

# Mutual Advisors, LLC

9140 W Dodge Road  
Suite 230  
Omaha, NE 68114  
(805) 764-6740 x.804

[www.mutual.group](http://www.mutual.group)

## Form ADV, Part 2A Appendix 1 Wrap Fee Program Brochure

April 5, 2024

This wrap fee program brochure provides information about the qualifications and business practices of Mutual Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (805) 764-6740 x.804 or [adv@mutualadv.com](mailto:adv@mutualadv.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Any reference or use of the terms “registered investment adviser” or “registered,” does not imply we have achieved a certain level of skill or training. Additional information about Mutual Advisors, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 167658.

## ITEM 2 - MATERIAL CHANGES

The purpose of this page is to inform you of material changes to our brochure. If you are receiving this brochure for the first time, this section may not be relevant to you. Mutual Advisors, LLC reviews and updates our brochure at least annually to confirm that it remains current. Below is a summary of the material changes made to our brochure since the previous annual update. If you would like another copy of this Brochure, please download it from the SEC website as indicated above or you may contact our CCO, Justin Jolly, at (805) 764-6740 x.804, or by email at [mallc.compliance@mutual.group](mailto:mallc.compliance@mutual.group).

We encourage you to read this document in its entirety.

Material changes since our last annual amendment:

Mutual Advisors has added language about the use of leveraged and inverse ETFs in ***Item 6 - Methods of Analysis, Investment Strategies and Risk-of-Loss***.

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## ITEM 4 - SERVICES, FEES AND COMPENSATION

### Description of Advisory Firm

Mutual Advisors, LLC (“Mutual Advisors,” “we,” “our,” or “us”) is a privately owned limited liability company headquartered in Omaha, Nebraska. Mutual Advisors is registered as an investment adviser with the U.S. Securities and Exchange Commission. Mutual Advisors was formed in 2013 as a business combination between Investment & Retirement Solutions LLC and Mutual Securities, Inc. The firm’s principal owners are the Jasper Single Family Private Trust Company, LLC; Sabol Single Family Private Trust Company, LLC; Voss Investments, LLC; and Mutual Group, Inc. The principal officers of the firm are Ryan Sabol (Managing Principal), Aaron Jasper (CEO), Mitch Voss (Chairman), Nick Damiani (CAO), and Dawn Claussen (COO).

Mutual Advisors, LLC, and its Investment Advisor Representatives (“IARs”), offers any combination of the Advisory Services described below under the name Mutual Advisors, LLC or various trade names, which are disclosed on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Mutual Advisors, LLC is the registered investment advisor and any individual providing advisory services under any of our registered trade names does so as an Investment Advisor Representative of Mutual Advisors, LLC.

### Wrap Fee Program

Mutual Advisors, LLC’s wrap fee program is sponsored by Mutual Advisors, LLC. Our wrap fee program offers individualized management on either a discretionary or non-discretionary, all-inclusive fee basis. Mutual Advisors’ Investment Advisor Representatives work with clients and have the ongoing fiduciary responsibility to select and/or make recommendations based upon the objectives of the client, as to the specific securities or other investments that he/she recommends or purchases/sells in clients’ accounts. Our IAR’s utilize a variety of investment types when making investment recommendations/purchases in client accounts which include, but are not limited to: equity securities, fixed income securities and mutual funds. The investments recommended/purchased are based off of the clients’ individual needs, goals and objectives. The IAR may offer investment advice on any investment held by the client at the start of the advisory relationship.

Mutual Advisors requires accounts to be established with either Fidelity Institutional Wealth Services, a division of Fidelity Brokerage Services, Inc. (“Fidelity”), a Fidelity Investments company, or with Charles Schwab & Co., Inc. (“Schwab”), member FINRA/SIPC, SEI investments Company (“SEI”) (collectively “the custodians”). Fidelity clears through Fidelity Custody & Clearing Inc., Schwab is self-clearing, and SEI clears through SEI Private Trust Company (SPTC), a federally chartered limited purpose savings association and wholly owned subsidiary of SEI Investments Company. Mutual Advisors engages the custodians to clear transactions and custody assets. The custodians provide Mutual Advisors with services that assist us in managing and administering clients’ accounts which include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients’ accounts; and (v) assist with certain back-office functions, recordkeeping and client reporting.

As part of the arrangement described above, the custodians also make certain research and brokerage services available at no additional cost to our firm. These services include certain research and

brokerage services, including research services obtained by the custodians directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided by the custodians to our firm may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by the custodians to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services are used by our firm to manage accounts. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

As a result of receiving the services discussed above, we have an incentive to continue to use or expand the use of the custodians' services. Our firm examined this conflict of interest when we chose to enter into the relationship with the custodians and we have determined that the relationship is in the best interest of our firm's clients and satisfies our client obligations, including our duty to seek best execution.

### Third-Party Accounts

Our firm also offers account programs facilitated through third-party investment advisers. The third-party investment adviser chosen by the client is responsible for all investment decisions made in the client's account(s).

In order to assist clients in the selection of a third-party money manager, we typically gather information from the client about their financial situation, investment objectives, and reasonable restrictions they can impose on the management of the account, which are often very limited. It is important to note that we do not offer advice on any specific securities or other investments in connection with this service. The third-party money managers implement and place trade orders for clients. See also **Item 9 – Additional Information under section Third-Party Managers**. We also describe fees charged for Third-party Accounts below under section **Fees and Billing Method for the Wrap Fee Program**.

In certain instances, third-party managers provide Mutual Advisors with trading instructions ("signals") to their models and Mutual Advisors will trade the client's account according to those signals. Mutual Advisors does not make any discretionary changes the signals being provided. By utilizing signal agreements, we are able to offer access to models with lower costs and investment minimums than traditional sub-advisory agreements.

We provide clients with a list of investment advisory services of third-party professional portfolio management firms for the individual management of client accounts and/or other managed vehicles. As part of this process, we assist clients in identifying an appropriate third-party money manager, sub-account, or strategy, as applicable. We provide initial due diligence on third-party money managers and sub-accounts or strategies, if applicable, and ongoing reviews of their management of your account. We will make sure that before selecting or recommending other advisers that the other advisers are properly licensed or registered as an investment adviser. Below are descriptions of the various third-party investment adviser relationships that we have established today for wrap accounts.

### *Co-Advisors/Sub-Advisors*

Mutual Advisors has established agreements to work with third-party investment advisers in co-advisory or sub-advisory capacities. The co-advisor or sub-advisor is responsible for all investment-related decisions in the client accounts. Pursuant to our agreement with the co/sub-advisor, they may additionally offer some limited operational support in relation to our client accounts. The co/sub-advisors may be limited to only manage assets through specific custodians. For more information about what custodians a specific co/sub-advisor is authorized to offer services through, please refer to the co/sub-advisors ADV. Mutual retains the authority to hire and fire sub-advisors at our discretion.

### *Turn-key Asset Management Platforms (TAMPs)*

Mutual Advisors has established agreements to work with certain TAMP platforms to provide access to additional third-party money managers and operational/trading support. These TAMP platforms are responsible for all account opening, account maintenance and trade processing. The third-party money managers provide the TAMP platform with all strategy related information, but the TAMP is responsible for deploying those strategies directly in the client account. Our IARs are responsible for maintaining the relationship with the client and selecting the appropriate strategy and third-party money manager for the client based on their risk tolerance and objective. Some TAMPs have restrictions on what custodians they work through. For more information about what custodian a specific TAMP is authorized to offer services through, please refer to the TAMPs ADV. Mutual Advisors retains the authority to hire and fire third-party investment managers used through TAMP platforms at our discretion.

## **Fees & Billing Method for the Wrap Fee Program**

The annual management fee for our wrap fee program is based on the complexity of your financial situation, the services provided, the experience and standard of fees charged by your IAR, and the nature and total dollar asset value of the assets maintained in your account. This fee is negotiable with your IAR, therefore fees vary from client to client. The fee assessed and/or charged is based on what is stipulated in the Investment Advisory Agreement signed by each client. This may include a minimum quarterly or monthly fee.

Our annual fee ranges up to 2.25% annually and is assessed and/or charged quarterly or monthly in advance, based on prior period end value. Inflows and outflows of cash are considered on a prorated basis in this calculation. Margin debits will decrease the fee calculated. Fees can be structured in one of the following ways: a fixed flat percentage fee on total assets in the account, a tiered fee schedule whereby the fee is calculated by applying different rates to different levels of assets, a linear fee where a breakpoint percentage fee is assessed, or a flat annual dollar amount. Management fees are typically debited directly from your custodial account. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee.

Your fee is bundled with any of our, or the third-party money managers', costs for executing transactions in your account(s), together your "wrap-fee". This fee may also include other services, such as financial planning services. The cost of a third-party money managers' portfolio is based on the strategy selected in your Investment Advisory Agreement. Wrapping these services together may result in a higher fee to you than you would otherwise incur by paying for these services separately. Many

investments trade without transaction fees today, so our payment of these and other incidental custodial related expenses should not be considered a significant factor in determining the relative value of our wrap program. The annual fee is not adjusted/reduced based on trading volume or assets held in your account, so there is a chance that you would pay more by bundling any trading costs, if applicable, with your annual advisory fee based on the amount of trading being done or assets being traded in your account if they are not subject to trading costs.

With client authorization, Mutual Advisors will instruct the custodian to automatically withdraw our advisory fee from the client's account. You may request that the fees be deducted from another account, subject to Mutual Advisors' written consent. Typically, we authorize the custodian to withdraw our advisory fee from your account during the first month of each quarter. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee.

#### *Securities Purchased on Margin*

Wrap Fee Program fees will be based on the fair market value of your eligible assets, as defined in our investment advisory agreement, including any eligible assets purchased on margin. The value of Eligible Assets will be reduced by the amount of any margin indebtedness or increased by the amount of any credits. Interest on any margin debt incurred by you is in addition to the Wrap Fee Program fee.

#### *Other Fees and Expenses*

You may pay custodial fees, brokerage account closing fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. Clients may also pay miscellaneous/postage & handling (confirm fees). There may also be separate fees charged to client accounts for trading away from the selected custodian. These fees are not included within the wrap-fee you are charged by our firm. Accordingly, the client should review all the fees charged by custodians and/or funds and the wrap-fee we charge to understand the total amount of fees they may pay and evaluate the advisory services we provide accordingly.

#### *Termination of Agreement*

Either party may terminate the advisory agreement at any time by providing written notice to the other party. The client may terminate the agreement at any time by writing Mutual Advisors at our office. Mutual Advisors will refund any prepaid, unearned advisory fees.

Terminations will not affect liabilities or obligations from transactions initiated in client accounts prior to termination. In the event the client terminates the investment advisory agreement. Mutual Advisors will not liquidate any securities in the account unless instructed by the client to do so. In the event of client's death or disability, Mutual Advisors will continue management of the account until we are notified of client's death or disability and given alternative instructions by an authorized party.

### Other Compensation

The custodians may receive distribution service fees for mutual funds purchased and held in your wrap accounts; Mutual Advisors' IARs do not receive any portion of those fees.

Our IARs may provide other services outside of the wrap fee program. These services are covered in our ADV Part 2A brochure. Our IARs may also receive compensation through their capacity as a registered representative of a broker-dealer, or in their capacity as an insurance broker. All of these additional services and compensation are received outside of services provided under this wrap-fee program. This is further discussed below under **Item 9 – Additional Information** in section **Other Financial Industry Activities and Affiliations**.

## **ITEM 5 - ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

Mutual Advisors does not have a specific minimum, but it is up to each IAR whether they will impose their own account minimum. If a minimum is imposed, accounts may be aggregated to meet the minimum.

Clients who utilize our Third-party Accounts program should review each manager's Form ADV disclosure brochure **Item 7 – Types of Clients** regarding account requirements.

Mutual Advisors generally provides our Wrap Fee Program to individuals, high net worth individuals, qualified purchasers, pension and profit-sharing plans, corporations, limited liability companies, and other types of businesses.

## **ITEM 6 - PORTFOLIO MANAGER SELECTION AND EVALUATION**

### **Portfolio Management and Performance Calculation**

Wrap accounts are typically managed individually by our IAR's as the portfolio manager. Mutual Advisors' IAR's work with clients and have the ongoing fiduciary responsibility to select and/or make recommendations based upon the objectives of the client, as to the specific securities or other investments that he/she recommends or purchases/sells in clients' accounts. Our IAR's utilize a variety of investment types when making investment recommendations/purchases in client accounts which include, but are not limited to: equity securities, fixed income securities and mutual funds. The investments recommended/purchased are based off of the clients' individual needs, goals and objectives. The IAR may offer investment advice on any investment held by the client at the start of the advisory relationship. Mutual Advisors reviews the performance figures provided through our portfolio management system quarterly reports.

Our firm also offers account programs facilitated through third-party investment advisers. The third-party investment adviser chosen by the client is responsible for all investment decisions made in the client's account(s). In order to assist clients in the selection of a third-party money manager, we typically gather information from the client about their financial situation, investment objectives, and reasonable restrictions they can impose on the management of the account, which are often very



limited. We provide clients with a list of investment advisory services of third-party professional portfolio management firms for the individual management of client accounts and/or other managed vehicles. As part of this process, we assist clients in identifying an appropriate third-party money manager, sub-account, or strategy, as applicable. We provide initial due diligence on third-party money managers and sub-accounts or strategies, if applicable, and ongoing reviews of their management of your account. We will make sure that before selecting or recommending other advisers that the other advisers are properly licensed or registered as an investment adviser.

Neither Mutual Advisors nor a third-party reviews portfolio manager performance information to determine or verify its accuracy or compliance with presentation standards.

## **Wrap Fee Programs**

We do not provide portfolio management services to any other wrap fee programs. Our wrap fee accounts are managed on an individualized basis according to the client's investment objectives, financial goals, and risk tolerance.

## **Disclosure of Conflict of Interest**

A wrap fee program allows our clients to pay a specified fee for investment advisory services and the execution of transactions, if applicable. The advisory services include portfolio management, and the fee is not based directly upon transactions in your account. Your fee is bundled with any of our costs for executing transactions in your account(s), as determined by the custodian. This could result in a potentially higher advisory fee to you. Many investments trade without transaction fees today, so our payment of these and other incidental custodial related expenses should not be considered a significant factor in determining the relative value of our wrap program. This creates a potential conflict of interest, as our IARs may have an incentive to limit our trading activities in your account(s) if we are charged for executed trades, or to invest in assets that are not subject to charges from the custodian. By participating in a wrap fee program, you may end up paying more or less than you would through a non-wrap fee program where a potentially lower advisory fee is charged, but any trade execution costs are passed directly through to you by the executing custodian.

Our IARs may also act in additional capacities as registered representatives or licensed insurance agents/brokers. In both of these roles, they may offer commissionable products to clients for which they may receive compensation. A conflict of interest arises as these commissionable insurance product sales may create an incentive to recommend products based on the compensation that they earn and may not be in the best interests of the client. These additional capacities are discussed further below under **Item 9 – Additional Information** in section **Other Financial Industry Activities and Affiliations**.

## **Tailored Services and Client Imposed Restrictions**

Services are tailored to the specific needs of each client. We only allow clients to impose reasonable restrictions on investing in certain securities or types of securities based on the platform and/or custodian they select. We make investment decisions for clients based on information the client supplies about their financial situation, goals, and risk tolerance. Our recommendations/investment selections may not be suitable if the client does not provide us with accurate and complete information. It is the

client's responsibility to keep Mutual Advisors informed of any changes to their investment objectives or restrictions.

### Limitation by Custodian

There may also be limitations on the mutual funds that we recommend based upon those that are available through the respective custodian.

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

We do not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

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

We may use fundamental, cyclical, charting, and/or technical analysis in the selection of individual securities. Mutual Advisors selects categories of investments based on the clients' attitudes about risk and their need for capital appreciation or income. Different instruments involve different levels of exposure to risk. We seek to select individual securities with characteristics that are most consistent with the client's objectives. Since Mutual Advisors treats each client account uniquely, client portfolios with a similar investment objectives and asset allocation goals may own different securities. Tax factors will not influence Mutual Advisors' investment decisions.

### General Investment Strategies

Mutual Advisors generally uses diversification in an effort to minimize risk and optimize the potential return of a portfolio. More specifically, we utilize multiple asset classes, investment styles, market capitalizations, sectors, and regions to provide diversification. Each portfolio composition is determined in accordance with the clients' investment objectives, risk tolerance, and time horizon. We utilize both passive and active investment management strategies in an effort to optimize portfolios.

Our general investment strategy is to seek real capital growth proportionate with the level of risk the client is willing to take. We develop a Client Profile to help identify the client's investment objectives, time horizon, risk tolerance, tax considerations, target asset allocation, and any special considerations and/or restrictions the client chooses to place on the management of the account.

Mutual Advisors will then recommend investments that we feel are consistent with the Client Profile.

After defining client needs, Mutual Advisors develops and implements plans for the client's account. Then, we monitor the results and make adjustments as needed. As the initial assumptions change, the plans themselves may need to be adapted. Continuous portfolio management is important in an effort to keep the client's portfolio consistent with the client's objectives.

### Wrap Fee Program

The methods of analysis, investment strategies, and risk of loss pertaining to accounts participating in the wrap fee programs are described in our Wrap Fee Program Brochure, which is provided to all clients participating in the program(s) and available upon request.

### Third-party Managers

We may refer clients to third-party managers. In these instances, we provide clients with a list of investment advisory services of third-party professional portfolio management firms for the individual management of client accounts. As part of this process, we assist clients in identifying an appropriate third-party money manager. Our recommendation is based on the client's investment objectives and financial situation, and the third-party manager's management style. We provide initial due diligence on third-party money managers and ongoing reviews of their management of your account. The third-party managers we refer to clients must maintain proper and current licensing/registration, as applicable to each manager. Clients should review **Item 8 Methods of Analysis, Investment Strategies and Risk of Loss** of the brochure of the third-party manager for the methods of analysis and investment strategies of the third-party manager.

### Methods of Analysis for Selecting Securities

Mutual Advisors' IARs may use, among others, technical, fundamental, and/or charting analysis in the selection of individual equity securities. Additionally, our IARs may use specific strategies or resources in the method of analysis and selection of mutual funds.

### Technical Analysis

The effectiveness of technical analysis depends upon the accurate forecasting of major price moves or trends in the securities traded by the IAR. However, there is no assurance of accurate forecasts or that trends will develop in the markets we follow. In the past, there have been periods without discernable trends and similar periods will presumably occur in the future. Even where major trends develop, outside factors like government intervention could potentially shorten them.

Furthermore, one limitation of technical analysis is that it requires price movement data, which can translate into price trends sufficient to dictate a market entry or exit decision. In a trendless or erratic market, a technical method may fail to identify trends requiring action. In addition, technical methods may overreact to minor price movements, establishing positions contrary to overall price trends, which may result in losses. Finally, a technical trading method may under perform other trading methods when fundamental factors dominate price moves within a given market.

The calculations that underline our system, methods, and strategies involve many variables, including determinants from information generated by computers and/or charts. The use of a computer in collating information or in developing and operating a trading method does not assure the success of the method because a computer is merely an aid in compiling and organizing trade information.

Accordingly, no assurance is given that the decisions based on computer-generated information will produce profits for a client's account.

### Relative Strength Analysis

Relative strength measures one stock versus another or a group of stocks versus an index, such as the S&P 500. Through relative strength analysis, we can rank areas of the market that are outperforming or underperforming the broad market, whether the Russell 3000 or S&P 500. For our purposes, we

use the S&P 500. We then add the highest relative strength sectors and macro areas (i.e. small cap vs. large cap) to our investment model, using primarily ETFs. The general premise is that those areas of the market with highest relative strength outperform over the long term. Additionally, as a risk override, we run moving average analysis to identify when markets are most vulnerable, and from time to time lighten market exposure.

### Fundamental Analysis

Fundamental analysis assesses the financial health and management effectiveness of a business by analyzing a company's financial reports, key financial ratios, industry developments, economic data, competitive landscape, and management. The objective of fundamental analysis is to use historical and current financial data to assess the stock valuation of a company, evaluate company profitability, credit risk, and forecast future performance of the company and its share price. Fundamental analysis assumptions and calculations are based on historical data and forecasts; therefore the quality of information and assumptions used are critical. Differences can exist between market fundamentals and how you analyze them.

### Charting Analysis

Charting analysis involves the use of patterns in performance charts. Our IARs use this charting technique to search for patterns in an effort to predict favorable conditions for buying and/or selling a security.

### Mutual Funds

In analyzing mutual funds, our IARs may use various sources of information, including data provided by Morningstar. We review key characteristics such as historical performance, consistency of returns, risk level, and size of fund. Expense ratio and other costs are also significant factors in fund selection. We also subscribe to/access additional information from other sources that inform our general macro-economic view.

When using mutual funds and exchange traded funds, ("ETFs") in our investment strategies. Our policy is to purchase institutional share classes of those mutual funds selected for the client's portfolio. The institutional share class generally has the lowest expense ratio. The expense ratio is the annual fee that all mutual funds or ETFs charge their shareholders. It expresses the percentage of assets deducted each fiscal year for funds expenses, including 12b-1 fees, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the fund. Some fund families offer different classes of the same fund and one share class may have a lower expense ratio than another share class. These expenses come from client assets which could impact the client's account performance. Mutual fund expense ratios are in addition to our fee, and we do not receive any portion of these charges. If an institutional share class is not available for the mutual fund selected, the adviser will purchase the least expensive share class available for the mutual fund. As share classes with lower expense ratios become available, we may use them in the client's portfolio, and/or convert the existing mutual fund position to the lower cost share class. Clients who transfer mutual funds into their accounts with us would bear the expense of any contingent or deferred sales loads incurred upon selling the product. If a mutual fund has a frequent trading policy, the policy can limit a client's transactions in shares of the fund (e.g., for rebalancing, liquidations, deposits or tax

harvesting). All mutual fund expenses and fees are disclosed in the respective mutual fund prospectus.

#### Non-Transaction Fee (NTF) Mutual Funds

When selecting investments for our clients' portfolios we might choose mutual funds on your account custodian's Non-Transaction Fee (NTF) list. This means that your account custodian will not charge a transaction fee or commission associated with the purchase or sale of the mutual fund.

The mutual fund companies that choose to participate in your custodian's NTF fund program pay a fee to be included in the NTF program. The fee that a mutual fund company pays to participate in the program is ultimately borne by the owners of the mutual fund including clients of our Firm. When we decide whether to choose a fund from your custodian's NTF list or not, we consider our expected holding period of the fund, the position size and the expense ratio of the fund versus alternative funds. Depending on our analysis and future events, NTF funds might not always be in your best interest.

#### Options

IARs may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset. The two types of options are calls and puts. A call gives the holder the right to buy an asset at a certain price within a specific period of time. A call may be purchased if the expectation is that the stock will increase substantially in value before the option expires. It may also be sold as a hedge to protect gains or principal of an existing holding (covered calls). A put gives the holder the right to sell an asset at a certain price within a specific period of time. A put may be purchased if the expectation is that the stock will decrease substantially in value before the option expires. They are typically purchased as a hedge to protect gains or principal of a portfolio. There are various options strategies that our IARs may deploy in a strategy, as appropriate for a client's needs. These include, but may not be limited to: covered options (selling a call or put for a premium payment while retaining the cash or securities required to facilitate the underlying purchase or sale of securities if an option is exercised) or spreads/straddles (buying or selling call or put options on the same or opposite side of the market to benefit from the bid/ask "spread" or to straddle the market based on value or time variances).

#### Alternative Investments

IARs may use Alternative Investments as a way to diversify a portfolio. Alternative Investments are considered to be "non-correlated" assets, meaning that they do not tend to run up or down (track) with the market like standard securities typically do. The main goal of alternatives is to provide access to other return sources, with the potential benefit of reducing risk of a client's portfolio, improving returns, or both.

#### Leveraged and Inverse ETFs

IARs may use leveraged and/or inverse ETFs as part of an asset allocation strategy. Leveraged and inverse ETFs seek to deliver either multiples or the inverse of the daily performance of the index or benchmark they track. Most leveraged and inverse ETFs "reset" daily, meaning that they are designed

to achieve their stated objectives on a daily basis. Their performance over longer periods of time can differ significantly (or even be the opposite of the stated objective) from the stated multiple or inverse of the performance of the underlying index during the same period of time. This effect can be magnified in periods of volatility.

### *Specific Investment Strategies for Managing Portfolios*

IARs may use Modern Portfolio Theory tactical asset allocation, cash as a strategic asset, long-term holding, trend, dollar-cost-averaging, defensive portfolio strategies in the construction and management of client portfolios. There is no guarantee that any of the following strategies will be successful and we make no promises or warranties as to the accuracy of our market analysis.

### *Modern Portfolio Theory (MPT)*

IARs use the Modern Portfolio Theory, which has a basic concept of using diversification in an effort to help minimize risk and optimize the potential return of a portfolio.

### *Tactical Asset Allocation*

IARs may use a tactical asset allocation strategy in the shorter term to deviate from a client's long-term strategic asset allocation target in an effort to take advantage of what we perceive as market pricing anomalies or strong market sectors or to avoid perceived weak sectors. Once they achieve the desired short-term opportunities or perceive that opportunities have passed, we generally return a client's portfolio to the original strategic asset mix.

### *Cash as a Strategic Asset*

IARs may use cash as a strategic asset and may at times move or keep client's assets in cash or cash equivalents. While high cash levels can help protect a client's assets during periods of market decline, there is a risk that our timing in moving to cash is less than optimal upon either exit or reentry into the market, potentially resulting in missed opportunities during positive market moves.

### *Long-term Holding*

IARs do not generally purchase securities for clients with the intent to sell the securities within 30 days of purchase, as we do not generally use short-term trading as an investment strategy. However, there may be times when we will sell a security for a client when the client has held the position for less than 30 days.

IARs do not attempt to time short-term market swings. Short-term buying and selling of securities is typically limited to those cases where a purchase has resulted in an unanticipated gain or loss in which we believe that a subsequent sale is in the best interest of the client.

### *Trend*

IARs may manage client assets using a trend following methodology based on the 200-day average and grounded in a strong sell discipline for all positions within the portfolio.

### Dollar-Cost-Averaging

Dollar cost averaging involves investing money in multiple installments over time to take advantage of price fluctuations in the attempt to get a lower average cost per share.

### Defensive Strategies

If our IAR anticipates poor near-term prospects for equity markets, we may adopt a defensive strategy for clients' accounts by investing substantially in fixed income securities and/or money market instruments. We may also utilize low, non, or negatively correlated investments through mutual funds and EFT's. There can be no guarantee that the use of defensive techniques would be successful in avoiding losses.

### Margin

Some clients of Mutual Advisors maintain margin accounts to facilitate short-term borrowing needs, which are unrelated to our investment strategy(ies). For some high-net worth (HNW) clients that are seeking a more aggressive strategy for their portfolio, our IARs may work with those clients on an individual basis to develop a leveraged strategy utilizing margin to increase market participation portfolio as part of a customized investment strategy. Clients are responsible for any brokerage or margin charges in addition to advisory fees. Risks of using margin include "margin calls" (also called "fed calls" or "maintenance calls.") Margin calls occur when account values decrease below minimum maintenance margin levels established by the broker-dealer that holds the securities in the client's account, requiring the investor to deposit additional money or securities into their margin account.

While the use of margin borrowing can increase returns, it can also magnify losses. Clients must specifically request to establish a margin account.

### Additional Strategies

Clients interested in learning more about any of the above strategies should contact us for more information and/or refer to the prospectus of any mutual fund. We may also consider additional strategies by specific client request.

### Investing Involves Risk

#### *General Risks of Owning Securities*

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

#### *Risk of Loss*

Diversification does not guarantee a profit or guarantee to protect you against loss, and there is no guarantee that your investment objectives will be achieved. Mutual Advisors strategies and recommendations may lose value. All investments have certain risks involved including, but not limited to the following:



**Stock Market Risk:** The value of securities in the portfolio will fluctuate and, as a result, the value may decline suddenly or over a sustained period of time.

**Managed Portfolio Risk:** The manager's investment strategies or choice of specific securities may be unsuccessful and may cause the portfolio to incur losses.

**Industry Risk:** The portfolio's investments could be concentrated within one industry or group of industries. Any factors detrimental to the performance of such industries will disproportionately impact your portfolio. Investments focused in a particular industry are subject to greater risk and are more greatly impacted by market volatility than less concentrated investments.

**Non-U.S. Securities Risk:** Non-U.S. securities are subject to the risks of foreign currency fluctuations, generally higher volatility and lower liquidity than U.S. securities, less developed securities markets and economic systems and political economic instability.

**Emerging Markets Risk:** To the extent that your portfolio invests in issuers located in emerging markets, the risk may be heightened by political changes and changes in taxation or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.

**Currency Risk:** The value of your portfolio's investments may fall as a result of changes in exchange rates.

**Credit Risk:** Most fixed income instruments are dependent on the underlying credit of the issuer. If we are wrong about the underlying financial strength of an issuer, we may purchase securities where the issuer is unable to meet its obligations. If this happens, your portfolio could sustain an unrealized or realized loss.

**Inflation Risk:** Most fixed income instruments will sustain losses if inflation increases or the market anticipates increases in inflation. If we enter a period of moderate or heavy inflation, the value of your fixed income securities could go down.

**Interest Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate.

**Margin Risk:** The use of margin is not suitable for all investors, since it increases leverage in your Account and therefore risk.

**ETF and Mutual Fund Risk:** When we invest in an ETF or mutual fund for a client, the client will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operation expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund greatly reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients may also incur brokerage costs when purchasing ETFs.

**Derivative Risk:** Derivatives are securities, such as futures contracts or options, whose value is derived from that of other securities or indices. Derivatives can be used for hedging (attempting to reduce risk by offsetting one investment position with another) or non-hedging purposes. Hedging with derivatives may increase expenses, and there is no guarantee that a hedging strategy will achieve the desired



results. Utilizing derivatives can cause greater than ordinary investment risk, which could result in losses.

**Structured Products Risk:** Structured products are securities derived from another asset, such as a security or a basket of securities, an index, a commodity, a debt issuance, or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. The creditworthiness of the issuer does not affect or enhance the likely performance of the investment other than the ability of the issuer to meet its obligations. Any payments due at maturity are dependent on the issuer's ability to pay. In addition, the trading price of the security in the secondary market, if there is one, may be adversely impacted if the issuer's credit rating is downgraded. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. A client that invests in a structured product never has a claim on the underlying investment, whether a security, zero coupon bond, or option. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. This is true even if the product has a ticker symbol or has been approved for listing on an exchange. Tax treatment of structured products may be different from other investments held in the account (e.g., income may be taxed as ordinary income even though payment is not received until maturity). Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.

**Alternative Investment Risk:** Alternative Investments involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not always required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the investment manager. Alternative investment performance can be volatile. An investor could lose all or a substantial amount of his or her investment.

**Management Risk:** Your investment with us varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment may decrease.

**Cybersecurity Risk:** In addition to the material risks listed above, investing involves various operational and "cybersecurity" risks. These risks include both intentional and unintentional events at Mutual Advisers or one of its third-party counterparties or service providers, that may result in a loss or corruption of data, result in the unauthorized release or other misuse of confidential information, and generally compromise our Firm's ability to conduct its business. A cybersecurity breach may also result in a third-party obtaining unauthorized access to our clients' information, including social security numbers, home addresses, account numbers, account balances, and account holdings. Our Firm has established business continuity plans and risk management systems designed to reduce the risks associated with cybersecurity breaches. However, there are inherent limitations in these plans and systems, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will

succeed, especially because our Firm does not directly control the cybersecurity systems of our third-party service providers. There is also a risk that cybersecurity breaches may not be detected.

## **Voting Client Securities**

### *Proxy Voting*

We do not accept or have the authority to vote client securities. However, clients may call us if they have questions about a particular solicitation. We will not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent.

### *Class Actions*

Mutual Advisors does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

## **ITEM 7 - CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

Generally, Investment Advisory Representatives collect information from clients about their investment goals and objectives. Clients are encouraged to contact their Investment Advisory Representative directly whenever this information changes. Mutual Advisors may utilize third-party portfolio managers as part of our wrap fee program. If a third-party portfolio manager is used, Mutual Advisors will provide account related information to said third-party portfolio manager in order to provide services to you.

## **ITEM 8 - CLIENT CONTACT WITH PORTFOLIO MANAGERS**

We have no restrictions on clients' ability to contact and consult with Mutual Advisors and our Investment Advisory Representatives. Communication with third-party managers should be conducted through your Investment Advisory Representative.

## **ITEM 9 - ADDITIONAL INFORMATION**

### **Disciplinary Information**

Mutual Advisors and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our business or the integrity of our management. We do not have any required disclosures to this Item.

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

Mutual Advisors has a related firm, Mutual Securities, Inc. ("MSI"), which is registered as a securities broker-dealer, members FINRA/SIPC and is a California licensed insurance agency. MSI is owned and

controlled by the indirect owners of Mutual Advisors. Typically, Mutual Advisors' investment advisory representatives ("IARs") are dually licensed as registered representatives ("RRs") of our related broker-dealer.

IARs, in their capacities as registered representatives (not acting as IARs), may offer advisory clients securities or other products. These registered representatives may receive compensation, commissions and/or trailing 12b-1 fees. In addition, MSI may receive additional compensation when clients transact in certain products. Therefore, a conflict of interest exists between the interests of these individuals, MSI and those of the advisory clients. When recommending commissionable products to clients, we have a duty to only recommend products that are suitable for the client. In addition, clients are under no obligation to act on any recommendations of these individuals or place any transactions through them if they decide to follow their recommendations. **NOTE:** Our IARs who receive compensation on the sale of security in their capacity as an RR of MSI are prohibited from concurrently receiving an investment advisory or consultation fee on those assets in their capacity as an IAR of Mutual Advisors.

Some of our IARs are separately licensed as insurance agents/brokers with various companies. In this role, they may offer commissionable insurance products to our clients for which they may receive compensation. A conflict of interest arises as these commissionable insurance product sales may create an incentive to recommend products based on the compensation that MSI and/or our RRs may earn and may not be in the best interests of the client. When recommending commissionable products to clients, we have a duty to only recommend products that are suitable for the client. In addition, clients are under no obligation to act on any recommendations of these RRs or place any transactions through the associated person or MSI if they decide to follow their recommendations.

### Third-party Managers

The compensation paid to us by third-party managers may vary, and thus, there is a conflict of interest in recommending a manager who shares a larger portion of the advisory fees charged to a client over another third-party manager. Our client's fees may be higher than they would be if our client obtained services directly from the third-party money manager. There is a conflict of interest in utilizing third-party managers, as there is an incentive to us in selecting a particular manager over another in the form of fees or services. In order to minimize this conflict, our firm seeks to make our selections in the best interest of our clients.

### Other Financial Institutions

Mutual Advisors has established consulting agreements with various financial institutions for consultation on expertise related to business development or investment advisory services provided to clients. If the consultation being provided is specific to services provided to a client account, the specifics of this arrangement, including the compensation paid to the other financial institution, will be fully disclosed to clients in their signed agreements.

Additionally, Mutual Advisors has established recruiting agreements with various financial institutions for the referral of investment advisor representatives (IARs). These recruiters may receive a percentage of revenue of any revenue generated by the referred IAR for up to two years after the IAR joins Mutual Advisors. The financial institution is incentivized to refer IARs to move their accounts to Mutual Advisors. In order to minimize this conflict, our firm seeks to ensure that account and investment selections are in the best interest of our clients.

## **Codes of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### *Code of Ethics*

Mutual Advisors believes that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. Mutual Advisors has adopted a Code of Ethics that emphasizes the high standards of conduct that Mutual Advisors seeks to observe. Mutual Advisors' personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

Mutual Advisors' Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. Mutual Advisors' personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, prohibitions of insider trading, and adherence to applicable federal securities laws. Additionally, individuals who formulate investment advice for clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities, are subject to personal trading policies governed by the Code of Ethics (see below).

Mutual Advisors will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

### *Personal Trading Practices*

Mutual Advisors and our personnel may purchase or sell securities for themselves, regardless of whether the transaction would be appropriate for a client's account. Mutual Advisors and our personnel may purchase or sell securities for themselves that we also recommend/utilize for clients. This includes related securities (e.g., warrants, options, or other derivatives). This presents a potential conflict of interest, as we may have an incentive to take investment opportunities from clients for our own benefit, favor our personal trades over client transactions when allocating trades, or use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients.

Our policies to address these conflicts include the following:

1. The client receives the opportunity to act on investment decisions/recommendations prior to and in preference to accounts of your Mutual Advisors' investment advisor representative ("IAR").
2. Mutual Advisors prohibits trading in a manner that takes personal advantage of price movements caused by client transactions.
3. If your Mutual Advisors' IAR wishes to purchase or sell the same security as he/she recommends or takes action to purchase or sell for a client, he/she will not do so until the custodian fills the client's order, if the order cannot be aggregated with the client order. As a result of this policy, it is possible that clients may receive a better or worse price than Mutual Advisors' IAR for transactions in the same security on the same day as a client.

4. Mutual Advisors requires our IARs to report personal securities transactions on at least a quarterly basis.
5. Conflicts of interest also may arise when Mutual Advisors' IARs become aware of limited offerings or IPOs, including private placements or offerings of interests in limited partnerships or any thinly traded securities, whether public or private. Given the inherent potential for conflict, limited offerings and IPOs demand extreme care. Mutual Advisors' IARs are required to obtain pre-approval from the Chief Compliance Officer before trading in limited offerings and are prohibited from transacting in IPOs for personal accounts.
6. Under certain limited circumstances, we make exceptions to the policies stated above. Mutual Advisors will maintain records of these trades, including the reasons for any exceptions.

## **Account Reviews & Reports**

Our IARs seek to meet client objectives by monitoring accounts on a regular basis. Upon request, our IARs will meet with clients to review their account(s) and financial situations. Our IARs may request more immediate reviews if they determine that special circumstances or material factors warrant additional attention.

Each client will receive a written statement from the custodian on at least a quarterly basis, which includes an accounting of all holdings and transactions in the account for the reporting period. Mutual Advisors may also provide additional reporting on the accounts we manage.

## **Client Referrals and Other Compensation**

### *Support Products and Services*

We receive an economic benefit from the brokers used for transactions in client accounts in the form of the support products and services they make available to us and other independent firms whose clients maintain their accounts at the broker. These products and services, how they benefit us, and the related conflicts of interest are described above (see **Item 12 – Brokerage Practices**). We do not base particular investment advice, such as buying particular securities for our clients, on the availability of the brokers' products and services to us.

### *Outside Compensation*

Mutual Advisors' IARs may refer clients to unaffiliated professionals for specific needs, such as mortgage brokerage, real estate sales, estate planning, legal, and/or tax/accounting. In turn, these professionals may refer clients to our IARs for investment management needs. We do not have any arrangements with individuals or companies that we refer clients to, and we do not receive any compensation for these referrals.

However, it could be concluded that our IARs are receiving an indirect economic benefit from this practice, as the relationships are mutually beneficial. For example, there could be an incentive for us to recommend services of firms who refer clients to Mutual Advisors.

If the client desires, our IARs will work with these professionals or the client's other advisers (such as an accountant, attorney, or other investment adviser) to help ensure that the provider understands the client's investments and to coordinate services for the client. We do not share information with an unaffiliated professional unless first authorized by the client.

### *Other Financial Institutions*

Mutual Advisors has established agreements to provide consulting services to other financial institutions regarding business development or investment advisory services provided to clients. If the consultation being provided is specific to services provided to the client account, the specifics of this arrangement, including the compensation paid to Mutual Advisors, will be fully disclosed to clients in their signed agreements.

### *Client Solicitations & Referrals*

Mutual Advisors pays referral fees to independent solicitors for the referral of their clients to Mutual Advisors in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940. These referral fees represent a share of our investment advisory fee charged to our clients or represents a set dollar fee for a referral. This arrangement will not result in higher costs to clients. In this regard, we maintain Solicitors Agreements in compliance with Rule 206 (4)-3 of the Investment Advisers Act of 1940 and applicable state and federal laws. All clients referred by Solicitors to Mutual will be given full written disclosure describing the terms and fee arrangements between Mutual and Solicitor(s). In cases where state law requires licensure of solicitors, we ensure that no solicitation fees are paid unless the solicitor is registered as an investment adviser representative of Mutual. The solicitor will not provide clients any investment advice on behalf of Mutual.

## **Financial Information**

Registered investment advisers are to provide clients with certain financial information or disclosures about the firm's financial condition. Mutual Advisors does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, does not have or foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.