



**Parti Pris**  
INVESTMENT PARTNERS

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**FORM ADV PART 2**  
**PARTI PRIS INVESTMENT PARTNERS, INC.**  
**Client Brochure**

**DATE: December 6, 2023**

**Item 1 Cover Page**

This Firm Brochure provides information about the qualifications and business practices of Parti Pris Investment Partners Inc. ("Parti Pris"). If you have any questions about the contents of this brochure, please contact Parti Pris at (312) 282-3445. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any other state securities authority.

Parti Pris is a registered investment adviser with the SEC. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an adviser provides you with information to use when determining whether to hire or retain an investment adviser.

Additional information about Parti Pris is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or by contacting our Chief Compliance Officer at 312-282-3445. You can search this site by a unique identifying number, known as the CRD number. The CRD number for Parti Pris is 325990.

## Item 2 Material Changes

This Item of the Brochure will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. This updating amendment filing reflects the following changes:

- Principal Office address has been updated.

We will further provide you with a new Brochure as necessary based on changes or new information, without charge. Currently, our Brochure may be requested by contacting a member of our compliance department at (312) 282-3445.

### Item 3 Table of Contents

## 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 and Compensation.....	8
Item 6 Performance-Based Fees and Side--by--Side Management .....	10
Item 7 Types of Clients .....	11
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss .....	11
Item 9 Disciplinary Information .....	13
Item 10 Other Financial Industry Activities and Affiliations .....	13
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	14
Item 12 Brokerage Practices .....	15
Item 13 Review of Accounts.....	16
Item 14 Client Referrals and Other Compensation.....	17
Item 15 Custody .....	17
Item 16 Investment Discretion.....	18
Item 17 Voting Client Securities .....	19
Item 18 Financial Information.....	20
Item 19 Requirements for State-Registered Advisers .....	20

## Item 4 Advisory Business

### A. About Parti Pris

Parti Pris Investment Partners Inc. was organized in 2019 and commenced operations as an investment consulting organization in 2020. Parti Pris submitted registration as an investment advisor with the SEC in April 2023. Parti Pris is primarily owned by Arthur J. Lutschaunig and Joseph D. Smith.

Parti Pris offers consulting services to investment advisory companies, large enterprise clients which are often subsidiaries of banks or wealth management units in a large organization or investment platforms such as Fintech companies or turnkey asset management platforms (“TAMPs”).

Parti Pris also provides investment management/portfolio management services as a sub-advisor to other independent investment advisors (“Independent Advisors”). These Independent Advisors are directly responsible for selecting various services, including portfolio management services, on behalf of an Independent Advisor’s retail clients (herein referred to as “investor clients”), and these Independent Advisors will contract with Parti Pris for account and portfolio management services.

Parti Pris also owns and maintains an investment technology platform referred to as Advisor Wealth Design™ (“AWD”), which enables Investment advisors to provide personalized asset management services to clients and that platform, or components thereof, may be licensed by Independent Advisors for use with their financial advisors and investor clients. Within that platform, Parti Pris offers access to, or the licensing of, its proprietary technology Advisor SketchBook™ which is a tool that advisors can use to help define investor client requirements and generate investment and transition proposals.

### B. Description of Parti Pris Separate Account Asset Management Services

Under an investment advisory agreement with various financial advisors, Parti Pris will manage an Independent Advisor’s investor client assets in a single account or a household structure and will implement investment mandates as specified by the financial advisor who works directly with the investor client. These mandates will specify the investment constructs/portfolio targets selected by the financial advisor on behalf of investor clients, the asset allocation parameters for individual accounts or the household and any requirements for personalization that a financial advisor recommends for any investor account, including the specifications for managing the tax implications to the investor client. The portfolio targets can be an investment index or a combination of indexes (blended index), and can also include, as specified by the financial advisor, and agreed by Parti Pris, select actively managed investment model targets.

With all investor client portfolios, the financial advisor will determine the specific allocations of client assets among various investment disciplines represented by various indexes or investment models chosen by the financial advisor. Parti Pris will build and manage client portfolios using individual security exposure (and in select cases ETFs) using extensive tax-sensitive portfolio optimization techniques that create portfolio return and risk characteristics that track the combined target index constructed by the financial advisor. Parti Pris will transition taxable accounts funded with a portfolio of existing securities in a tax-sensitive manner based on limitations to capital gains exposures as specified by the financial advisor.

For California Residents: California clients will only be referred to third-party money managers licensed as an investment adviser in the State of California, notice filed with the California Department of Business Oversight, or otherwise exempt from California filing requirements.

## B.1 Investment Disciplines

### B.1.1 Personalized US Equity Portfolio

Financial advisors can use a combination of domestic equity indexes to define the aggregate portfolio exposures to firms in the index by ranges of market capitalization (firm size) and the spectrum of value vs growth. In addition to the S&P 500, Parti Pris offers the full complement of “style” indexes using the Morningstar 9-box framework. Financial advisors can allocate investor client assets among the individual boxes, or select broad categories such as All-Cap Value or Large Cap. Financial advisors are presented several options in Advisor SketchBook™ and they craft personalized allocations based on the investor client needs. Investor client portfolios are generally managed with individual security positions, although for smaller account sizes, Parti Pris may recommend and use an ETF to generate the exposure required for small-cap allocations.

### B.1.2 Personalized Multi-Asset Portfolio

Within Advisor Sketchbook™, financial advisors can create “balanced” account indexed structures for investor client portfolios. They can select from a variety of domestic equity indexes, taxable bond indexes, municipal bond indexes, high yield bond indexes, foreign equity, and emerging market indexes to create personalized allocations for investor clients. Investor client portfolios are generally managed with individual security positions, although for certain asset classes such as emerging market equities and high yield bonds and for certain smaller account sizes, Parti Pris may recommend and use an ETF to generate the exposure required for less liquid asset classes or small asset class allocations. For developed market foreign equity exposure, Parti Pris will use U.S. traded ADRs and GDRs (American Depositary Receipts or Global Depositary Receipts) or an ETF.

### B.1.3 Parti Pris Investment Discipline Portfolios

Parti Pris offers a series of proprietary private model portfolios developed and implemented by Parti Pris. These model portfolios are transparent, rules-based indexes which are designed to provide exposure to securities that are similar in factor orientation and return behavior to that of a fundamentally-driven active manager following a specific investment discipline. These

private model portfolios may be selected by financial advisors seeking to aid in the transition of accounts from similar active SMA structures. Parti Pris Investment Discipline Portfolios offered are the following: US High Dividend Yield Portfolio, US Quality-at-a-Reasonable Price Portfolio, US Low Volatility Portfolio, US Consistent Growth Portfolio, US Contrarian Value Portfolio, US Mid-Cap Growth-at-a-Reasonable Price Portfolio, US Earnings Momentum Portfolio, US Undiscovered Value Portfolio and US Small/Mid-Cap Growth Portfolio.

#### B1.4 ETF Risk Allocation Portfolios

Designed for smaller accounts below Parti Pris' minimum account size for personalized indexation (\$500,000), the ETF Risk Allocation portfolios feature allocations among various ETFs in a balanced account with specific, targeted risk exposure objectives. These asset allocation portfolios have pre-determined allocations but can be changed by the Financial Advisor. Portfolios may reflect preferences for certain asset class exposure based on Parti Pris' assessment of the near-term risk/return prospects for an asset class. While these are not considered as "tax-managed portfolios," taxable accounts in these portfolios gain from the benefit of the tax efficiency of the ETF structure and there may be incremental tax benefits based on some tax loss harvesting of various tax lots of the ETFs performed by Parti Pris.

#### B1.5 Parti Pris Household Account Management Program

Independent Advisors can elect to transfer multiple accounts (i.e., taxable, Roth, IRA, etc.) from a household for management by Parti Pris. In a household program, all accounts in the household are managed simultaneously with the common objectives of ensuring that the risk profile and asset structure at the household level matches the ultimate plan that the financial advisor crafts with the investor client, and that all accounts are managed simultaneously in a tax sensitive manner. In a household structure, financial advisors may elect for a single common objective as defined by the investor client's investment target or individual accounts may have varied targets and objectives. The financial advisor has broad latitude to define various restrictions or preferences (factor tilts, ESG) for accounts or the household in aggregate and Parti Pris will optimize portfolio exposures to accommodate asset allocation, asset location, and tax sensitivity simultaneously.

### **C. Parti Pris Personalized Account Management Features**

Financial advisors will use the Parti Pris proprietary Advisor SketchBook™ tool to create personalized investment strategies and specifications for investor client accounts. Advisor SketchBook™ will generate a proposal for financial advisors to review with clients prior to signing an investment advisory agreement with Parti Pris. Advisor SketchBook™ will also generate proposals for accounts currently managed by Parti Pris for which the financial advisor needs to change the investment strategy or accommodate some change in the investor client's personal circumstances.

Financial advisors can offer investor clients a range of account personalization options deemed appropriate for each client by their financial advisor and Parti will accommodate such personalization features in the design, construction, and ongoing management of investor

client accounts. Investor clients can fund accounts managed by Parti Pris with existing holdings from their various accounts and provide access to those accounts at their current custodian (with limitations) so Parti Pris can tailor portfolios over time that migrate current client holdings to the target structure as specified by the client's financial advisor. Financial advisors can specify specific limits to capital gains exposures for current tax years as well as specify targets for various factors such as yield or volatility, quality, or momentum. The investor client's financial advisor can also create restrictions of exposures to industry or sector allocations as well as individual securities within existing client holdings or other non-holdings that the financial advisor deems in need of a specific restriction. Financial advisors can also request a variety of Environmental, Social, and Governance ("ESG") restrictions or biases be used by Parti Pris in managing investor client accounts. Finally, financial advisors can specify scheduled cash withdrawal dates and amounts for investor client accounts.

Parti Pris will manage individual investor client accounts or manage multiple accounts owed by the investor client in a household format. Accounts in a household format typically have a single tax identification and all individual accounts in a household format are managed to accommodate an appropriate risk and tax profile for the household as designated by the investor client's financial advisor. The Parti Pris household format enables financial advisors to seek professional investment management for multiple accounts owned by the household. Parti Pris will manage both taxable and non-taxable accounts in the household simultaneously to ensure adequate diversification and management of household risks to achieve the financial objectives of the household as mandated by the financial advisor. Investor client accounts may be taxable, tax-deferred (e.g., IRA's) or considered tax exempt (e.g., Roth IRAs) and the accounts can be held by multiple custodians.

#### **D. Relationship to Financial Advisors and Investor Client (asset owner)**

In most circumstances, Parti Pris enters into a sub-advisory agreement with the financial advisor to manage investor client accounts and portfolios on behalf of the financial advisor. The investor client's financial advisor remains solely responsible for understanding the financial situation, investment goals and objectives, qualification, time horizon, portfolio liquidity and concentration, and tolerance for risk as well as any investment limitations and reasonable restrictions for the account of an investor client for which Parti Pris enters a sub advisory agreement. Based upon this knowledge, the financial advisor crafts or selects a suitable investment strategy for investor client accounts. The financial advisor is solely responsible for maintaining communication with the investor client to monitor their investment objectives and any changes to the investor client's individual circumstances and for communicating any changes in those circumstances or selection of investment strategy to Parti Pris. Any questions an investor client may have regarding the portfolio strategy or transactions, or suitability of an investment strategy should be directed and discussed solely with the financial advisor.

Parti Pris requires full discretionary authority to implement the investment instructions specified by investor client's financial advisor via the purchasing and selling of securities in the

investor client's account. This authority is in addition to the authority the investor client grants to their financial advisor over their accounts. This discretionary authority is granted to Parti Pris through the sub-advisory agreement and enables Parti Pris to execute trades directly with the custodian broker-dealer who holds the investor client account. Additionally, through the custodian's paperwork and authorization process, the investor client will typically designate Parti Pris to be the "manager" or "sub-advisor" of their account(s). With this authority Parti Pris will design and implement investor client accounts including making all transactions deemed necessary by Parti Pris, and Parti Pris will monitor all accounts to assess ongoing conformity to the investment strategy selected by the financial advisor. If investor client accounts vary from the designated investment strategy beyond a tolerance specified by Parti Pris, then Parti Pris will make appropriate and necessary adjustments to bring the investor client account back into conformity with the investment strategy designated by the investor client's financial advisor.

The investor client's financial advisor solely determines whether Parti Pris' services are suitable for them. The investor client or the financial advisor may terminate the Parti Pris advisory services at any time.

## **Item 5 Fees and Compensation**

### *Account Minimums and Fees*

Parti Pris enters into various advisory agreements with Independent Advisors and other financial intermediaries (such as financial advisors) with respect to investment programs they offer through the Independent Advisor or a financial intermediary's platform. Parti Pris negotiates advisory fees to be charged for Parti Pris services directly with the financial advisers and/or financial intermediaries that may provide services to the financial advisor. Parti Pris does not negotiate fees directly with investor clients participating in the Parti Pris program. The advisory fees charged by Parti Pris are disclosed in writing in the investor client's investment advisory agreement with their financial advisor and/or Parti Pris, or via a separate fee disclosure document.

Parti Pris fees across all services are typically charged as a percentage of client portfolio assets under management. Parti Pris calculates fees for its advisory service on a monthly basis based on the average daily market value of the account during the billing period. Parti Pris will bill the Independent Advisor or financial intermediary in arrears for the Parti Pris asset management services or, if specified by the Independent Advisor and agreed by the investor client, Parti can elect to bill the investor client directly and in such case the investor client must provide written authorization for Parti Pris to directly bill and debit the client's custodial account to pay the monthly fee for Parti Pris and the investor client will receive monthly or quarterly statements from the custodian indicating any fees deducted directly from investor client accounts.

Parti Pris sets standard fee schedules which are listed below but reserves the right to negotiate fee schedules based on variations to service levels required of the financial advisor or financial intermediary. Parti Pris may assess a minimum monthly fee of \$52 - \$500 to accounts that fall



below the stated minimum account size in any of the Parti Pris investment disciplines. In the event of fee schedule changes, Parti Pris reserves the right to continue pre-established fee schedules with current clients that may be more or less advantageous to such clients than the new or changed fee schedules offered to prospective clients. Additionally, Parti Pris reserves the right to offer prospective clients fee schedules or terms that may be more or less advantageous to such prospective clients than the existing fee schedules offered to its current clients for similar services.

For California Residents: Subsection (j) of Rule 260.238, California Code of Regulations requires that all investment advisers disclose to their advisory clients that lower fees for comparable services may be available from other sources.

Clients will not be charged a total management fee in excess of 3%.

Following are the published account minimums and fee schedules for the various Parti Pris investment disciplines and services as described in Item 4:

For personalized **U.S. Equity and Multi-Asset Portfolios**, Parti Pris has an account minimum of \$500,000 and has the following fee schedule:

For account balances between \$500,000 and \$1,750,000 fees are 0.35% and for all assets over \$1.75 million, the fee on those assets is 0.30%. As an example, the monthly fee for an account with average daily balance of \$1,750,000 is \$510.42 ( $0.35\%/12 \times \$1,750,000$ ). For an account with an average daily balance of \$3,000,000, the monthly fee is \$822.92 ( $0.35\%/12 \times \$1,750,000$  plus  $0.30\%/12 \times \$1,250,000$  or \$510.42 plus \$312.50).

For **ETF Risk Allocation Strategies**, Parti Pris has an account minimum of \$250,000 and has the following fee schedule:

For account balances between \$250,000 and \$500,000, fees are 0.25% and for account assets greater than \$500,000 the fee on those assets is 0.20%. As an example, the monthly fee for an account with average daily balance of \$500,000 is \$104.17 ( $0.25\%/12 \times \$500,000$ ). For an account with an average daily balance of \$1,000,000, the monthly fee is \$187.50 ( $0.25\%/12 \times \$500,000$  plus  $0.20\%/12 \times \$500,000$  or \$104.17 plus \$83.33).

For personalized **Household Accounts** (multiple accounts in a single tax structure) Parti Pris has an account minimum of \$2,000,000 and has the following fee schedule:

For account balances between \$2,000,000 and \$3,000,000 fees are 0.45% and for all household assets over \$3.0 million, the fee on those assets is 0.35%. As an example, the monthly fee for a household account with average daily balance of \$3,000,000 is \$1125.00 ( $0.45\%/12 \times \$3,000,000$ ). For an account with an average daily balance of \$4,000,000, the monthly fee is \$1416.67 ( $0.45\%/12 \times \$3,000,000$  plus  $0.35\%/12 \times \$1,000,000$  or \$1125.00 plus \$291.67).

If advisors impose a sustainable investment tilt on any client's portfolio, an additional flat 0.05% fee is charged to all assets (0.00417% monthly). This excludes ETF Risk Allocation Strategies portfolios as there are no sustainability tilts provided for these accounts.

The financial intermediaries and investor client Independent Advisor are compensated separately and in addition to the fees that Parti Pris charges to these intermediaries as listed in the Parti Pris fee schedule in Item 5. Investor clients may see a single fee for the services of their investment advisor and Parti Pris will be compensated for the management of investor client assets by the investment advisor from that fee. Alternatively, certain investment advisors will charge investor clients a fee that is separate and distinct from the asset management fee charged by Parti Pris.

All fees paid to Parti Pris are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders or the transaction fees charged by the custodian. Mutual fund and ETF expenses are described in each fund's prospectus. These expenses will generally include a management fee, other fund expenses, and possibly a distribution fee. A client could invest in mutual funds or ETFs directly, without the services of Parti Pris. Accordingly, the client should review both the fees charged by the funds, the transaction fees charged by the custodian, as well as the fees charged by Parti Pris to fully understand the total amount of fees to be paid by the client.

Neither Parti Pris or any Parti Pris employee or contractor accepts any compensation for the sale of securities or other investment products including asset-based sales charges or service fees from the sale of mutual funds

Parti Pris has a revenue sharing and client referral agreements with Destra Capital Management ("Destra"). Destra is authorized to market and support the Parti Pris investment management services to financial advisors and is compensated for these activities from a portion of the advisory fees collected by Parti Pris.

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

Parti Pris does not charge performance-based fees (i.e., fees calculated based on a share of capital gains or on capital appreciation of investor client assets). Additionally, Parti Pris does not engage in side-by-side management of investor accounts. As described above, Parti Pris's advisory service fees are based upon a percentage of assets under management in investor client accounts. Accounts that are managed in the same investment style (e.g., based on risk profile) are not always managed the same way due to the investor client's investment objectives as described by the financial advisor, the account restrictions or preferences required as stated by the investor client's financial advisor, the account size, or the discretionary judgement of the Parti Pris investment manager assigned to the account.

## **Item 7 Types of Clients**

Parti Pris predominately manages investor client accounts as a sub-advisor, as directed to Parti Pris by an Independent Advisor or financial intermediary. Specifically, these “direct clients” of Parti Pris are typically Registered Investment Advisors, Broker-Dealers, Investment Consultants, Family or Multi-Family Advisory Offices, Endowments and Foundations, and service offerings on Wealth Management Platforms. On a limited basis, Parti Pris may also directly manage accounts of individuals and high-net-worth individuals.

Typically, Parti Pris’ contractual relationship with investor clients is made through a sub-advisory agreement between Parti Pris and the financial intermediary who serves as the investor client’s advisor. Subject to the terms and conditions of the applicable agreement between Parti Pris and such financial advisors or financial intermediaries, Parti Pris reserves the right to refuse to accept for management an investor client for any reason. The financial advisor or financial intermediary with the direct contractual relationship with investor client is responsible for determining the investment objective, asset allocation guidelines, financial standing, and risk tolerance of the investor client and the suitability of the Parti Pris investment disciplines suggested by the financial advisor to the investor client. In limited circumstances, Parti Pris may accept and contract with investor clients directly for its programs and in such case, Parti Pris is responsible to act as the financial advisor to the investor client and perform all assessments of risk tolerance and suitability and directly communicate with the investor client.

The investor client is required to grant Parti Pris the discretionary authority to manage their account by signing a Limited Power of Attorney (“LPOA”) clause or agreement in their advisory agreement with their financial advisor. This LPOA grants Parti Pris the discretionary authority to manage the investor client portfolio(s) in accordance with specifications and directions provided to Parti Pris by the investor client’s financial advisor, to buy and sell securities, invest cash, transact to create cash for investor client required distributions, deduct fees directly from the investor client custodial account, and perform any other action or transaction consistent with managing the investor client portfolio.

Parti Pris reserves the right to terminate an investor client’s account in the event that the financial advisor provides certain restrictions or requirements that would prohibit Parti Pris from meeting its fiduciary obligations or will prohibit Parti Pris from meeting or maintaining the account objectives or prohibit Parti Pris from managing the account in a prudent manner.

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

Parti Pris uses advanced mathematical models and optimization software to manage investor client portfolios. The investor client’s financial advisor specifies an investment strategy for the investor client portfolio which is typically developed from allocations to market indexes from single or multiple asset classes. These allocations comprise a custom client blended benchmark or target portfolio. Parti Pris uses its optimization software to convert the initial client portfolio (existing client securities transferred into the account or cash holdings) into a portfolio that has

similar characteristics and return and risk behavior to that of the client benchmark/target. Parti Pris uses a broad set of market indexes (as described in Item 4 of this brochure) to engineer client portfolios with securities that are a subset of those in the combined blended investor client target portfolio. Typically, there will be 30 to 500 securities in client portfolios depending on the size of the client account and the number of asset classes in any client blended target portfolio.

Taxable investor client portfolios are managed with a high degree of sensitivity to incurring capital gains taxes. Typically, the investor client's financial advisor provides to Parti Pris a capital gains budget during the period in which the investor client portfolio may be in transition from its initial holdings to a portfolio that replicates the blended investor client target portfolio. Client accounts that are more mature are also managed with capital gains budgets and ongoing tax loss harvesting transactions are incurred to continuously improve the portfolio risk profile and proximity to the target portfolio while minimizing the tax burden under the capital gains budget.

Investor client portfolios may also have various preferences and restrictions requested by the client's financial advisor. These can be limitations or exclusion or inclusion of specific equity securities, limited or preferred allocations to various industry or sector exposure, influences based on a variety of socially responsible investment ("SRI") or ESG preferences, factor tilts such as exposure to momentum, quality, value, low volatility, etc. These personalization features enable the investor client's financial advisor to guide Parti Pris' implementation of client portfolios to meet specific client preferences or demands.

## **Risks**

All investments are subject to risk. Investing in securities involves risk of loss that clients should be prepared to bear.

The primary objective is to have investor client portfolios maintain a risk and return pattern similar to the personalized blended investor target portfolio. Restrictions or preferences requested by the investor client's financial advisor may impact the ability for Parti Pris to replicate the exposures and behavior of the investor client target portfolio. In particular, various client preferences such as limitations or preferences for specific sector exposure or ESG preferences may materially impact the ability for Parti Pris to manage a portfolio with diversification characteristics similar to broad market indexes. Such limitations or preferences may create degrees of concentration in investor client portfolios that are dissimilar to that of broad market indexes. Similarly, an investor client's capital gains limitations may also prohibit Parti Pris from producing portfolios that replicate the characteristics and return behavior of the investor client target portfolio.

Investor client portfolios will have exposure to equity securities (common stock) from both US markets and foreign markets (through the use of ADR and GDRs or ETF for certain foreign market exposures). Additionally, the investor client financial advisor may request exposure to

various assets such as high yield corporate bonds or exposure to ETFs with exposure to alternative investments (including commodities and hard assets). These may represent investment risk as these may rise or decline in value at different rates than that of a diversified portfolio or the equity market itself. Any investor client with exposure to marketable securities, particularly equity securities or less liquid asset classes (emerging markets, small-cap stocks, commodities) in their portfolio must accept that there could be significant risk that these securities may decline in value from time to time. Parti Pris will attempt to minimize the potential for long-term loss by engineering portfolios with adequate diversification, but there is no guarantee that all portfolios will not sustain potential losses in value.

### ***General Investor Risks***

All investments carry a certain amount of risk and there is no guarantee that an investor client portfolio will achieve its investment objective. Client investors should have a long-term investment horizon for investing in any Parti Pris managed strategy and all investors should be able to tolerate the potential sharp declines in portfolio value that may occur with normal investment market activity. Equity securities and various corporate/high yield bonds may incur risks based on the business risk and industry to which the company that issues the security belongs. Small company equity securities are generally subject to more price fluctuation, limited liquidity in the capital markets, and higher market transaction costs than larger company stocks. For foreign securities, there is a risk that the home currency of the security may influence its value as the home currency rises or falls in value compared to the US dollar. Fixed income securities (corporate, government, municipal, MBS) carry risks of changes in value as the general level of interest rates rise and fall based on general economic conditions including overall economic activity and inflationary pressure. Liquidity risks (difficulty to trade securities at current market prices) may influence the price of various bonds, such as certain municipal and high yield bonds, and liquidity risks may occur in certain emerging market equity and small cap equity securities. As with all participants in investment markets, general risks occur from changes to the political and legal environment and market disruptions from health crises, terrorism, war, and geopolitical risks.

The risk of loss described herein should not be considered to be an exhaustive list of all the risks which clients should consider.

### **Item 9 Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Parti Pris or the integrity of Parti Pris' management. Parti Pris does not have any legal or disciplinary activity to disclose.

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

Parti Pris Investment Partners Inc. is an independent company owned by its managers and certain advisors to the company.

Neither Parti Pris nor its management personnel have any external financial industry activities or financial industry affiliations.

Neither Parti Pris nor its management persons are registered as, nor have an arrangement with any related persons, who are a broker-dealer, municipal securities dealer, or government securities dealer or broker, investment company or other pooled investment vehicle including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund, other investment adviser or financial planner, futures commission merchant, commodity pool operator, or commodity trading advisor, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer, and/or sponsor or syndicator of limited partnerships.

Parti Pris does not recommend or select other investment advisers for clients for which we would receive compensation directly or indirectly from those advisers.

All material conflicts of interest under CCR Section 260.238(k) are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

From time to time, Parti Pris may refer investor clients or prospective investor clients to various wealth managers or financial advisors, or accountants or attorneys (professionals) who may work with or place investor client accounts with Parti Pris. These professionals may continue to refer clients and prospective clients to Parti Pris. These references to and from Parti Pris are made without any compensation or commitment to Parti Pris or to any professional referring business to Parti Pris.

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

Parti Pris is a fiduciary and is committed to act in the best interest of its investor clients and place all investor client interests in front of its own interests. Because the Parti Pris investment professionals occasionally transact in the same securities for their personal accounts as Parti Pris buys or sells for investor client accounts, it is important to mitigate potential conflicts of interest. As such, in accordance with Rule 204A-1, Parti Pris has adopted a written Code of Ethics (the “Code”) applicable to all employees and certain contractors to Parti Pris (“Access Persons”). This Code outlines the fiduciary duty of Parti Pris, its Access Persons and the standards for personal and professional conduct of all Access Persons. The Parti Pris Code provides guidance to all Access Persons regarding acting with the highest standard of integrity and honesty when dealing with investor client assets and accounts. In addition to a focus on managing investor client accounts using the highest standards of investment integrity, the Code outlines activities, primarily regarding personal securities trading and policies and procedures, that ensure that Parti Access Persons act in the best interest of our investor clients. The Code also outlines procedures for reporting violations and enforcement and is reviewed and distributed to Parti Access Persons annually.

Individuals associated with Parti Pris may, at the same time as clients, buy or sell securities for their personal accounts identical or different than those recommended to clients. While there is always the possibility of a conflict of interest in these circumstances, Parti Pris believes that the fact that the client portfolios are built with individual security exposure that mimic common indexes it mitigates the conflict greatly. It is the expressed policy of Parti Pris that no person employed by the firm shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on investment decisions of advisory clients.

The Code requires that all Access Persons and their immediate family members, upon employment with Parti Pris (or upon signing a contract to consult with Parti Pris), promptly disclose all their personal investment accounts and securities holdings to the designated Parti Pris Compliance officer. The Code further requires that Compliance receive duplicate portfolio holdings and transaction information for all reportable investment accounts, that all reportable securities transactions are reported on a quarterly basis, and that all Access Persons certify compliance with the Code at least annually. The Code prohibits Access Persons from engaging in certain types of transactions, including options, swaps and futures. In addition, investment personnel of Parti Pris directly involved in management or trading of investor client accounts are subject to other black out and notification provisions.

Neither Parti Pris, nor any related persons, will recommend to clients, nor buy or sell for client accounts, securities in which we or a related person have any material financial interest.

Parti Pris' Code of Ethics further includes the firm's policy prohibiting the misuse of material non-public information and protecting the confidentiality of client information. Parti Pris requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline. Current or prospective Clients may obtain a copy of our Code of Ethics without charge by calling (312-282-3445).

## **Item 12 Brokerage Practices**

### **Brokerage Selection**

Selection of the broker-dealer used for executing transactions is mostly dependent on the choice of custodian, which is typically driven by the investor client or the client's financial advisor. The requirement to use a certain broker may limit Parti Pris' ability to obtain best execution for their transactions and may receive less favorable prices and pay a higher commission rate for executing transactions. Parti Pris does not aggregate or "block" client trades, negotiate commissions with broker dealers or obtain volume discounts.

Certain investor clients or their financial advisors can request that Parti Pris direct some or all trading activity to a single broker-dealer to accommodate an external agreement between those parties or to comply with client investment guidelines and current custodian. While it is likely that most investor clients will maintain a custodial account at certain custodians providing

brokerage services to the investor clients and their financial advisors, there may be cases in which Parti Pris is able to direct investor clients to be custodied at broker-dealers which offer custodial and reporting and brokerage services (such as National Financial Services, Fidelity Brokerage Services, Charles Schwab & Co., Inc, Pershing LLC, Interactive Brokers LLC, etc.).

Often the custodial and trading relationships preferred by Parti Pris offer competitive trading costs, electronic trade execution, competent back-office services and technological links to the information systems and accounting/reconciliation and trading services used by Parti Pris. These services often reduce the aggregate cost of transacting business for the investor client. In selection of broker-dealers for trade execution, Parti Pris considers execution quality, the broker-dealers experience and efficiency in handling difficult transactions, commission costs, clearing and settlement capability and costs, and the reputation and financial stability of the broker-dealer.

It is likely that an investor client that directs Parti Pris to use a specific broker-dealer often pays higher commission costs on some transactions than might be attainable by Parti Pris and may receive less favorable execution on some transactions. It is likely that a client who directs Parti Pris to use a specific broker-dealer may forgo any benefits from savings on execution costs that Parti Pris may obtain for its clients through bulk or batched trading efficiencies that Parti Pris may create while working trades.

#### Soft Dollar Arrangements

Parti Pris does not enter into soft dollar agreements to pay for research and does not otherwise allocate brokerage commissions to pay for research or other products or services. Soft dollar benefits often create a conflict of interest for investment advisors in executing investor client trades through broker-dealers that provide various research benefits rather than seeking best execution of investor client accounts.

#### Trade Errors

On occasion, Parti Pris, a broker-dealer, or a third party will make an error when ordering, executing, or settling a securities transaction on behalf of a client account. In accordance with its fiduciary obligation to each client, Parti Pris will seek to correct trade errors promptly, fairly, and consistently. Parti Pris will not correct an error in a manner which favors one client at the expense of another client. Parti Pris will reimburse a client for a loss resulting from a Parti Pris error or subsequent actions taken to correct the error in the client's account. If an erroneous trade settles in a client account and results in a gain, it will be retained by the client.

#### Item 13 Review of Accounts

Parti Pris monitors all investor client accounts on a daily basis through a sophisticated alert system and the Parti Pris portfolio manager dashboard. Each account can be assigned various sensitivities and limits for cash holdings and withdrawals, tracking error, asset allocation,



position sizes, industry and sector concentrations, tax loss harvesting opportunities, etc. On a daily basis, investor client positions are updated from the custodial feed with current security prices and all accounts are programmatically scanned to determine if any aspect of the account hits a material threshold designated in the client specific alerts. Parti Pris portfolio managers can review and trade individual accounts or programmatically place them into a rebalancing batch that will revise account holdings and create required transactions to bring accounts back in line with their personalized objectives. Tax loss harvesting opportunities may be realized on a daily basis, provided there is a material positive benefit on both the financial and risk management aspect of any tax loss trade.

On a monthly basis, account performance information is calculated by Parti Pris' third-party portfolio accounting vendor and reviewed by the portfolio management staff and Chief Investment Officer ("CIO"). Accounts with significant deviations in performance from the personalized target/benchmark performance are reviewed by the portfolio manager and the CIO to determine if such performance differentials are reasonable considering the individual circumstances of the client account or the required restrictions including capital gains limits. Parti Pris portfolio managers will contact the investor client's financial advisor directly to discuss the rationale for such performance differences.

Monthly performance reports for each account are provided to the investor client's financial advisor and available on the Parti Pris Advisor SketchBook™ portal. These reports provide a summary of client holdings, transactions for the month, capital gains and projected tax costs for the period and YTD, and performance comparisons to the investor client's personalized target/benchmark and other market indexes.

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

Parti Pris has a revenue sharing and client referral agreements with Destra Capital Management ("Destra"). Destra does not execute any client accounts. Destra is authorized to market and support the Parti Pris investment management services to financial advisors and is compensated for these activities from a portion of the advisory fees collected by Parti Pris. The financial intermediaries and investor client financial advisor are compensated separately and in addition to the fees that Parti Pris charges to these intermediaries as listed in the Parti Pris fee schedule in Item 5. Investor clients may see a single fee for the services of their investment advisor and Parti Pris will be compensated for the management of investor client assets by the investment advisor from that fee. Alternatively, certain investment advisors will charge investor clients a fee that is separate from the asset management fee charged by Parti Pris. In either case, Parti Pris investment management fees will be within the ranges specified in Item 5 of this Form ADV brochure.

#### **Item 15 Custody**

Parti Pris does not maintain custody of investor client assets as all client assets are maintained by unaffiliated qualified custodians. Parti Pris does not select custodians on behalf of investor

clients nor does Parti Pris recommend custodians. Pursuant to Rule 206(4)-2 of the Advisors Act, Parti Pris can be deemed to have custody of client assets when Parti Pris has the authority to debit its fees directly from client assets. As a sub-advisor to the investor client's financial advisor, alternatively, Parti Pris may invoice the financial intermediary or financial advisor directly, and in such circumstances, Parti Pris will not debit investor client accounts directly.

Typically, investor clients will receive monthly or quarterly statements of holdings and transactions, including withdrawal transactions, directly from the designated custodian. The investor client and their financial advisor are urged to review these statements carefully and compare them to the reports provided by Parti Pris. These statements can vary from the Parti Pris reports based on differences in accounting procedures, security pricing information and timing of security prices, reporting dates and periods, and valuation methodologies of certain securities (such as less liquid or infrequently traded securities). The investor client's financial advisor is encouraged to contact Parti Pris regarding any material differences in reported values between the Parti Pris provided reports on accounts and that supplied by the designated custodian.

Parti Pris has limited custody due to automatic fee deduction. In order to prevent Parti Pris from being deemed as maintaining custody of portfolio management client assets, Parti Pris will ensure the following:

- a) Parti Pris will provide a copy of its fee invoice to the custodian once approved by the Adviser. The Adviser or custodian is responsible to send any advisory services invoices (for the services if Parti Pris or the Adviser) to the client.
- b) Parti Pris has a reasonable belief the account custodian/s, sends at least quarterly statements directly to the client showing all disbursements from the custodial account, including Parti Pris's advisory fee.
- c) (1) When hired by an Adviser that has discretion and power to delegate to a sub-adviser (i.e., Parti Pris), that Adviser may collect the fees and pay Parti Pris directly from that fee;  
(2) When hired directly by an Adviser's client, the client provides written authorization for Parti Pris to deduct advisory fees from the custodial account in the Parti Pris's client advisory agreement.

#### **Item 16 Investment Discretion**

At the onset of the advisory relationship with Parti Pris, all investor clients provide discretionary authority to Parti Pris over their accounts to enable Parti Pris to design investor accounts in accordance with the investor client stated preferences, objectives, and restrictions and select and transact all securities, manage all cash holdings, and deduct advisory fees if applicable.

In limited circumstances, Parti Pris may enter into Investment Advisory Agreements (“IAAs”) directly with investor clients. These IAAs specifically grant Parti Pris full investment discretion over investor client accounts and the authority to manage client portfolios according to the agreed-upon objectives and guidelines provided to Parti Pris in writing by the investor client.

Many of Parti Pris investor clients come to Parti Pris through a relationship with the investor client’s financial advisor or a financial intermediary. As such, Parti Pris considers the financial advisor or financial intermediary as the client and these clients enter into a Master Sub-Advisor agreement with Parti Pris. The Master Sub-Advisor Agreement specifies the terms of the relationship between Parti Pris and the financial advisor or financial intermediary including the specific advisory services provided to the investor clients of the financial advisor or financial intermediary and the fees that Parti Pris will charge the financial advisor or financial intermediary for providing advisory services to their investor clients.

The advisory relationship between the financial advisor or financial intermediary and the investor client stipulates that the investor client grants the authority to the financial advisor to select Parti Pris as the investment manager providing full discretion portfolio management advisory services to the investor client accounts in accordance with the objectives and guidelines provided to Parti Pris by the financial advisor or financial intermediary through the Parti Pris Advisor SketchBook™ portal.

In limited circumstances, Parti Pris may maintain a Master Sub-Advisor Agreement with such Independent Advisors or financial intermediaries or can require the execution of an Investment Advisory Agreement directly with the investor client.

#### **Item 17 Voting Client Securities**

Parti Pris will vote proxies for investor clients unless directed otherwise by the investor client in writing. Parti Pris has adopted proxy voting policies and procedures that govern proxy voting on behalf of clients. These policies are intended to ensure that Parti Pris complies with Rule 206(4)-6 of the Advisor Act and fulfills its fiduciary obligations and votes proxies in the best interest of the investor client.

Parti Pris’ policy is to vote proxies on a prudent and diligent manner after careful review of the company’s proxy statement. Parti may engage third-party services for research and guidance in determining its voting policy on individual issues. Generally, Parti Pris will vote in favor of proposals that increase shareholder value and cast proxy votes against proposals that do not add to shareholder value.

Parti Pris has established a Proxy Voting Committee comprised of its Chief Executive Officer, Chief Investment Officer, and Chief Compliance Officer. The Committee is responsible for maintaining and adjusting the voting policies and for monitoring and resolving any potential material conflicts of interest in the course of proxy voting. These material conflicts may include, but are not limited to, those presented by having a publicly traded company as a client

of Parti Pris, or as a service agent such as an intermediary or custodian or technology company providing services to Parti Pris, or any existing or potential relationships between Parti Pris (or its employees) and a publicly traded company. It is Parti Pris' policy to vote proxies presenting any material conflict as it would vote any other proxy and, in a manner, consistent with the stated Parti Pris Proxy policies.

The responsibility for voting proxies on behalf of an investor client account is typically assigned to Parti Pris in the Investment Management Agreement or other documentation. Once Parti Pris has agreed to vote proxies on behalf of an investor client account, it will instruct the client's custodian to forward all proxy materials to our third-party service provider, Institutional Shareholder Services ("ISS"), a proxy voting service provider currently engaged by Parti Pris to administer proxy voting. Parti Pris currently utilizes ISS's ProxyExchange tool to manage, track and vote proxies in a more accurate and timely manner. For investor clients requesting to retain the right to vote the proxy, Parti Pris will instruct the custodian to send the proxy material directly to the investor client.

For those clients for whom Parti Pris has undertaken the responsibility to vote proxies, Parti Pris will retain final authority and responsibility for such voting. Parti Pris will not accept instruction from a client as how to vote a proxy unless such instruction has been requested by Parti Pris due to a conflict of interest.

Investor clients may request a copy of the Parti Pris Proxy Voting Policy and Procedures and information on how proxies were voted for each proposal by emailing our Chief Compliance Officer at [CCO@Partipris-invest.com](mailto:CCO@Partipris-invest.com).

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

Parti Pris has no financial commitments that impair its ability to meet its contractual and fiduciary commitments to clients and has not been the subject of any bankruptcy proceeding.

#### **Item 19 – Requirements for State-Registered Advisers**

##### *Principal Executive Officers and Management Persons*

Parti Pris is primarily owned by Arthur J. Lutschaunig and Joseph D. Smith. The advisory activities for Parti Pris include providing investment advice to clients. The education and business background information for Arthur J. Lutschaunig and Joseph D. Smith is supplied on the Form ADV Part 2B Brochure Supplement.

##### *Other Business Activity*

As outlined in Item 10, neither Parti Pris nor its management personnel have any external financial industry activities or financial industry affiliations.

### *Performance-Based Fees*

As outlined in Item 6, Parti Pris does not charge performance-based fees (i.e., fees calculated based on a share of capital gains or on capital appreciation of investor client assets).

### *Disciplinary Activity of Management Personnel*

As outlined in Item 9, Parti Pris does not have any legal or disciplinary activity to disclose.

### *Issuer of Securities*

Neither Parti Pris nor its management person have any relationship or arrangement with any issuer of securities.

Item 1- Cover Page

# Arthur J. Lutschaunig

Parti Pris Investment Partners, Inc.

556 Blanca Street  
Morro Bay, CA 93442

(312) 282-3445

December 6, 2023

**This Brochure Supplement provides information about Arthur J. Lutschaunig that supplements the Parti Pris Investment Partners, Inc. ["Parti Pris"] Brochure. You should have received a copy of that Brochure. Please contact us at (312) 282-3445 if you did not receive Parti Pris' Brochure or if you have any questions about the contents of this supplement.**

## **Item 2- Educational Background and Business Experience**

### **ARTHUR J. LUTSCHAUNIG**

Born: 1958

#### ***EDUCATION:***

- Villanova University, Bachelor of Science, Business Administration

#### ***EMPLOYMENT HISTORY:***

- Parti Pris Investment Partners, Chief Executive Officer | Chief Compliance Officer (09/2019- Present)
- NFL Enterprises, Chief Executive Officer (11/2008-09/2019)
- Orion Advisory Services, Chief Investment Strategist (05/2018-09/2018)

## **Item 3- 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 each supervised person providing investment advice. *No information is applicable to this Item.*

## **Item 4- Other Business Activities**

Mr. Lutschaunig is not currently engaged in any outside business activities at this time.

## **Item 5- Additional Compensation**

There are no arrangements where a non-client provides an economic benefit directly to Mr. Lutschaunig for providing advisory services.

## **Item 6 - Supervision**

Mr. Arthur J. Lutschaunig, Chief Executive Officer & Chief Compliance Officer, supervises the investment advice of the Firm and oversees all aspects of the recommendations of investments.

## **Item 7 – Requirements for State-Registered Advisers**

State registered advisers are required to disclose all material facts regarding certain arbitration events, proceedings, or bankruptcy petitions. No information is applicable to this Item for Mr. Lutschaunig.

# Joseph D. Smith

Parti Pris Investment Partners, Inc.

Located at:  
821 Sunset Boulevard  
Renton, WA 98053

Supervised by:  
556 Blanca Street  
Morro Bay, CA 93442

(312) 282-3445

December 6, 2023

**This Brochure Supplement provides information about Joseph D. Smith that supplements the Parti Pris Investment Partners, Inc. ["Parti Pris"] Brochure. You should have received a copy of that Brochure. Please contact us at (312) 282-3445 if you did not receive Parti Pris' Brochure or if you have any questions about the contents of this supplement.**



## **Item 2- Educational Background and Business Experience**

### **JOSEPH D. SMITH, CFA**

Born: 1984

#### ***EDUCATION:***

- Carnegie Mellon University-Tepper School of Business, MBA
- University of Washington, Bachelor of Science, Economics

#### ***EMPLOYMENT HISTORY:***

- Parti Pris Investment Partners, Chief Investment Officer (09/2019- Present)
- CLS Investments, Deputy Chief Investment Officer (05/2015-08/2019)
- Charles Schwab, ETF & Index Product Specialist (11/2012-07/2013)

Chartered Financial Analyst (CFA) Designation

Issuing Organization: CFA Institute

Prerequisites: Candidates must:

1. meet one of the following requirements prior to enrollment in the CFA Program:
  - Hold a bachelor's or equivalent degree from a college or university;
  - Be within 11 months of the graduation month for a bachelor's degree or equivalent program by the date of sitting for the Level 1 exam; or
  - Have a combination of 4,000 hours of work experience and/or higher education that was acquired over a minimum of three sequential years by the date of enrolling for the Level 1 exam;
2. Have 4,000 hours of qualified work experience in the investment decision-making process (accrued before, during, or after participation in the CFA Program); and
3. Submit two-to-three professional reference letters.

Designation Training Requirements: Self-study program

Designation Exam Type: Three in-person, proctored, closed-book, computer-based exams.

Continuing Education Requirements: None

## **Item 3- 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 each supervised person providing investment advice. *No information is applicable to this Item.*

## **Item 4- Other Business Activities**

Mr. Smith is not currently engaged in any outside business activities at this time.

### **Item 5- Additional Compensation**

There are no arrangements where a non-client provides an economic benefit directly to Mr. Smith for providing advisory services.

### **Item 6 - Supervision**

Arthur J. Lutschaunig, Chief Executive Officer & Chief Compliance Officer, supervises the investment advice of the Firm and oversees all aspects of the recommendations of investments.

### **Item 7 – Requirements for State-Registered Advisers**

State registered advisers are required to disclose all material facts regarding certain arbitration events, proceedings, or bankruptcy petitions. No information is applicable to this Item for Mr. Smith.