

# ITEM 1 - COVER PAGE



PO Box 148  
Rhinebeck, NY 12572

## Form ADV Part 2A Brochure

July 26, 2024

This brochure provides information about the qualifications and business practices of Kilter Group LLC, (“Kilter Group”). If you have any questions about the contents of this brochure, please contact us at 646-438-6557. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Kilter Group is a Registered Investment Advisor. Registration as an Investment Advisor with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information about Kilter Group 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 an IARD number. The IARD number for Kilter Group is CRD #330356.

## **I T E M 2 - M A T E R I A L C H A N G E S**

### **MATERIAL CHANGES SINCE THE LAST ANNUAL UPDATE**

Kilter Group LLC was established as a new Registered Investment Advisor in April 2024 with the Securities and Exchange Commission ("SEC"), under the rules and regulations of the US Investment Advisers Act of 1940, as amended (the "Advisers Act"). Kilter Group will provide updates to this document annually within 120 days of the close of the fiscal year, or more frequently in the event of material changes.

This is the firm's initial SEC application. There are no material changes to disclose.

### **ANNUAL UPDATE**

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of the Firm Brochure. Each year, we will ensure that you receive a summary of any material changes to this and subsequent brochures by April 30th. We will further provide you with our most recent brochure at any time at your request, without charge. You may request a brochure by contacting us at 646-438-6557.

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## **ITEM 4 - ADVISORY BUSINESS**

This Disclosure document is being offered to you by Kilter Group LLC (“Firm” or “Kilter Group”) about the investment advisory services we provide. It discloses information about our services and the way those services are made available to you, the client.

We are an investment management firm located in New York, NY. Kilter Group was registered with the SEC in April 2024. Dyer B. McCabe, Jr. is the Managing Member of the firm. Andrea V. Farruggio is Chief Compliance Officer of the firm.

We are dedicated to assisting clients to build, grow, manage, and safeguard their wealth. Our aim is to offer guidance that enables clients to realize their financial objectives effectively. Specializing in investment for financial independence, which includes retirement investing and income replacement strategies. We tailor our services to meet your specific needs. We offer an initial complimentary meeting upon our discretion; however, our investment advisory services commence only after you and Kilter Group execute an Investment Management Agreement, ensuring a clear and mutual understanding of our partnership.

### **INVESTMENT MANAGEMENT SERVICES**

We manage advisory accounts on a discretionary and non-discretionary basis. For discretionary accounts, once we determine a client’s profile, income need, and investment plan, we execute the day-to-day transactions with or without prior consent. Account supervision is guided by the client’s written profile and investment plan. We may accept accounts with certain restrictions if circumstances warrant. We primarily allocate client assets among various mutual funds, exchange-traded funds (“ETFs”), alternatives, cash, and individual debt (bonds) and equity securities in accordance with their stated investment objectives. In some cases, our Firm does utilize pre-built portfolios for clients based on their risk tolerance and time horizon.

In personal discussions with clients, we determine their objectives, time horizons, risk tolerance and liquidity and income needs. As appropriate, we also review their prior investment history, as well as family composition and background. Based on client needs, we develop the client’s personal profile and investment plan. We then create and manage the client’s investments based on that policy and plan. It is the client’s obligation to notify us immediately if circumstances have changed with respect to their goals and income needs. As determined through our Firm’s initial due diligence with the client, we will determine if clients are seeking an actively managed investment strategy for their account(s). Our Firm will provide ongoing investment review and management services. This approach requires us to periodically review client portfolios.

With our discretionary relationship, we will make changes to the portfolio, as we deem appropriate, to meet your financial objectives. We trade these portfolios based on the combination of our market views and your objectives, using our investment philosophy and strategies as described in Item 8 of this Brochure. We tailor our advisory services to meet the needs of our clients and seek to ensure that your portfolio is managed in a manner consistent with those needs and objectives. You will have the ability to leave standing instructions with us to refrain from investing in particular industries or invest in limited amounts of securities.

With our non-discretionary relationship, calls will be placed presenting the recommendation made and only upon your authorization will any action be taken on your behalf. We do have limited authority to direct the Custodian to deduct our investment advisory fees from accounts, but only with the appropriate written authorization from clients.

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks exist that adversely affect an account’s performance. This could result in capital losses in your account.

## **SUB-ADVISORY SERVICES**

Our firm may determine that engaging the expertise of an independent sub-advisor is best suited for your account. Our firm will have the discretion to utilize independent third-party investment advisor to aid in the implementation of investment strategies for your portfolio. In certain circumstances, we may allocate a portion of a portfolio to an independent third-party investment advisor (“Manager”) for separate account management based upon your individual circumstances and objectives, including, but not limited to, your account size and tax circumstances. Upon the recognition of such situations, in coordination with you, we will hire a Manager for the management of those assets. These advisors shall assist our Firm in managing the day-to-day investment operations of the various allocations, shall determine the composition of the investments comprising the allocation, shall determine what securities and other assets of the allocation will be acquired, held, disposed of or loaned in conformity with the written investment objectives, policies and restrictions and other statements of each client comprising the allocation, or as instructed by our Firm.

Managers selected for your investments need to meet several quantitative and qualitative criteria established by us. Among the criteria that may be considered are the Manager’s experience, assets under management, performance record, client retention, the level of client services provided, investment style, buy and sell disciplines, capitalization level, and the general investment process.

You are advised and should understand that:

- A Manager’s past performance is no guarantee of future results;
- There is a certain market and/or interest rate risk which may adversely effect any Manager’s objectives and strategies, and could cause a loss in a Client's account(s); and
- Client risk parameters or comparative index selections provided to our firm are guidelines only and there is no guarantee that they will be met or not be exceeded.

Managers may take discretionary authority to determine the securities to be purchased and sold for the client. As stated in the Discretionary Advisory Agreement, our Firm and its associated persons will have discretionary authority to hire and fire the Manager. Our firm will work with the Manager to communicate any trading restrictions or standing instructions to refrain from a particular industry requested by the Client. In all cases, trading restrictions will depend on the Manager and their ability to accommodate such restrictions.

All performance reporting will be the responsibility of the respective Manager. Such performance reports will be provided directly to you and our firm. Disclosures will indicate what firm is providing the reporting.

Our Firm has entered into agreements with various independent Managers. All third-party Managers to whom we will refer clients will be licensed as registered investment advisors by their resident state and any applicable jurisdictions or registered investment advisors with the Securities and Exchange Commission. A complete description of the Manager’s services, fee schedules and account minimums will be disclosed in the Manager’s Form ADV or similar Disclosure Brochure.

We review the performance of our Managers on at least a quarterly basis. More frequent reviews may be triggered by changes in Manager’s management, performance or geopolitical and macroeconomic specific events. Our Firm only enters into only a select number of relationships with Managers. As agreed upon between the Client, Manager and Kilter Group and outlined in the agreements with each party, the Client will pay a portion of the overall advisory fee to the Manager directly from the Client account or the Manager’s fee may be paid by our Firm. In either case, these fees are disclosed on the Client account statement.

## **FINANCIAL PLANNING SERVICES**

Through the financial planning process, our team strives to engage our clients in conversations around the family’s goals, objectives, priorities, vision, and legacy – both for the near term as well as for future

generations. With the unique goals and circumstances of each family in mind, our team will offer financial planning ideas and strategies to address the client's holistic financial picture, including estate, income tax (Kilter Group is not a tax services Firm and you should always consult a tax professional), charitable, cash flow, wealth transfer, and family legacy objectives. Our team partners with our client's other advisors (CPAs, Enrolled Agents, Estate Attorneys, Insurance Brokers, etc.) to ensure a coordinated effort of all parties toward the client's stated goals. Such services include various reports on specific goals and objectives or general investment and/or planning recommendations, guidance to outside assets, and periodic updates.

Our specific services in preparing your plan may include:

**PERSONAL:** We can review family records, budgeting, personal liability, estate information and financial goals.

**TAX & CASH FLOW:** We can analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability. Keep in mind, Kilter Group is not a tax services Firm and clients should consult a tax professional for specific tax questions and advice.

**INVESTMENTS:** We can analyze investment alternatives and their effect on the client's portfolio.

**INSURANCE:** We can review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.

**RETIREMENT:** We can analyze current strategies and investment plans to help the client achieve his or her retirement goals.

**DEATH & DISABILITY:** We can review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.

**ESTATE:** Some personnel that are appropriately licensed can assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

Access to a financial planning portal is provided in our financial planning services. This online portal provides a current, and up-to-date overview of each client's situation.

## **DISCLOSURE REGARDING ROLLOVER RECOMMENDATIONS**

When a client or prospect leaves an employer, they typically have five options regarding their existing retirement plan: (i) leave the money in the former employer's plan, if permitted; (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted; (iii) rollover to a brokerage (self-directed) Individual Retirement Account ("IRA"); (iv) roll over the assets to an advisory IRA; or (v) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). Clients contemplating rolling over retirement funds to an IRA for us to manage are encouraged to first speak with their CPA or tax attorney.

There is an inherent financial incentive for your IAR to recommend that you roll over your assets into one or more accounts, because the enrollment will generate compensation based on the increase in your IAR's total assets under management. We address these financial compensation conflicts by including the disclosure of the conflicts in this brochure and by requiring your IAR to recommend investment advisory programs, investment securities, and services that are in the best interest of each client based upon the client's investment objectives, risk tolerance, financial situation, and cost. As fiduciaries of the Investment Advisers Act of 1940, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way Kilter Group makes money creates some conflicts with your interests. Clients are under no obligation, contractually or otherwise, to complete the rollover. Furthermore, if the client does complete the rollover, the client is under no obligation to have the assets in an account managed by us.

## **CONSULTING SERVICES**

We also provide clients investment advice on a more-limited basis on one-or-more isolated areas of concern such as estate planning, real estate, retirement planning, or any other specific topic. Additionally, we provide advice on non-securities matters about the rendering of estate planning, insurance, real estate, and/or annuity advice or any other business advisory / consulting services for equity or debt investments in privately held businesses. For business owners, our Firm does offer consulting and specializes in generational transitions, sale preparation, and exit planning.

## **WRAP FEE PROGRAM**

Kilter Group does not offer a Wrap Program.

## **ASSETS**

As of July 12, 2024, Kilter Group has \$177,544,907 of discretionary assets under management and \$3,711,240 of non-discretionary assets under management.

# **I T E M 5 - F E E S A N D C O M P E N S A T I O N**

## **INVESTMENT MANAGEMENT & FINANCIAL PLANNING SERVICES**

Kilter Group charges a fee as compensation for providing Investment Management services. These services include advisory and consulting services, trade entry, investment supervision, and other account-maintenance activities. Your custodian may charge transaction costs, custodial fees, redemption fees, retirement plan and administrative fees or commissions. See Additional Fees and Expenses below for additional details.

Kilter Group's annual fees are based upon a percentage of assets under management not to exceed 1.90%. Investment advisory fees of Kilter Group are charged based on a percentage of assets under management, billed monthly in arrears and calculated based on the average daily balance of the Account during the current billing period. If services commenced in the middle of the billing period, fees are prorated for that billing period.

Our Firm bills monthly for its financial planning services and access to an online financial planning software portal. Fees range from \$99 to \$500/month. This fee is assessed to clients who elect this service on the executed Agreement with our Firm. This financial planning fee is in addition to the investment management fees described above.

Although Kilter Group has established a maximum annual fee as stated above, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These factors include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, reports, among others. The specific annual fee schedule is identified in the contract between the adviser and the client. Fees are assessed on all assets under management, including securities, cash and money market balances. When invested in a managed model there is typically a small percentage invested in cash as part of that model. That "cash" will be included in the AUM fee. Cash held in other types of accounts, such as a stand-alone money market, a "contribution distribution sleeve" or "non-managed" account (used for purposes of scheduled distributions or flexibility of withdrawals) is "not" included in the fee.

At our discretion, we may aggregate asset amounts in accounts from your same household together to determine the advisory fee for all your accounts. We may do this, for example, where we also service accounts on behalf of your minor children, individual and joint accounts for a spouse, and/or other types of related accounts. This consolidation practice is designed to allow the client the benefit of an increased asset total, which could potentially cause your account(s) to be assessed a lower advisory fee based on the asset levels under management with Kilter Group.

The independent qualified custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us. The client will provide written authorization permitting the fees to be paid

directly from the account held by the qualified custodian. Further, the qualified custodian agrees to deliver an account statement at least quarterly directly to client indicating all the amounts deducted from the account including our advisory fees. Refer to Item 15 for details. Clients are encouraged to review your account statements for accuracy.

Either Kilter Group or the client may terminate the management agreement immediately upon written notice to the other party. The management fee will be pro-rated to the date of termination. Upon termination, the client is responsible for monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets.

Fees for our financial planning portal and services can be paid via credit card. Credit cards will be invoiced and processed through an unaffiliated, third-party vendor. Clients will be asked to set up their credit card at the third-party entity to enable credit card payments. While the third-party entity allows firms like Kilter Group to receive payments directly from the client's credit card, it does not give Kilter Group access to the credit card account itself. Kilter Group is not able to initiate any additional payments via third-party vendor as agreed upon and outlined in the Agreement.

### **SUB-ADVISOR FEES**

As discussed in Item 4 above, there will be occasions where an independent Registered Investment Advisory firm acts as a sub-advisor / Manager to our Firm. In those circumstances, the other investment advisor manages the assets based upon the parameters provided by our Firm. The independent sub-advisor / Manager will charge an asset-based fee that is in addition to the advisory fee listed above and not to exceed 1.00%. The Client, prior to entering into an agreement with the Manager, will be provided with the Manager's Form ADV Part 2A (or a brochure that makes the appropriate disclosures). The Manager's fee may include the securities transaction fees for all trades. Refer to the Managers firm disclosure brochures for more information on the fees associated to each Manager. Kilter will only receive its investment advisory fees as detailed above and does not share in any fees earned by the Manager. In the event that a client should wish to terminate their relationship with Manager, the terms for the termination will be set forth in the respective agreements between the Client and that Independent Manager. Kilter Group will assist the Client with the termination and transition as appropriate.

In no case are our fees based on, or related to, the performance of your funds or investments.

### **CONSULTING**

Kilter Group provides consulting services for clients who need advice on a limited scope of work. Kilter Group will negotiate consulting fees with you. Fees may vary based on the extent and complexity of the consulting project. Fees will be billed as services are rendered. Either party may terminate the agreement. Upon termination, fees will be prorated to the date of termination and any unearned portion of the fee will be refunded to you as described above.

### **ADMINISTRATIVE SERVICES**

We have contracted with various non-affiliated, third-party entities to utilize their technology platforms to support data reconciliation, performance reporting, fee calculation and billing, research, client database maintenance, quarterly performance evaluations, payable reports, web site administration, models, trading platforms, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, the third-party entity will have access to information on the client accounts, but the third-party entity will not serve as an investment advisor to our clients. Kilter Group and the third-party entities are non-affiliated companies. The third-party entities charge our Firm an annual fee for each account administered by each third-party entity. Please note that the fee charged to the client will not increase due to the annual fee Kilter Group pays to the third-party entity, the annual fee is paid from the portion of the management fee retained by Kilter Group.



## **OTHER ADDITIONAL FEES**

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Mutual Fund Fees:** Mutual funds often offer multiple share classes with differing internal fee and expense structures. Kilter Group endeavors to identify and utilize the share class with the lowest internal fee and expense structure for each mutual fund. However, instances occur in which the lowest cost share class is not used. These instances include but are not limited to: Instances in which a certain custodian has a share class available that has a lower internal fee and expense structure than is available for the same mutual fund at other custodians. In such instances, Kilter Group will select the lowest cost share class available at the custodian that holds your account even though a lower cost share class is available at another custodian. Instances in which the custodian that holds your account offers others a share class with a lower internal fee and expense structure than what is available to Kilter Group at the same custodian. In such instances, Kilter Group will select the lowest cost share class that the custodian makes available. This situation sometimes occurs because the custodian places conditions on the availability of the lower cost share class that Kilter Group has determined are not appropriate to accept due to additional costs imposed by said conditions. Instances in which a share class with a lower internal fee and expense structure becomes available after the share class you hold was purchased. Kilter Group periodically monitors this circumstance. However, a share class with a lower internal fee may become available between the time of your purchase and Kilter Group's next review. Instances in which a share class with a lower internal fee and expense structure than the share class you currently hold is available at your custodian, but where Kilter Group is prevented by either the custodian or the fund sponsor from converting to the lower cost share class. Additionally, Kilter Group does not convert to a share class with a lower internal fee and expense structure if the conversion will cause a taxable event or other expense/cost to you that negates the advantage of the lower cost share class.

**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.

**Regulatory Fees** To facilitate the execution of trades, regulatory Trading Activity Fees (TAF) are added to applicable sales transactions. The Securities and Exchange Commission (SEC) regulatory fee is assessed on client accounts for sell transactions, and a FINRA fee is assessed on client accounts for sell transactions, for certain covered securities. This fee is not charged by our Firm but is assessed and collected by the custodian. The Custodian that our Firm uses, is a FINRA member firm. These fees recover the costs incurred by the SEC and FINRA, for supervising and regulating the securities markets and securities professionals. The fee rates vary depending on the type of transaction and the size of that transaction. For more information on the SEC and FINRA fees, please visit their websites: [www.sec.gov/fast-answers/answerssec31htm.html](http://www.sec.gov/fast-answers/answerssec31htm.html) or [www.finra.org/industry/trading-activity-fee](http://www.finra.org/industry/trading-activity-fee).

## ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Kilter Group does not engage in performance-based fees. No supervised person is compensated by performance-based fees. Performance-based fees may create an incentive for the advisor to recommend an investment that may carry a higher degree of risk.

## ITEM 7 - TYPES OF CLIENTS

Kilter Group works with the following types of clients: individuals, high net-worth individuals, foundations, trusts, estates, corporations, and charitable organizations.

Our Firm does not impose an account minimum account to initiate the advisory and asset management services.

## ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Kilter Group takes a macro-environmental approach to tactical asset allocation with sector rotation and uses a relative growth/value framework in determining sub-asset classes. This top-down method allows Kilter Group to assess the investing landscape and provide recommendations as to when and where it may be advantageous to modify exposures within the asset classes, market segments, and sectors.

**GROWTH STRATEGIES:** Kilter Group's growth strategies consist of investments spanning a broad range of asset classes that are selected for their long-term risk/return characteristics as well as their correlation to the overall markets and appropriateness for each client's portfolio. The resulting blended allocation is used as the foundation for the client's growth portfolio. Portfolio rebalancing is discretionary and will be based on individual portfolio considerations. There is no guarantee as to the number of times a portfolio is rebalanced each year. Other asset classes and opportunistic investments are added to the growth portfolio to create a customized allocation that is appropriate for client's investment objectives, time horizon, and risk tolerance. Examples of investments which may be included as part of Kilter Group's growth strategies include individual equities and exchange traded funds (ETFs).

**FIXED INCOME STRATEGIES:** Fixed income investments such as bonds, notes, and certificates of deposit are intended to provide diversification, generate income, and to preserve and protect assets. Generally, the stabilizing influence of fixed income comes at the cost of lower returns relative to growth investments. Kilter Group's fixed income portfolios generally consist of high quality domestically issued bonds, both taxable and tax-free. Examples of investments which may be included as part of Kilter Group's fixed income strategies include individual government, municipal, and corporate bonds, certificates of deposits, exchange traded funds (ETFs), and money markets.

### METHODS OF ANALYSIS

While there may be some similarities in the portfolios created by our Firm, we understand that every client has their own unique planning needs. We have the ability and flexibility to create portfolios to help our client achieve their goals. We may utilize the following forms of analysis:

**Fundamental Analysis:** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Quantitative Analysis:** We use mathematical ratios and other performance appraisal methods in an attempt to obtain more accurate measurements of a model manager's investment acumen, idea generation, consistency of purpose and overall ability to outperform their stated benchmark throughout a full market cycle. Additionally, we perform periodic measurements to assess the authenticity of returns. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Technical Analysis:** We use this method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance. Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

**Asset Allocation:** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

### **MUTUAL FUND SHARE CLASS**

Generally, our Firm does not recommend mutual funds holdings in our client portfolios/investment strategies, however, some clients may hold mutual funds in their accounts for various reasons including tax strategies or legacy assets. If we need to render advice on mutual fund holdings, our Firm will purchase institutional share classes of those mutual funds. 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 a fund's 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 our Firm 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.

## **RISK OF LOSS**

A client's investment portfolio is affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic conditions, changes in laws and national and international political circumstances.

Investing in securities involves certain investment risks. Securities may fluctuate in value or lose value. Clients should be prepared to bear the potential risk of loss. Kilter Group will assist Clients in determining an appropriate strategy based on their tolerance for risk.

Each Client engagement will entail a review of the Client's investment goals, financial situation, time horizon, tolerance for risk and other factors to develop an appropriate strategy for managing a Client's account. Client participation in this process, including full and accurate disclosure of requested information, is essential for the analysis of a Client's account(s). Kilter Group shall rely on the financial and other information provided by the Client or their designees without the duty or obligation to validate the accuracy and completeness of the provided information. It is the responsibility of the Client to inform Kilter Group of any changes in financial condition, goals or other factors that may affect this analysis.

Our methods rely on the assumption that the underlying companies within our security allocations are accurately reviewed by the rating agencies and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Investors should be aware that accounts are subject to the following risks:

**MARKET RISK** - Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities to rise or fall. Because the value of investment portfolios will fluctuate, there is the risk that you will lose money and your investment may be worth more or less upon liquidation.

**FOREIGN SECURITIES AND CURRENCY RISK** - Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.

**CAPITALIZATION RISK** - Small-cap and mid-cap companies may be hindered as a result of limited resources or less diverse products or services. These stocks have historically been more volatile than the stocks of larger, more established companies.

**INTEREST RATE RISK** - In a rising rate environment, the value of fixed-income securities generally declines, and the value of equity securities may be adversely affected.

**CREDIT RISK** - Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and thus, impact the fund's performance.

**LIQUIDITY RISK:** Liquidity risk is the risk that there may be limited buyers for a security when an investor wants to sell. Typically, this results in a discounted sale price in order to attract a buyer.

**DEFAULT RISK** - A default occurs when an issuer fails to make payment on a principal or interest payment.

**EVENT RISK** - Event risk is difficult to predict because it may involve natural disasters such as earthquakes or hurricanes, as well as changes in circumstance from regulators or political bodies.

**POLITICAL RISK** - Political risk is the risk associated with the laws of the country, or to events that may occur there. Particular political events such as a government's change in policy could restrict the flow of capital.

**DURATION RISK** - Duration is a way to measure a bond's price sensitivity to changes in interest rates. The duration of a bond is determined by its maturity date, coupon rate, and call feature. Duration is a method to compare how different bonds will react to interest rate changes. If a bond has a duration of five (5) years it means that the value of that security will decline by approximately five percent (5%) for every one percent (1%) increase in interest rates.

**REINVESTMENT RISK:** Reinvestment risk is the risk that future interest and principal payments may be reinvested at lower yields due to declining interest rates.

**TAX RISK:** For municipal bonds, depending on the client's state of residence, the interest earned on certain bonds may not be tax-exempt at the state level. Also, changes in federal tax policy may impact the tax treatment of interest and capital gains of an investment.

**REGULATORY RISK:** Market participants are subject to rules and regulations imposed by one or more regulators. Changes to these rules and regulations could have an adverse effect on the value of an investment.

**CONCENTRATION RISK:** The risk of amplified losses that may occur from having a large portion of your holdings in a particular investment, asset class or market segment relative to your overall portfolio.

**SECURITIES LENDING RISK** - Securities lending involves the risk that the fund loses money because the borrower fails to return the securities in a timely manner or at all. The fund could also lose money if the value of the collateral provided for loaned securities, or the value of the investments made with the cash collateral, falls. These events could also trigger adverse tax consequences for the fund.

**EXCHANGE-TRADED FUNDS** - ETFs face market-trading risks, including the potential lack of an active market for shares, losses from trading in the secondary markets, and disruption in the creation/redemption process of the ETF. Any of these factors may lead to the fund's shares trading at either a premium or a discount to its "net asset value."

**CYBERSECURITY RISK** - In addition to the Material Investment Risks listed above, investing involves various operational and "cybersecurity" risks. These risks include both intentional and unintentional events at our Firm 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.

**COMMODITIES RISK** - Exposure to commodities in Adviser Clients accounts is in non-physical form, such as ETFs or mutual funds, there are risks associated with the movement in gold prices and the ability of the fund or trust manager to respond or deal with those price movements. There also may be initial charges as well as annual management fees associated with the fund or trust.

**EXCHANGE-TRADED FUND (“ETF”) AND MUTUAL FUND RISK** - Investments in ETFs and mutual funds have unique characteristics, including, but not limited to, the ETF or mutual fund’s expense structure. Investors of ETFs and mutual funds held within Kilter Group client accounts bear both their Kilter Group portfolio’s advisory expenses and, indirectly, the ETF’s or mutual fund’s expenses. Because the expenses and costs of an underlying ETF or mutual fund are shared by its investors, redemptions by other investors in the ETF or mutual fund could result in decreased economies of scale and increased operating expenses for such ETF or mutual fund. Additionally, the ETF or mutual fund may not achieve its investment objective. Actively managed ETFs or mutual funds may experience significant drift from their stated benchmark.

**OPTION RISK-** Variable degree of risk. Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarize themselves with the type of option (i.e., put or call) which they contemplate trading and the associated risks. Traders of options should calculate the extent to which the value of the options must increase for the position to become profitable, taking into account the premium and all transaction costs.

- The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin (see the section on Futures below). If the purchased options expire worthless, the purchaser will suffer a total loss of the investment. In purchasing deep out-of-the-money options, the purchaser should be aware that the chance of such options becoming profitable ordinarily is remote.
- Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller being obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a future, the seller will acquire a position in a future with associated liabilities for margin (see the section on Futures below). If the option is "covered" by the seller holding a corresponding position in the underlying interest or a future or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.
- Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

**DIGITAL CURRENCY-** Our Firm’s use of digital currency in a client portfolio is limited only to publicly traded securities that passively or actively invest in digital currency assets. The shares of certain products are also publicly quoted on OTC Markets and shares that have become unrestricted in accordance with the rules and regulations of the SEC may be bought and sold throughout the day through any brokerage account. Cryptocurrency (notably, bitcoin), often referred to as “virtual currency”, “digital currency,” or “digital assets,” operates as a decentralized, peer-to-peer financial exchange and value storage that is used like money. If deemed appropriate, Clients may have exposure to bitcoin, a cryptocurrency. Cryptocurrency operates without central authority or banks and is not backed by any government. Cryptocurrencies (i.e., bitcoin) may experience very high volatility. Cryptocurrency is also not legal tender. Federal, state, or foreign governments may restrict the use and exchange of cryptocurrency, and regulation in the U.S. is still developing. The SEC has issued a public report stating U.S. federal securities laws require treating some digital assets as securities. Cryptocurrency exchanges may stop operating or permanently shut down due to fraud, technical glitches, hackers, or malware. Due to its relatively recent launch, bitcoin has a limited trading history, making it difficult for investors to evaluate investments in this cryptocurrency. It is possible that another entity could manipulate the blockchain in a manner that is detrimental to the bitcoin network. Bitcoin transactions are irreversible such that an improper transfer can only be undone by the receiver of the bitcoin agreeing to return the bitcoin to the

original sender. Digital assets are highly dependent on their developers and there is no guarantee that development will continue or that developers will not abandon a project with little or no notice. Third parties may assert intellectual property claims relating to the holding and transfer of digital assets, including cryptocurrencies, and their source code. Any threatened action that reduces confidence in a network's long-term ability to hold and transfer cryptocurrency may affect investments in cryptocurrencies. Investments in the products are speculative investments that involve high degrees of risk, including a partial or total loss of invested funds. The shares of each product are intended to reflect the price of the digital asset(s) held by such product (based on digital asset(s) per share), less such product's expenses and other liabilities. Because each product does not currently operate a redemption program, there can be no assurance that the value of such product's shares will reflect the value of the assets held by such product, less such product's expenses and other liabilities, and the shares of such product, if traded on any secondary market, may trade at a substantial premium over, or a substantial discount to, the value of the assets held by such product, less such product's expenses and other liabilities, and such product may be unable to meet its investment objective.

**NON-LIQUID ALTERNATIVE INVESTMENTS** - From time to time, our Firm will recommend to certain qualifying clients that a portion of such clients' assets be invested in private funds, private fund-of-funds and/or other alternative investments (collectively, "Nonliquid Alternative Investments"). Nonliquid Alternative Investments are not suitable for all of our Firm's clients and are offered only to those qualifying clients for whom our Firm believes such an investment is suitable and in line with their overall investment strategy. Nonliquid Alternative Investments typically are available to only a limited number of sophisticated investors who meet the definition of "accredited investor" under Regulation D of the Securities Act of 1933, as amended (the "Securities Act"), or "qualified client" under the Investment Advisors Act of 1940, or "qualified purchaser" under the Investment Company Act of 1940. Nonliquid Alternative Investments present special risks for our Firm's clients, including without limitation, limited liquidity, higher fees and expenses, volatile performance, no assurance of investment returns, heightened risk of loss, limited transparency, additional reliance on underlying management of the investment, special tax considerations, subjective valuations, use of leverage and limited regulatory oversight. When a Nonliquid Alternative Investment invests part or all of its assets in real estate properties, there are additional risks that are unique to real estate investing, including but not limited to: limitations of the appraisal value; the borrower's financial conditions (if the underlying property has been obtained by a loan), including the risk of foreclosures on the property; neighborhood values; the supply of and demand for properties of like kind; and certain city, state and/or federal regulations. Additionally, real estate investing is also subject to possible loss due to uninsured losses from natural and man-made disasters. The above list is not exhaustive of all risks related to an investment in Nonliquid Alternative Investments. A more comprehensive discussion of the risks associated with a particular Nonliquid Investment is set forth in that fund's offering documents, which will be provided to each client subscribing to a Nonliquid Alternative Investment, for review and consideration. It is important that each potential, qualified investor carefully read each offering or private placement memorandum prior to investing.

**STRUCTURED NOTES** - Structured products are designed to facilitate highly customized risk- return objectives. While structured products come in many different forms, they typically consist of a debt security that is structured to make interest and principal payments based upon various assets, rates, or formulas. Many structured products include an embedded derivative component. Structured products may be structured in the form of a security, in which case these products may receive benefits provided under federal securities law, or they may be cast as derivatives, in which case they are offered in the over-the-counter market and are subject to no regulation. Investment in structured products includes significant risks, including valuation, liquidity, price, credit, and market risks. One common risk associated with structured products is a relative lack of liquidity due to the highly customized nature of the investment. Moreover, the full extent of returns from the complex performance features is often not realized until maturity. As such, structured products tend to be more of a buy-and-hold investment decision rather than a means of getting in and out of a position with speed and efficiency. Another risk with structured products is the credit quality of the issuer. Although the cash flows

are derived from other sources, the products themselves are legally considered to be the issuing financial institution's liabilities. The vast majority of structured products are from high-investment-grade issuers only. Also, there is a lack of pricing transparency. There is no uniform standard for pricing, making it harder to compare the net-of-pricing attractiveness of alternative structured product offerings than it is, for instance, to compare the net expense ratios of different mutual funds or commissions among broker-dealers.

**ALTERNATIVE INVESTMENTS:** Investments classified as "alternative investments" may include a broad range of underlying assets including, but not limited to, hedge funds, private equity, venture capital, and registered, publicly traded securities. Alternative investments are speculative, not suitable for all clients and intended for only experienced and sophisticated investors who are willing to bear the high risk of the investment, which can include: loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative investment practices; lack of liquidity in that there may be no secondary market for the fund and none expected to develop; volatility of returns; potential for restrictions on transferring interest in the fund; potential lack of diversification and resulting higher risk due to concentration of trading authority with a single advisor; absence of information regarding valuations and pricing; potential for delays in tax reporting; less regulation and typically higher fees than other investment options such as mutual funds. The SEC requires investors be accredited to invest in these more speculative alternative investments. Investing in a fund that concentrates its investments in a few holdings may involve heightened risk and result in greater price volatility.

## **ITEM 9 - DISCIPLINARY INFORMATION**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Our Firm and our management personnel have no material reportable disciplinary events to disclose. You may visit <http://www.advisorinfo.sec.gov> to review each investment advisors' individual disclosures or Kilter Group's disclosures.

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Kilter Group does not have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities. Neither our Firm nor any of its management persons are registered or have an application pending to register as a broker-dealer.

### **INSURANCE**

Some of our IARs are also licensed insurance agents and sell various life insurance products. There is a conflict of interest to clients because our Firm and our IARs receive compensation (commissions, trails, or other compensation from the respective insurance products) as a result of effecting insurance transactions for clients. Commissions generated by insurance sales do not offset regular advisory fees. The Firm and the IAR have an incentive to recommend insurance products and this incentive creates a conflict of interest between your interests and our Firm. We mitigate this conflict by disclosing to clients they have the right to decide whether or not to engage the services of our IARs. Further, clients should note they have the right to decide whether to act on the recommendations and the right to choose any professional to execute the advice for any insurance products through our IAR or any licensed insurance agent not affiliated with our Firm. We recognize the fiduciary responsibility to place the client's interests first and have established policies in this regard to avoid any conflicts of interest.

### **DISCLOSURE OF CONFLICTS OF INTEREST**

Our management personnel and investment advisor representatives may engage in outside business activities. As such, these individuals can receive separate, yet customary commission compensation resulting



from implementing product transactions on behalf of investment advisory Clients. Clients are not under any obligation to engage these individuals when considering the implementation of these outside recommendations. The implementation of any or all recommendations is solely at the discretion of the Client. Clients should be aware that the ability to receive additional compensation by our Firm and its management persons or employees creates inherent conflicts of interest in the objectivity of the Firm and these individuals when making advisory recommendations. Our Firm endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps, among others to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for the Firm, investment advisors, and our employees to earn compensation from advisory clients in addition to the Firm's advisory fees.
- we disclose to clients that they have the right to decide to purchase recommended investment products from our employees.
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives, and liquidity needs.
- the Firm conducts regular reviews of each client advisory account to verify that all recommendations made to a client are in the best interest of the client's needs and circumstances.
- we require that our investment advisors and employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed.
- we periodically review these outside employment activities of the investment advisor to verify that any conflicts of interest continue to be properly disclosed by the investment advisor; and
- we educate our investment advisors regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

Kilter Group has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our investment advisors and employees, including compliance with applicable federal securities laws. Kilter Group and its investment advisors owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code. Our Code of Ethics includes policies and procedures for the reporting and review of personal securities transactions reports by our Firm's investment advisors and employees. In addition, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement, and recordkeeping provisions.

Kilter Group's Code of Ethics further includes the Firm's policy prohibiting the use of material non-public information. While we do not believe that we have any access to non-public information, all investment advisors are reminded that such information may not be used in a personal or professional capacity. Kilter Group and its investment advisors are prohibited from engaging in principal transactions and agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of our investment advisors will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing investment advisors to invest for their own accounts. Our Firm and/or investment advisors or employees may buy or sell for their personal accounts securities that are identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client. It is the expressed policy of our Firm that no investment advisor may purchase

or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such investment advisor(s) from benefiting from transactions placed on behalf of advisory accounts.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. Clients may request a copy by calling us at 646-438-6557.

## **I T E M 1 2 - B R O K E R A G E P R A C T I C E S**

### **THE CUSTODIAN AND BROKERS WE USE**

Clients must maintain assets in an account at a “qualified custodian,” generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (“Schwab” “the Custodian”), which is a Member FINRA/SIPC, registered broker-dealer, and qualified custodian. We are independently owned and operated, and unaffiliated with Schwab. The Custodian will hold client assets in a brokerage account and buy and sell securities when we instruct them to.

While we recommend that clients use our recommended Custodian, clients must decide whether to do so and open accounts with the Custodian by entering into account agreements directly with Schwab. The accounts will always be held in the name of the client and never in our firm’s name. Even though clients maintain accounts at Schwab, we can still use other brokers to execute trades for client accounts (see Client Brokerage and Custody Costs, below).

### **HOW WE SELECT BROKERS/CUSTODIAN**

We seek to recommend a custodian/broker who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including:

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
2. Capability to buy and sell securities for client accounts.
3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
4. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.)
5. Availability of investment research and tools that assist us in making investment decisions.
6. Quality of services
7. Competitiveness of the price of those services (commission rates, other fees, etc.) and willingness to negotiate the prices.
8. Reputation, financial strength, and stability
9. Prior service to our Firm and our other clients
10. Availability of other products and services that benefit us, as discussed below (see Products and Services Available to Us from Schwab)

### **CLIENT BROKERAGE AND CUSTODY COSTS**

For client accounts that the Custodian maintains, the Custodian generally does not charge separately for custody services. However, the Custodian receives compensation by charging ticket charges or other fees on trades that it executes or that settle into clients’ Custodian accounts. In addition to commissions, the Custodian charge a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different custodian but where the securities bought or the funds from the securities sold are deposited (settled) into a client’s Custodian account. These fees are in addition to the ticket charges or other compensation the client pays the executing custodian. To minimize these trading costs, we have the Custodian execute most trades for client accounts. We have determined that having Custodian execute most trades is consistent with our duty to seek “best execution” of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see How We Select Brokers/Custodian).

## **PRODUCTS AND SERVICES AVAILABLE TO US FROM CUSTODIAN**

The Custodian will provide our Firm and our clients with access to institutional brokerage, trading, custody, reporting, and related services. The Custodian also makes available various support services which help us manage or administer our clients' accounts and help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to us. Following is a more detailed description of Schwab's support services:

### **SERVICES THAT BENEFIT OUR CLIENTS**

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit our clients and their accounts.

### **SERVICES THAT MAY NOT DIRECTLY BENEFIT OUR CLIENTS**

The Custodian also makes available to us other products and services that benefit us but may not directly benefit our clients or their accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, the Custodian also makes available software and other technology that:

1. Provides access to client account data (positions, trades, statements, cost basis, etc).
2. Facilitates trade execution and allocates aggregated trade orders for multiple client accounts.
3. Provides pricing and other market data.
4. Facilitates payment of our fees from our clients' accounts.
5. Assists with back-office functions, recordkeeping, and client reporting.

### **SERVICES THAT GENERALLY BENEFIT ONLY US**

The Custodian also offers other services intended to help us manage and further develop our business enterprise. These services include:

1. Educational conferences and events
2. Consulting on technology, compliance, legal, and business needs
3. Publications or conferences on practice management & business succession
4. Access to employee benefits providers, human capital consultants, and insurance providers

The Custodian may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. The Custodian may also discount or waive its fees for some of these services or pay all or part of a third party's fees. The Custodian may also provide us with other benefits, such as occasional business entertainment for our personnel. The Custodian provides these additional services and support to the Advisor in its sole discretion and at its own expense, and Advisor does not pay any fees to the Custodian for this. As part of our fiduciary duties to clients, we always endeavor to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our Firm or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of the Custodian for custody and brokerage services. The Custodian may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to us.

### **OUR INTEREST IN SCHWAB'S SERVICES**

The availability of these services from the Custodian benefits us because we do not have to produce or purchase them. These services are not contingent upon us committing any specific amount of business to

Schwab. We believe that our selection of the Custodian as Custodian and brokers is in the best interest of our clients.

Some of the products, services and other benefits provided by the Custodian benefit our Firm and may not benefit our client accounts. Our recommendation or requirement that clients place assets in Schwab's custody may be based in part on benefits Custodian provides to us, or our agreement to maintain certain Assets Under Management at Schwab, and not solely on the nature, cost or quality of custody and execution services provided by Schwab.

#### **BROKERAGE FOR CLIENT REFERRALS**

Our Firm does not receive client referrals from any custodian or third party in exchange for using that custodian or third party.

#### **AGGREGATION AND ALLOCATION OF TRANSACTIONS**

Transactions for each client will be affected independently unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "aggregated trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order. Accounts owned by our firm or people associated with our firm may participate in aggregated trading with your accounts; however, they will not be given preferential treatment. We combine multiple orders for shares of the same securities purchased for discretionary accounts.

#### **TRADE ERRORS**

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes a trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole, and we will absorb any loss resulting from the trade error if the error was caused by the firm. If the error is caused by the custodian, the Custodian will be responsible for covering all trade error costs. We will never benefit or profit from trade errors.

#### **DIRECTED BROKERAGE**

Kilter Group does not routinely require that clients direct us to execute transactions through a specified broker dealer. Additionally, we typically do not permit clients to direct brokerage. We place trades for your account subject to our duty to seek best execution and other fiduciary duties.

### **I T E M 1 3 - R E V I E W O F A C C O U N T S**

#### **ACCOUNT REVIEWS AND REVIEWERS**

Our Investment Adviser Representatives will monitor investment management client accounts on a regular basis and perform annual reviews with each client. All accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance, and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder's personal, tax, or financial status. Geopolitical and macroeconomic specific events may also trigger reviews. Clients are urged to notify us of any changes in your personal circumstances.

While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for. Ongoing management of the financial planning portal is maintained by our Firm.

## **STATEMENTS AND REPORTS**

Performance reports from our Firm are generated for clients during annual reviews or as requested.

The Custodian for the individual client's account will also provide clients with an account statement at least quarterly. Clients are urged to compare the reports provided by Kilter Group against the account statements the clients receive directly from your account custodian.

Financial Planning clients will receive access to an online financial planning portal. Additional reports will not typically be provided unless otherwise contracted for.

## **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

At times, we will receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are the result of informal expense sharing arrangements in which product sponsors will underwrite costs incurred for marketing such as client appreciation events, advertising, publishing, and seminar expenses. Receipt of these travel and marketing expense reimbursements are dependent upon specific sales quotas, the product sponsor reimbursements are made by those sponsors for which sales have been made or for which it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control this conflict by always basing investment decisions on the individual needs of our clients. Our Firm and our supervised persons do not accept or receive compensation based on the sale of securities. Supervised people can be compensated for obtaining prospective clients through marketing initiatives.

Kilter Group may be asked to recommend a financial professional, such as an attorney, accountant or mortgage broker. In such cases, our Firm does not receive any direct compensation in return for any referrals made to individuals or firms in our professional network. Clients must independently evaluate these firms or individuals before engaging in business with them and clients have the right to choose any financial professional to conduct business. Individuals and firms in our financial professional network may refer clients to our Firm. Again, our Firm does not pay any direct compensation in return for any referrals made to our firm. Our Firm does recognize the fiduciary responsibility to place your interests first and have established policies in this regard to mitigate any conflicts of interest.

It is Kilter Group's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards, or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **ITEM 15 - CUSTODY**

Kilter Group does not have physical custody of any client funds and/or securities and does not take custody of client accounts at any time. Client funds and securities will be held with a bank, broker dealer, or other independent qualified custodian.

### **DEDUCTION OF ADVISORY FEES**

Kilter Group is deemed to have limited custody of client funds and securities whenever Kilter Group is given the authority to have fees deducted directly from client accounts. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody. Account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received

from Kilter Group. When the client has questions about their account statements, the client should contact Kilter Group or the qualified custodian preparing the statement.

## **ITEM 16 - DISCRETION**

Before Kilter Group can buy or sell securities on your behalf, the client must first sign our discretionary management agreement, a limited power of attorney, and/or trading authorization forms. By choosing to do so, the client may grant the Firm discretion over the selection and number of securities to be purchased or sold for the client's account(s) without obtaining your consent or approval prior to each transaction. Clients may impose limitations on discretionary authority for investing in certain securities or types of securities (such as a product type, specific companies, specific sectors, etc.), as well as other limitations as expressed by the client. Limitations on discretionary authority are required to be provided to the IAR in writing. Please refer to the "Advisory Business" section of this Brochure for more information on our discretionary management services.

In some instances, Kilter Group may not have discretion. Kilter Group will discuss all transactions with the client prior to execution or the client will be required to make the trades in an employer sponsored account.

## **ITEM 17 - VOTING CLIENT SECURITIES**

As a matter of Kilter Group policy, Kilter Group does not vote proxies on behalf of clients. Therefore, it is your responsibility to vote for all proxies for securities held in your Account. The client will receive proxies directly from the qualified custodian or transfer agent; we will not provide the client with the proxies. Although we do not vote client proxies, if the client does have a question about a particular proxy feel free to contact the custodian directly.

## **ITEM 18 - FINANCIAL INFORMATION**

As an advisory firm that maintains discretionary authority for client accounts, Kilter Group is also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Kilter Group has no such financial circumstances to report. Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six (6) months in advance of services rendered. Therefore, we are not required to include a financial statement. Kilter Group has not been the subject of a bankruptcy petition at any time during the past ten (10) years.