



**KATHMERE**  
CAPITAL MANAGEMENT

## **Kathmere Capital Management, LLC**

### **Form ADV Part 2A: Firm Brochure**

This brochure provides information about the qualifications and business practices of Kathmere Capital Management, LLC (“Kathmere Capital”). If you have any questions about the contents of this brochure, please contact us at (610) 989-3900 and/or [compliance@kathmere.com](mailto:compliance@kathmere.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Kathmere Capital, including a copy of this brochure, is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The CRD number for Kathmere Capital is 305118.

References herein to Kathmere Capital as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

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## **Item 2 – Material Changes**

On March 20, 2023, we submitted our annual updating amendment for fiscal year 2022. There were no material changes to report.

If you would like to receive a complete copy of our current brochure, free of charge, please contact us at (610) 989-3900.



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## Item 4 – Advisory Business

Kathmere Capital Management (“Kathmere Capital”) provides clients with advisory services which primarily include investment management, financial planning and/or retirement plan consulting. When engaged in an advisory relationship, we act in the capacity of a fiduciary and as such, are obligated and committed to placing the interests of our clients first at all times.

Kathmere Capital Management, LLC is a Limited Liability Company organized in the Commonwealth of Pennsylvania. Kathmere Capital was formed in July 2019.

Michael P. McDermott is the principal owner of Kathmere Capital.

As of December 31, 2022, Kathmere Capital managed \$1,272,927,282 in assets, of which \$1,270,668,641 is managed on a discretionary basis and \$2,258,641 is managed on a non-discretionary basis. Additionally, the firm provides pension consulting services over an additional \$732,197,714 in pension plan assets.

### **Investment Management Services**

We provide investment management services to individual (i.e., individual or high net worth individual) and institutional (i.e., charitable organization, corporation, endowment or foundation, etc.) asset owner clients. We provide these services primarily on a discretionary basis; however, in certain circumstances, clients have engaged us to provide non-discretionary investment advisory services.

We provide investment management services specific to the needs of each individual client. Each of our clients work directly with one or more of our Investment Adviser Representatives who, prior to formulating any investment allocation recommendation, work with our clients to ascertain each client's general financial situation, investment objectives, liquidity needs, time horizon and risk tolerance, as well as any special considerations relevant to the formulation of the client's investment program. Thereafter, we generally recommend and allocate each individual client's assets to one or more of our asset allocation model portfolios which vary across multiple dimensions including overall risk profile, the degree to which active management

risk is assumed and account tax status. It should be noted, however, that we do not limit our advice to any specific class of securities and that other security types and investment options are frequently used in the construction of client portfolios.

Subsequent to the initial implementation of a client's portfolio, our ongoing review and management of the portfolio occurs at three distinct levels: (i) at the model portfolio level wherein our Investment Department and Investment Committee regularly monitor and modify the asset allocation and security selection within each model as necessary, (ii) at the client account level wherein the Investment Department periodically monitors each account to ensure that portfolio allocations are within an acceptable variance around established targets and (iii) at the individual client level wherein our Investment Adviser Representatives work directly with individual clients to review portfolio construction and account performance and to continually reaffirm and/or modify the model recommendations as appropriate given changes in a client's individual financial circumstances or investment objectives.

Clients may, at any time, request restrictions on or customizations to their accounts. However, we reserve the right not to accept and/or terminate the management of a client account if we feel that the customizations or restrictions imposed by the client, in our opinion, prevent us from managing the account in a manner that is consistent with the client's stated investment objectives.

### **Family Office Services**

In keeping with our core purpose of bringing clarity and confidence to our clients about all aspects of their financial lives, we provide many of our Investment Management Services clients with independent and objective advice on a variety of financial matters free of any additional explicit charges or fees. Financial topics covered typically include: retirement planning, education planning, investment tax planning, concentrated stock/stock option planning and management, business succession planning, insurance and risk-management planning, estate and legacy planning, social security analysis and planning, and elder care planning, among many others topics. For many of our clients we also work in close partnership with the client's other trusted advisors,



including accountants and attorneys, to ensure maximum efficiency and comprehensiveness. At times, we may recommend the services of other professionals, such as attorneys and accountants, for certain non-investment implementation purposes. It should be noted that our clients are under no obligation to work with any such professional.

### **Financial Planning and Consulting Services (Stand-Alone)**

In certain circumstances, clients engage us to provide financial planning and/or consulting services on a stand-alone, separate fee basis. Our financial planning and consulting advice generally include written and/or oral advice and analysis covering a variety of topics both investment and non-investment related, including but not limited to: retirement or education funding, analysis or review of specific investment products or strategies, personal and business insurance, qualified and non-qualified benefit plans and estate planning, among other topics.

### **Retirement Plan Consulting Services**

We also offer advisory and consulting services to corporate and non-profit retirement plans and plan sponsors. We generally act as either a co-fiduciary under Section 3(21) of the Employee Retirement Income Security Act of 1974 ("ERISA") or as an Investment Manager under section 3(38) of ERISA.

When acting as a fiduciary, as defined in ERISA in Section 3(21), we provide non-discretionary investment advice regarding the selection and monitoring of the plan's investment options. When acting as an Investment Manager to a plan, as defined in ERISA Section 3(38), we assume discretionary authority to make decisions regarding the investment options made available to plan sponsors.

Regardless of whether we are acting under Sections 3(21) or 3(38), our Retirement Plan Consulting Services generally include supporting plan sponsors and retirement plan participants with the following:

- Ongoing administration of the plan:
  - Assisting plan fiduciaries with the selection of providers.

- Monitoring and benchmarking plan fees on a regular basis.
- Assisting with fiduciary oversight and committee education.
- Plan lineup construction and investment selection and monitoring
  - Developing and updating an investment policy statement to govern the selection and ongoing monitoring of the plan's specific investment options.
  - Advising on plan lineup construction as it relates to the various types of asset classes to include in the plan lineup.
  - Recommending and monitoring the specific investment options included in the plan lineup.
- Education and advice services to plan participants
  - Educating plan participants about general investment principles and the investment alternatives available in the plan lineup.
  - Assisting with individual and/or group enrollment meetings designed to increase plan participation and overall financial knowledge among plan participants.
  - Providing one-on-one advice to plan participants regarding their investment options under the plan. Plan participants are responsible for implementing transactions in their own account.

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset-based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee-based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change



jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of: 1)) Leaving the funds in your employer's (former employer's) plan; 2) moving the funds to a new employer's retirement plan; 3) cashing out and taking a taxable distribution from the plan; and/or 4) rolling the funds into an IRA rollover account. Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney. Our recommendations may include any of them, depending on what we feel is in your best interest.

We are fiduciaries under the Investment Advisers Act of 1940 and when we provide investment advice to you regarding your retirement plan account or individual retirement account, we are also fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. As a fiduciary, we are required to document the reason(s) for why the recommendation we made is in your best interest.

## Item 5 – Fees and Compensation

We are generally compensated for services rendered through one of four ways: (i) as a percentage of assets under management or advisement, (ii) as a fixed fee for service, (iii) as a monthly, quarterly or annual retainer or (iv) as an hourly billable rate.

Our general policy is to charge fees in accordance with the standardized fee schedule specific to the services rendered, however, all fees are subject to negotiation based on each client's specific circumstances. Our standard fee schedules for our various advisory services are detailed below.

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests. In accordance with various rules and regulations, we must act in your best interest and we must not put our interests ahead of your interests. Additionally,

we must: meet a professional standard of care when making investment recommendations (give prudent advice); never put our financial interests ahead of yours when making recommendations (give loyal advice); avoid misleading statements about conflicts of interest, fees, and investments; follow policies, and procedures designed to ensure that we give advice that is in your best interest; charge no more than is reasonable for our services; and give you basic information about any conflicts of interest.

There is a conflict of interest when a Kathmere Capital representative makes a recommendation that a participant roll over assets from a retirement account into a new or existing account or investment (e.g. rollover IRA) managed by Kathmere Capital. The conflict of interest exists because Kathmere Capital will receive compensation (e.g., management fees) if the money is rolled over, but it will not if the recommendation is not accepted. In some cases, Kathmere Capital could have recommended that the participant leave his or her money in the plan and, in that case, the firm and its representative would not be compensated for their advice. Kathmere Capital will manage this conflict through a process designed to develop an informed recommendation in the best interest of the client.

### Investment Management Services

Our fee structure for Investment Management Services is generally based upon a percentage of the market value of assets under management or advisement. Our standard fee schedule for Investment Management Services as a percentage of assets under management is as follows: 1.15% per annum for total assets under management of less than \$500,000; 1.05% for total assets under management great than or equal to \$500,000 and less than \$2,000,000; 0.95% per annum for total assets under management greater than or equal to \$2,000,000 and less than \$5,000,000; and 0.85% per annum for total asset under management \$5,000,000 or more.

All Investment Management Services fees are negotiable at our discretion. Both objective and subjective factors are taken into consideration when negotiating fees for individual clients. Factors considered include but are not limited to: the anticipated scope and complexity of the relationship, the anticipated number of meetings





desired and requested, the client's future earning capacity and potential future size of the relationship, the tenure of the relationship between the client and Kathmere Capital and our Investment Advisor Representative(s) and the professional(s) rendering the services. As a result of these factors, certain clients may have fees different from these specifically set forth above. In addition, similarly situated clients could pay different fees.

Each client's effective, agreed upon fee schedule is documented in their Investment Advisory Agreement. Fees are generally billed monthly in arrears based on the average daily market value of the account during the previous month. Fees are generally deducted directly from client accounts with prior authorization which is contained in each client's Investment Advisory Agreement and the qualified custodian's custodial/clearing agreement. This agreement authorizes the account's qualified custodian to debit the account for the amount of the advisory fee and to directly remit the fee to Kathmere Capital in compliance with regulatory procedures. Statements sent to the client by the custodian for the period following the applicable billing cycle end will reflect the advisory fee paid by the client to us.

Alternatively, on a case-by-case basis, clients may negotiate to have fees billed for payment rather than having such fees automatically deducted from their account as described above. In other rare circumstances, clients may negotiate to be charged a flat fixed fee for investment management services, which is generally no less than \$10,000. Circumstances considered in these negotiations include, but are not limited to, the size of the client's account, the complexity of the relationship as well as other relevant factors. We do not typically allow clients to pay their fees an advance.

In addition to the fees clients pay to Kathmere Capital, clients are generally also subject to fees and expenses at both the fund (e.g., mutual fund or ETF) level and the custodian level. As an example of the former, any mutual fund shares and/or ETFs held in a client's account are typically subject to fund related expenses (e.g., management fees and other fund expenses) that are described in each fund's or ETF's prospectus. As an example of the latter, clients are generally responsible for paying brokerage commissions and/or transaction fees incurred in connection with transactions in their accounts (e.g., transaction fees are typically

charged for certain no-load mutual funds; commissions are charged for individual equity or ETF transactions). In either case, all fees and expenses paid to Kathmere Capital are separate and distinct from the fees and expenses charged by custodians and individual mutual funds or ETFs. Please see "Item 12 – Brokerage Practices" of this Brochure for a more detailed discussion about brokerage and brokerage fees.

### **Family Office Services**

We often provide Investment Management Services clients with independent and objective advice on a variety of key areas of their financial lives as part of our Family Office Services offer, generally without any additional explicit charges or fees. Typically, we do not have the authority to affect changes with regard to any of these recommendations we make. In these circumstances, clients are advised to consult with their various other trusted advisors (e.g., attorneys and accountants) to affect the necessary changes. Clients should be prepared to compensate these other professionals for work performed on their behalf. We do not participate or share in any of this compensation and clients are under no obligation to work with any such professional recommended by us.

### **Financial Planning and Consulting Services (Stand-Alone)**

In certain situations, clients engage us to provide financial planning and/or consulting services (including investment and non-investment matters, estate planning, insurance planning, etc.) on a stand-alone, separate fee basis. Our planning and consulting fees are negotiable and can take the form of: (i) a fixed fee for service, (ii) a monthly, quarterly or annual retainer or (iii) an hourly billable rate. The fee rate paid by an individual client depends on a variety of factors including the level and scope of the services rendered and the professionals rendering the services. The final, agreed upon fee rate is identified in each client's Financial Planning Agreement. Fees are generally paid by invoice.

### **Retirement Plan Consulting Services**

Retirement Plan Consulting fees may be based on a percentage of assets held in the Plan (e.g., 0.35% annually), on a fixed flat rate basis (e.g., a



monthly, quarterly or annual retainer) or as hourly fees at pre-established rates as negotiated between the Plan and Kathmere Capital. Fees are payable in advance or in arrears on the frequency (e.g., monthly, quarterly or annually) as agreed upon by the client and Kathmere Capital. If asset-based fees are negotiated, payment generally will be based on the value of plan assets on the last day of the period (e.g., month or quarter) as valued by the custodian of the Plan's assets. The specific manner in which fees are charged is documented in each client's written agreement with Kathmere Capital.

Clients may incur fees and charges imposed by third parties other than Kathmere Capital and its representatives in connection with investments recommended by us. These third-party fees can include fund or annuity subaccount management fees, 12b-1 fees and administrative servicing fees, plan recordkeeping and other service provider fees. Additional information regarding charges and fees assessed by a fund or annuity are available in the appropriate prospectus.

### **Alternative Investments**

Kathmere Capital Management invests certain qualified clients in Private Funds (e.g. Private Equity Funds, Hedge Funds, etc.) depending on their risk tolerance and investment goals. Clients should be aware that investments in Private Funds generally carry additional fees in addition to Kathmere Capital Management's asset management fee. These additional fees may be in the form of fund expenses, incentive fees, carried interest etc.

### **Information About our Billing Policies**

**Billing on Cash Positions:** We treat cash and cash equivalents as an asset class. Accordingly, unless otherwise agreed in writing, all cash and cash equivalent positions (e.g., money market funds, etc.) are included as part of assets under management for purposes of calculating our advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), we may maintain cash and/or cash equivalent positions for defensive, liquidity, or other purposes. While assets are maintained in cash or cash equivalents, such amounts could miss market

advances and, depending upon current yields, at any point in time, our advisory fee could exceed the interest paid by the client's cash or cash equivalent positions.

**Periods of Portfolio Inactivity:** As part of our investment management services, we review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, your financial circumstances, and changes in your investment objectives. Based upon these and other factors, there may be extended periods of time when we determine that changes to your portfolio are neither necessary nor prudent. Notwithstanding, unless otherwise agreed in writing, our annual investment management fee will continue to apply during these periods, and there can be no assurance that investment decisions made by us will be profitable or equal any specific performance level(s).

## **Item 6 – Performance-Based Fees and Side-by-Side Management**

We do not have any performance-based fee arrangements and consequently do not participate in any side-by-side management.

## **Item 7 – Types of Clients**

Our clients generally include individuals, high net worth individuals, trusts, estates, charitable organizations, corporations, pension and profit-sharing plans, and endowments and foundations.

Our typical minimum account size to establish an Investment Management Services relationship is \$500,000. This minimum may be waived at our discretion based on a variety of objective and subjective criteria.

There is no minimum account size to establish a Retirement Plan Consulting Services relationship.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**





## **Methods of Analysis and Investment Strategies**

To ensure consistency of investment advice and portfolio management, we maintain a series of asset allocation model portfolios which vary across multiple dimensions including overall risk profile, the degree to which active management risk is assumed and the degree to which taxes are considered in the construction of the portfolio. All model portfolios are managed in adherence to a top-down, fundamentally based investment process that seeks to maximize the portfolio return of the portfolio within specific, defined objectives and risk constraints. Our top-down approach focuses first on establishing asset allocation targets and subsequently sub-asset class allocation targets and finally on security selection (i.e., the identification and selection of individual securities or strategies to fill targeted portfolio allocations).

At the outset of any client relationship, and regularly thereafter, we work closely with our clients to understand their unique financial situation including their investment objectives, liquidity needs, time horizon and psychological willingness to bear risk. Based on our assessment, we generally recommend managing our clients' accounts in accordance with one or more of our asset allocation model portfolios. It should be recognized that client portfolios with similar investment objectives and asset allocation goals may own the same or different securities. Depending on the tax status of the client's individual accounts, tax considerations may influence our investment decisions. Further, clients who buy or sell securities on the same day may receive different prices based on the timing of the transactions during open market hours.

Each portfolio will maintain a target asset and sub-asset class allocation as predicated by the relevant model portfolio. We review individual client portfolios regularly to evaluate how closely each portfolio's allocations matches that of its target. When the variance is considered excessive, we will take appropriate action (e.g., buying and/or selling securities) to bring the actual allocation within the acceptable range of the target allocation. This process is referred to as "rebalancing."

We generally implement our client portfolio allocations with exchange traded funds (ETFs) and no-load mutual funds (hereafter referred to

interchangeably as a "fund"). We select individual funds to fulfil a specific, defined role within the overall portfolio. We consider multiple criteria when evaluating an individual fund, including, but not limited to: the investment philosophy and process employed in the management of the fund; the people directly involved in the investment process including research and portfolio management and trading; the parent organization sponsoring the fund; and the fund's complete performance history relative to benchmarks and peers. Our evaluation is focused on identifying funds and managers that we believe possess an edge relative to other available alternatives that will lead to superior long-term investment performance on either an absolute or risk-adjusted basis depending on the specific strategy.

Other security types such as individual stocks, individual bonds, money market funds, structured products and private investment funds are periodically used in the construction of client portfolios.

Prior to entering into an Investment Advisory Agreement with Kathmere Capital, each client should carefully consider that, as is the case with respect to any investment in securities, the risk of loss is present and that over time portfolio values will fluctuate such that at any time a client's portfolio may be worth more or less than the amount invested. We do not guarantee that any investment strategy employed by us will meet its investment objectives or that a client's account will not suffer losses.

We generally seek to minimize the risk of principal losses in client portfolio by diversifying assets both across and within different asset classes and specific investment strategies. However, it is imperative that clients recognize that while diversification can help to reduce the likelihood of realizing widespread losses across their total portfolio, there is no guarantee that it will succeed in doing so.

In addition to the risk that asset classes do not perform as expected, clients face the risk that allocations to particular asset classes could have achieved better results had allocations been affected in a different manner as a result of the specific security selection decisions made by Kathmere Capital. A risk of mutual fund and ETF analysis is that, as is the case with all securities



investments, past performance does not guarantee future results. A manager who has been successful in the past may not be able to replicate that success in the future. In addition, we do not control the underlying investments in a mutual fund or ETF, and as a result, there is the risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF which may adversely impact results.

## **Risk of Loss**

Investing involves a risk of loss. Clients should be prepared to bear investment loss, including the loss of the original principal. Clients should never presume that future performance of any specific investment or investment strategy will be profitable. Further, there may be varying degrees of risk depending on different types of investments. Clients should know that all investments carry a certain degree of risk ranging from the variability of market values to the possibility of permanent loss of capital. Although portfolios seek principal protection, asset allocation and investment decisions may not achieve this goal in all cases. There is no guarantee a portfolio will meet a target return or an investment objective.

Risks to capital include, but may not be limited to: changes in the economy, market volatility, company results, industry sectors, accounting standards and changes in interest rates. Investments are generally subject to risks inherent in governmental actions, exchange rates, inflation, deflation, and fiscal and monetary policies. Market risks include changes in market sentiment in general and styles of investing. Diversification will not protect an investor from these risks and fluctuations.

Because of the inherent risk of loss associated with investing, we are unable to represent, guarantee or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

## **Additional Risks**

Additional risks may include:

**Market risk.** Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. Stocks are susceptible to general

stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. Common stock (or its equivalent) is generally exposed to greater risk than preferred stocks and debt obligations of an issuer.

**Company risk.** There is always a certain level of company or industry specific risk that is inherent in each investment. Although this risk can be reduced through appropriate diversification, it cannot be eliminated. There is the risk that the issuer will perform poorly or have its value reduced based on factors specific to the issuer or its industry. If the issuer experiences credit issues or defaults on debt, the value of the issuer may be reduced.

**Exchange traded fund and mutual fund risk.** 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 incur additional costs associated with ETFs and mutual funds (see Item 5).

**Management risk.** Investments managed by us vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities.

**Foreign investments risks.** Non-U.S. investments, currency and commodity investments may contain additional risks associated with government, economic, political or currency volatility.

**Emerging markets risks.** Emerging markets can experience high volatility and risk in the short term.

**Liquidity risks.** Generally, assets are more liquid if many investors are interested in a standardized product, making the product relatively easy to convert into cash. Specialized investments may have reduced liquidity.

**Bond risks.** Investments in bonds involve interest rate and credit risks. Bond values change according to changes in interest rates, inflation, credit climate and issue credit quality. Interest rate increases will reduce the value of a bond. Longer term bonds are more susceptible to interest rate variations than shorter term, lower yield bonds.

**Sector risks.** Investing in a particular sector is subject to cyclical market conditions and



charges.

**Tax risks.** Our strategies and investments may have unique and significant tax implications. Kathmere will manage portfolios with an awareness of tax implications, but long-term wealth compounding is our primary consideration. Regardless of account size or other factors, Kathmere strongly recommends that its clients continuously consult with a tax professional prior to and throughout the investing of clients' assets.

Kathmere does not engage in high-frequency trading activities or algorithmic trading strategies.

### **Environmental, Social, and Governance**

**Investment Criteria Risk.** If a portfolio is subject to certain environmental, social and governance (ESG) investment criteria it may avoid purchasing certain securities for ESG reasons when it is otherwise economically advantageous to purchase those securities, or may sell certain securities for ESG reasons when it is otherwise economically advantageous to hold those securities. In general, the application of the portfolio's ESG investment criteria may affect the portfolio's exposure to certain issuers, industries, sectors and geographic areas, which may affect the financial performance of the portfolio, positively or negatively, depending on whether these issuers, industries, sectors or geographic areas are in or out of favor. An adviser can vary materially from other advisers with respect to its methodology for constructing ESG portfolios or screens, including with respect to the factors and data that it collects and evaluates as part of its process. As a result, an adviser's ESG portfolio or screen may materially differ from or contradict the conclusions reached by other ESG advisers concerning the same issuers. Further, ESG criteria are dependent on data and are subject to the risk that such data reported by issuers or received from third-party sources may be subjective, or it may be objective in principle but not verified or reliable.

### **Risks Associated with Investing in Buffer ETFs.**

Buffer ETFs are also known as defined-outcome ETFs since the ETF is designed to offer downside protection for a specified period of time. These ETFs are modeled after options-based structured notes, but are generally cheaper, and offer more liquidity. Buffer ETFs are designed to safeguard against market downturns by employing complex options strategies. Buffer ETFs typically charge higher management fees that are considerably

more than the index funds whose performance they attempt to track. Additionally, because buffer funds own options, they do not receive dividends from their equity holdings. Both factors result in the underperformance of the Buffer ETF compared to the index they attempt to track. Clients should carefully read the prospectus for a buffer ETF to fully understand the cost structures, risks, and features of these complex products.

### **Third Party Asset Management Program**

**("TAMPs") Risk.** In the event we recommend a TAMP to manage all or a portion of your assets, we will primarily rely on investment model portfolios and strategies developed by the TAMPs and their portfolio managers. The primary risks associated with investing in a TAMP is that while a particular TAMP may have demonstrated a certain level of success in the past; it may not be able to replicate that success in future markets. In addition, as we do not control the underlying investments in TAMPs, there is also a risk that a TAMP may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. To mitigate this risk, we seek third parties with proven track records that have demonstrated a consistent level of performance and success over time. A TAMP's past performance is not a guarantee of future results and certain market and economic risks exist that may adversely affect an account's performance that could result in capital losses in your account. Please refer to the TAMP's advisory agreements, Form ADV Brochure, and associated disclosure documents for details on their specific investment strategies, methods of analysis, and associated risks.

**Structured Notes.** Below are some specific risks related to the structured notes recommended by our firm:

- **Complexity:** Structured notes are complex financial instruments. Clients should understand the reference asset(s) or index(es) and determine how the note's payoff structure incorporates such reference asset(s) or index(es) in calculating the note's performance. This payoff calculation may include leverage multiplied by the performance of the reference asset or index, protection from losses should the reference asset or index produce negative returns, and/or fees. Structured notes may have complicated payoff structures that can make it difficult for clients to accurately assess their value,



risk and potential for growth through the term of the structured note. Determining the performance of each note can be complex and this calculation can vary significantly from note to note depending on the structure. Notes can be structured in a wide variety of ways. Payoff structures can be leveraged, inverse, or inverse-leveraged, which may result in larger returns or losses. Clients should carefully read the prospectus for a structured note to fully understand how the payoff on a note will be calculated and discuss these issues with our firm.

- **Market risk.** Some structured notes provide for the repayment of principal at maturity, which is often referred to as “principal protection.” This principal protection is subject to the credit risk of the issuing financial institution. Many structured notes do not offer this feature. For structured notes that do not offer principal protection, the performance of the linked asset or index may cause clients to lose some, or all, of their principal. Depending on the nature of the linked asset or index, the market risk of the structured note may include changes in equity or commodity prices, changes in interest rates or foreign exchange rates, and/or market volatility.
- **Issuance price and note value:** The price of a structured note at issuance will likely be higher than the fair value of the structured note on the date of issuance. Issuers now generally disclose an estimated value of the structured note on the cover page of the offering prospectus, allowing investors to gauge the difference between the issuer’s estimated value of the note and the issuance price. The estimated value of the notes is likely lower than the issuance price of the note to investors because issuers include the costs for selling, structuring, and/or hedging the exposure on the note in the initial price of their notes. After issuance, structured notes may not be re-sold on a daily basis and thus may be difficult to value given their complexity.
- **Liquidity:** The ability to trade or sell structured notes in a secondary market is often very limited, as structured notes (other than exchange-traded notes known as ETNs) are not listed for trading on securities exchanges. As a result, the only potential buyer for a structured note may be the issuing financial institution’s broker-dealer affiliate or the broker-dealer distributor of

the structured note. In addition, issuers often specifically disclaim their intention to repurchase or make markets in the notes they issue. Clients should, therefore, be prepared to hold a structured note to its maturity date or risk selling the note at a discount to its value at the time of sale.

- **Credit risk:** Structured notes are unsecured debt obligations of the issuer, meaning that the issuer is obligated to make payments on the notes as promised. These promises, including any principal protection, are only as good as the financial health of the structured note issuer. If the structured note issuer defaults on these obligations, investors may lose some, or all, of the principal amount they invested in the structured notes as well as any other payments that may be due on the structured notes.

## Item 9 – Disciplinary Information

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no legal or disciplinary events to report.

## Item 10 – Other Financial Industry Activities and Affiliations

Registered Representatives of Purshe Kaplan Sterling Investments, Inc. (“PKS”). Certain Kathmere Capital representatives also serve as registered representatives of PKS, a FINRA-registered broker dealer, and receive compensation related to the placement of certain investment products. This presents a conflict of interest, as the recommendation by Kathmere Capital representatives of certain investment products through PKS would economically benefit representatives of Kathmere Capital through receipt of commissions. This could provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client’s need. No client is under any obligation to purchase any investment product recommended by Kathmere Capital representatives through their affiliation with PKS. Clients are reminded that they may purchase investment





products through other non-affiliated registered representatives and broker-dealers.

#### Insurance Activities.

Kathmere Capital is a licensed insurance agency in the Commonwealth of Pennsylvania. Additionally, Certain Kathmere Capital representatives also serve as licensed insurance agents. The recommendation that a client purchase an insurance commission product from a Kathmere Capital representative in their individual capacity as an insurance agent presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any insurance commission products from a Kathmere Capital representative. Clients are reminded that they may purchase insurance products recommended by Kathmere Capital through other non-affiliated insurance agents.

While not an active service Kathmere Capital Management provides, some clients have chosen to use select another investment advisor through Third Party Asset Management Programs ("TAMPs"). Through these TAMPs, Kathmere Capital's Investment Adviser Representatives provide ongoing investment advice to clients that is tailored to the individual needs of the client. As part of these TAMP services, the representative typically obtains the necessary financial information from the client, and assists the client in determining the suitability of the program, setting an appropriate investment objective and opening an account with the TAMP. It is the third-party advisor (and not Kathmere Capital's representative) that has client authority to purchase and sell securities on a discretionary or non-discretionary basis pursuant to the investment objectives chosen by the client. The Brochure for the particular TAMP will explain whether clients may impose restrictions on investing in certain securities or types of securities. Clients should refer to the Brochure, client agreement and other account paperwork for each TAMP for more detailed information about the services available under the program.

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

We have adopted a Code of Ethics that will apply to all of our supervised persons and sets forth the standard of conduct by which each individual should carry out their respective obligations. Specifically, this document presents our fundamental standard of conduct and shall address issues pertaining to:

- Privacy of Client Non-Public Personal Information;
- Insider Trading;
- Personal Securities Transactions;
- Receipt of Gifts; and
- Political Contributions.

All supervised persons at Kathmere Capital must acknowledge the terms of the Code of Ethics annually, or as amended.

Subject to satisfying this policy and applicable laws, the officers, directors, and access persons of Kathmere Capital may trade for their own accounts in securities which are recommended to and/or purchased for our clients. The Code of Ethics is designed to assure that the personal securities transactions, outside business activities, and other relevant interests of our access persons will not interfere with: (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing access persons to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of our clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit access persons to invest in the same securities as clients, there is a possibility that access persons might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Kathmere Capital and our clients. Clients or prospective clients may request a copy of the firm's Code of Ethics by contacting its Chief Compliance Officer, Amy King.





## Item 12 – Brokerage Practices

Prior to engaging us to provide investment management services, clients will be required to enter into a formal Investment Advisory Agreement with Kathmere Capital that sets forth the terms and conditions under which the client's assets will be managed and a separate custodial/clearing agreement with a designated custodian/broker-dealer. We do not unilaterally open accounts for clients, but will assist our clients in doing so.

### **How We Select Custodians/Brokers**

In the event that a client requests that we recommend a custodian/broker-dealer for custodial and/or execution services, we seek to recommend a custodian/broker-dealer who will hold the client's assets and execute transactions on terms that are overall most advantageous when compared with other available providers and their services.

When recommending a custodian/broker-dealer, we consider a variety of factors including the organization's reputation, execution capabilities, pricing, service, research and financial strength as well as our historical relationship with the organization. Although the commissions and/or transaction fees paid by our clients shall comply with our duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to affect the same transaction when we determine, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received.

Research services received with transactions may include proprietary or third-party research (or combination thereof), and may be used in servicing any or all of our clients. Therefore, research services received may not be used for the account for which the particular transaction was affected.

### **Best Execution**

In seeking best execution, the determinative factor is not the lowest possible explicit cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including, but not limited to:

- Combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- Capability to execute, clear, and settle trades (i.e., buy and sell securities for your account);
- Breadth of investment products made available (e.g., mutual funds, ETFs, stock, bonds, etc.);
- Capabilities to facilitate transfers and payments to and from accounts (e.g., wire transfers, check requests, bill payment, etc.);
- Availability of investment research and tools that assist us in making investment decisions on our clients' behalf;
- Overall quality of services;
- Competitiveness of the price of those services (e.g., commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them;
- Reputation, financial strength, and stability of the provider;
- Their prior service to us and our other clients; and
- Availability of other products and services that benefit us, as discussed below.

Accordingly, although we will seek competitive rates, we may not necessarily obtain the lowest possible commission rates for client account transactions. As stated previously, the brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Kathmere Capital's investment management fee.

### **The Custodians/Brokers We Recommend and Use**

Generally, the broker-dealer affiliated with the client's custodian also acts as the executing firm in connection with transactions in the client's account. Each client's selected qualified custodian will hold the client's assets in a brokerage account and buy and sell securities when instructed. We generally recommend that clients use Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member of SIPC, as the qualified custodian. While we generally recommend that clients use Schwab as custodian/broker, each client will ultimately decide whether to do so. We are independently owned and operated and not affiliated with Schwab nor do we maintain any type of exclusivity agreement with Schwab either (or any other custodian/broker-dealer). In certain client-specific



circumstances, other custodians/broker-dealers have been recommended and selected as well. It should be noted that subsequent to the selection of a custodian/broker-dealer for a client's account, we generally will not shop the brokerage marketplace on a trade-by-trade basis and therefore will not negotiate commissions among various brokers or obtain volume discounts.

### **Services from Custodians/Brokers**

Certain custodians provide us and our clients with access to institutional brokerage services, many of which are not typically available to retail customers of those custodians. Institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. The services described in this paragraph generally benefit our clients and their accounts directly.

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular custodian/broker-dealer, we may receive support services and/or products from the custodian/broker-dealer. These services broadly fall into one of two categories: (i) services that may not directly benefit our clients, but likely do so indirectly by assisting us in managing and administering our clients' accounts; and (ii) services that generally only benefit us by assisting us to manage and grow our business. A more detailed description of these two categories and the types of services included in each is provided below.

***Services that may not directly benefit our clients.*** The selected custodian typically provides various products and services that may not directly benefit the client and their account but that assist us in managing and administering client accounts. This includes technology and software that: provides access to client account data (e.g., duplicate trade confirmations and account statements); facilitates trade execution and allocates aggregated trade order for multiple client accounts; facilitates the payment of our fees from our client's accounts; assists with back-office function, recordkeeping and client reporting; and

supports the investment research process by providing pricing information and other market data.

### ***Services that generally benefit only us.***

Custodians also offer other services intended to help us manage and further develop our business enterprise. These services include, but are not limited to: marketing consulting and support; compliance and/or practice management-related publications; discounted or gratis technology, compliance, legal and business consulting services; and discounted or gratis attendance to conferences, educational, and social events.

The custodians/broker-dealers may provide some of the services described above directly to us or arrange for third-party vendors to provide the services to us. The custodians may also discount or waive its fees for some of these services or pay all or part of a third-party's fees.

Our clients do not pay more for investment transactions affected and/or assets maintained at any custodian as a result of the arrangements noted above.

To mitigate the potential conflicts of interest noted above, we maintain policies and procedures and a compliance testing program to ensure that client interests are placed first and foremost in our dealings with custodians and recommendations to clients about custodian selection.

Kathmere Capital's Chief Compliance Officer, Amy King, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

### **Schwab Client Brokerage and Custody Costs**

Schwab's commission rates applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a certain level of assets in accounts at Schwab. This commitment benefits our clients because the overall commission rates they pay are lower than they would be otherwise.



## **Miscellaneous Brokerage**

**Order Aggregation.** Transactions for each client account will generally be affected independently. In certain circumstances, however, if we are buying or selling the same securities on behalf of more than one client at approximately the same time, we may, but are under no obligation to, aggregate or bunch, the securities to be purchased or sold for multiple clients in order to seek more favorable prices, more efficient execution or lower brokerage commissions. In such a scenario, we would place an aggregate order with the broker on behalf of all such clients and the transaction would be averaged as to price and will be allocated among client accounts in proportion to the purchase and sale orders placed for each client account. We do not receive any additional compensation or remuneration as a result of such aggregation.

**Directed Brokerage.** We do not generally accept directed brokerage arrangements (i.e., when a client requires that account transactions be affected through a specific broker; however, clients may request that brokerage transactions be directed to a broker-dealer of their choosing. Clients who choose to direct brokerage to a broker-dealer other than those chosen by us may incur higher commission rates than clients who allow us the discretion to choose broker-dealers. If we believe that the use of another broker-dealer would hinder our ability to meet our fiduciary obligations, we will decline to accept the account.

## **Soft Dollars**

While the firm does not have any formal soft-dollar arrangements in which soft dollars are used to pay for third-party services, we may receive research, products or other services from broker-dealers such as those detailed above under “Services from Custodians/Brokers.”

## **Item 13 – Review of Accounts**

### **Investment Management Services**

All client accounts are periodically reviewed by our Investment Department which is led by our Chief Investment Officer. The Investment Department's operations are overseen by our Investment Committee, which is primarily comprised of Kathmere Capital senior leadership. Periodic reviews, which are generally conducted at least

quarterly, are focused on ensuring that each client account's portfolio allocations are within an acceptable variance around its established allocation targets. The Investment Department periodically reports to Kathmere Capital's Investment Committee that the periodic review of accounts was conducted during the previous quarter.

Portfolio reviews may also be triggered by material market, economic or political events, by client request or by changes in a client's investment objectives and/or financial situation. All clients are advised that it remains their responsibly to advise us of any changes to their investment objectives or financial situation. Clients have unlimited access to us by phone, email or a scheduled meeting.

Written custodial statements are sent to clients at least quarterly from the account's custodian which details the account including assets held, asset values, account activity, fees deducted and account performance. Clients may also elect to receive periodic portfolio reports from us on a mutually agreed upon frequency. Clients are encouraged to review their custodial statements and contact Kathmere Capital Management should they notice any discrepancies.

## **Financial Planning Services**

All financial planning relationships are reviewed upon financial plan creation and plan delivery. There is only one level of review for financial plans and that is the total review conducted to create the financial plan.

## **Item 14 – Client Referrals and Other Compensation**

Kathmere Capital Management will provide compensation to certain promoters for generating new business referrals. When applicable, the compensation will be paid either as a fixed fee or a percentage of advisory fees collected from the referred client.

Our firm receives an economic benefit from certain custodians in the form of support products and services made available to us and other independent investment advisors when clients maintain accounts at those custodians. These



products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability to us of these products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

We may recommend that you use a TAMP as part of our asset allocation and investment strategy. In cases where we share in the compensation received by the TAMP, we have a conflict of interest because we are incentivized to recommend TAMPs who pay us solicitor/referral fees as opposed to other TAMP from whom we do not receive such fees. In the event that a recommended TAMP is not meeting the standards that we believe meet your needs, we will seek other TAMPs that we believe will better fit your specific management needs. At all times, Kathmere Capital and its Representatives strive to uphold their fiduciary duty of fair dealing with clients. You are not required to use the services of any recommended TAMP.

## Item 15 – Custody

Custody is defined as any legal or actual ability by us to access client funds or securities. Since all client funds and securities are maintained with a qualified custodian, we don't take physical possession of client assets. However, under government regulations, we are deemed to have custody of client assets due to various arrangements which give us legal access to client funds. For example, we are deemed to have custody of client assets when: (i) clients authorize us to instruct their qualified custodian (e.g., Schwab) to deduct advisory fees directly from their account and when (ii) clients grant us authority to move their money to another person's account. Each client's institutional custodian (e.g., Schwab) maintains actual custody of the client's assets. Clients receive account statements directly from their account's custodian at least quarterly. They will be sent to the postal mailing address or email address that was provided to the custodian. Clients should carefully review those statements promptly when they receive them. We also urge clients to compare their custodial statements with any periodic portfolio reports that they receive from us.

## Item 16 – Investment Discretion

We manage both discretionary and non-discretionary client accounts. The preponderance of client accounts are managed on a discretionary basis, however.

For discretionary accounts, we typically receive discretionary authority from the client at the outset of the advisory relationship via an executed Investment Advisory Agreement which grants us the authority to exercise investment discretion over the client's accounts. Such discretion grants us the authority to buy, sell or otherwise affect investment transactions in the client's accounts. In all cases, it should be noted, such discretion is exercised in a manner consistent with the stated investment objectives for the particular client account.

Clients may, at any time, request restrictions on or customizations to their accounts. However, we reserve the right not to accept and/or terminate the management of a client account if we feel that the customizations or restrictions imposed by the client, in our opinion, prevent us from managing the account in a manner that is consistent with the client's stated investment objectives. All such restrictions or customizations must be provided to us in writing.

## Item 17 – Voting Client Securities

We do not vote proxies on behalf of our clients. Clients will receive proxies directly from the issuer of the security or their account's custodian. Clients may contact us at the contact information provided on the cover of this brochure with any questions they may have with a particular proxy solicitation.

## Item 18 – Financial Information

Kathmere Capital neither requires nor solicits fees of more than \$1,200 per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

Kathmere Capital is not aware of any financial conditions reasonably likely to impair its ability to meet contractual commitments to its clients.

Kathmere Capital has not been the subject of a bankruptcy petition in the last ten years.

