
- for the elimination of cumulative voting;
- for independence of auditors;
- for deferred compensation;
- for profit sharing plans;
- for stock option plans unless the plan could result in material dilution to shares outstanding or is excessive;
- for stock repurchases;
- for an increase in authorized shares unless the authorization effectively results in a blind investment pool for shareholders;
- for reductions in the par value of stock;
- for company name changes;
- for routine appointments of auditors.

Material issues not addressed above (e.g., mergers, poison pills, social investing and miscellaneous shareholder proposals) are dealt with on a case-by-case basis.

Our firm will defer to instruction from clients in all voting matters. Records of all issues and votes are maintained and reported to clients as requested.

Our firm recognizes that under certain circumstances our firm may have a conflict of interest between us and our clients. Such circumstances may include, but are not limited to, situations where our firm or one or more of our affiliates, including officers, directors and employees, has or is seeking a client relationship with the issuer of the security that is the subject of the proxy vote. Our firm shall periodically inform our employees that they are under an obligation to be aware of the potential for conflicts of interest on the part of our firm with respect to voting proxies on behalf of funds, both as a result of our employee's personal relationships and due to circumstances that may arise during the conduct of our business, and to bring conflicts of interest of which they become aware to the attention of the proxy manager. Our firm shall not vote proxies relating to such issuers on behalf of client accounts until our firm has determined that the conflict of interest is not material or a method of resolving such conflict of interest has been agreed upon by our management team. A conflict of interest will be considered material to the extent that it is determined that such conflict has the potential to influence our decision-making in voting a proxy. Materiality determinations will be based upon an assessment of the particular facts and circumstances. If our firm determines that a conflict of interest is not material, our firm may vote proxies notwithstanding the existence of a conflict. If the conflict of interest is determined to be material, the conflict shall be disclosed to our management team and our firm shall follow the instructions of the management team.

Our Chief Compliance Officer will maintain files relating to our proxy voting procedures. Records will be maintained and preserved for 5 years from the end of the fiscal year during which the last entry was made on a record, with records for the last two years kept on our premises. Records of the following will be included in the files:

- a copy of each proxy statement that our firm receives, provided however that our firm may rely on obtaining a copy of proxy statements from the SEC's EDGAR system for those proxy statements that are available;
- a record of each vote that our firm casts;
- a copy of any document our firm created that was material to making a decision how to vote proxies, or that memorializes that decision;
- a copy of each written client request for information on how our firm voted such client's proxies, and a copy of any written response to any client request for information on how our firm voted their proxies.

Our written policies and procedures regarding proxy voting are disclosed here. Information on how particular proxies were voted may contact our Chief Compliance Officer, James Oghigian, by phone at (213) 805-6698.

Our firm does not pay for proxy voting services with soft dollars. Also, our firm does not charge an additional fee to vote proxies.

## Item 18: Financial Information

Our firm is not required to provide financial information in this Brochure because:

- Our firm does not require the prepayment of more than \$1,200 in fees when services cannot be rendered within 6 months.
- Our firm does not take custody of client funds or securities.
- Our firm does not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.

Our firm has never been the subject of a bankruptcy proceeding.