

## Item 1: Cover Page



# Form ADV Part 2A Investment Adviser Brochure

March 2019

All the material within this Brochure must be reviewed by those who are considering becoming a client of our firm. This Brochure provides information about the qualifications and business practices of ACT Advisors, LLC. doing business as ACT Advisors. If you have any questions about the contents of this Brochure, please contact us at (828) 398-2802 or through our website at <http://www.act-advisors.com>.

In accordance with federal and state regulations, this Brochure is on file with the appropriate securities regulatory authorities as required. The information provided within this Brochure is not to be construed as an endorsement or recommendation by state securities authorities in any jurisdiction within the United States, or by the United States Securities and Exchange Commission. 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. ACT Advisors is an SEC registered investment adviser. Registration of a registered investment adviser does not imply any level of skill or training. Additional information about ACT Advisors also is available on the SEC's Web Site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 2: Summary of Material Changes**

### **Annual Update**

In this Item of ACT Advisors (ACT or the Firm) Form ADV 2, the Firm is required to discuss any material changes that have been made to Form ADV since the last Annual Amendment, dated March 28, 2018.

### **Material Changes since the Last Update**

Since the last Annual Amendment filing, there have been no material changes at the Firm.

### **Full Brochure Available**

ACT's Form ADV may be requested at any time, without charge by contacting Jennifer English at 828.398.2802 or Jennifer.english@lpl.com.

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## Item 4: Advisory Business

### **Background**

ACT Advisors, LLC (ACT Advisors, we, our, us) is an SEC registered investment adviser. Our founding members, Doug English and Roger Wesley (Wes) Johnson, created the firm as a limited liability company in October of 2014 and registered it as an independent investment adviser. Doug English and Wes Johnson remain as registered representatives of LPL Financial.

We have a fiduciary duty to all ACT Advisors clients. As a fiduciary, it is our responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We require all of our employees to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times.

When dealing with investment advisory clients, our Investment Advisor Representatives (IARs) have an affirmative duty of care, loyalty, honesty and good faith to act in the best interests of its clients. IARs should fully disclose all material facts concerning any conflict that does arise with these clients, and should avoid even the appearance of a conflict of interest.

We and our IARs must abide by honest and ethical business practices including, but not be limited to:

- Not inducing trading in a client's account that is excessive in size or frequency in view of the financial resources and character of the account;
- Making recommendations with reasonable grounds to believe that they are appropriate based on the information furnished by the client;
- Placing discretionary orders only after obtaining client's written trading authorization contained within the advisory agreement or via separate amendment;
- Not borrowing money or securities from, or lending money or securities to a client;
- Not placing an order for the purchase or sale of a security if the security is not registered, or the security or transaction is not exempt from registration in the specific state;

Both we and our IARs will:

- Allocate securities in a manner that is fair and equitable to all clients.
- Not effect agency-cross transactions for client accounts.

## **Registered Representatives**

Some individuals associated with ACT Advisors are also Registered Representatives of LPL Financial, an SEC registered broker/dealer, a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investors Protection Corporation (SIPC). ACT Advisors and LPL Financial are not affiliated legal entities.

## **Asset Management**

Through our IARs we provide ongoing fee-based discretionary asset management and we offer accounts held at different custodians.

IARs provide advice on the purchase and sale of various types of investments, including but not limited to, mutual funds, exchange-traded funds (ETFs), variable annuity subaccounts, real estate investment trusts (REITs), equities, and fixed income securities. The advice is tailored to the individual needs of the client based on the investment objective chosen by the client in order to help assist clients in attempting to meet their financial goals. Accounts are reviewed on a regular basis and rebalanced as necessary according to each client's investment profile.

## **Passive Strategy Asset Management**

This strategy is designed for clients where a focus on low total cost and market like returns fit with their personal philosophies and objectives. Investment vehicles will be selected that track appropriate equity and fixed income index returns as well as vehicles that are designed on a passive but non-indexed basis. Equity and fixed income weightings will be determined by the clients' investment objectives and rebalanced no less than annually.

## **Financial Planning Services**

Our IARs may provide personal financial planning tailored to the individual needs of the client. These services may include, as selected by the client on the financial planning agreement, information and recommendations regarding tax planning, investment planning, retirement planning, estate needs, business needs, education planning, life and disability insurance needs, long-term care needs and cash flow/budget planning. The services take into account information collected from the client such as financial status, investment objectives and tax status, among other data.

The financial plan may include generic recommendations as to general types of investment products or specific securities which may be appropriate for the client to purchase given his/her financial situation and objectives.

The client is under no obligation to act upon the financial plan's recommendation or purchase such securities through ACT Advisors and our IAR. A conflict may exist between the interests of the investment adviser and the interests of a client depending on the type of account established to implement the plan.

The compensation to an IAR may be more or less depending on the product or service that IAR recommends. Therefore, the IAR may have a financial incentive to recommend that a financial plan be implemented using a certain product or service over another product or service.

### **Employer Sponsored Plans Participant Advice**

We offer advisory, consulting, and rebalancing services to the participants of employer sponsored plans (Participants). We use our research and asset allocation models, along with our knowledge of the participant's personal financial objectives, to develop an investment mix within the available investment options in the plan. We regularly assess the investment mix and keep it up to date with any asset allocation moves in our models, subject to the limitations of the options available in the plan. We do not have custody or any ability to access or withdraw the funds in the plan.

### **Tailored Relationships**

We tailor investment advisory services to the individual needs of the client. The goals and objectives for each client are explored and documented. Our clients are allowed to impose restrictions on the investments in their accounts. We may accept any reasonable limitation or restriction to our discretionary authority on the account placed by the client. All limitations and restrictions placed on accounts must be presented to us in writing.

### **Wrap Fee Programs**

We are both the sponsor and investment manager of the ACT Advisors Wrap Fee Program (the Program). A "wrap-fee" program is one that provides the client with advisory and brokerage execution services for an all-inclusive fee. The client is not charged separate fees by ACT Advisors for the respective components of the total service.

We provide investment supervisory services through the Program, defined as giving continuous advice to a client or making investments for a client based on the individual needs of the client. Through our IARs we will continuously manage client portfolios based on the individual needs of the client. All IARs hold all required licenses and/or qualifications. At the time of a client's initial investment in the program, an IAR will assist the client in determining the client's current financial situation, financial goals and objectives, and attitudes toward risk. This determination will allow the IAR to review the client's situation, and determine an appropriate asset allocation. Account supervision is guided by the stated objectives of the client. The Program may cost the client more or less than purchasing such services separately.

More detail on the ACT Advisors Wrap Fee Program may be found in Form ADV Part 2A Appendix 1, available upon request.

## **Client Assets**

We offer asset management on a discretionary basis. As of December 31, 2018, we have \$217,050,286 in assets under management.

## **Item 5: Fees and Compensation**

We charge fees established in our written agreement with the client.

### **Asset Management**

The annual fee is based on percentage of assets under management ranging up to a maximum of 2.5%. Most clients will pay significantly less than the maximum fee.

Asset management fees are payable quarterly in advance, unless a specific situation calls for a calculation in arrears. Asset management fees are deducted from client accounts by qualified custodians. Clients provide the qualified custodian with written authorization to deduct fees and pay the fees to ACT Advisors.

Clients may terminate the agreement without penalty for a full refund of fees within five business days of signing the Discretionary Asset Management Agreement. Thereafter, clients may terminate the agreement generally with 5 days' written notice.

### **Passive Strategy Asset Management**

The passive strategy asset management fee for this portfolio is an additional 0.50% per year and may be negotiated on a case by-case basis based on the asset under management size, and other variables. The fees charged for the passive strategy asset management are in addition to the annual asset management fee, and any fees charged by underlying funds. The minimum investment into the passive strategy is \$5,000.

Internal costs (i.e. fund expense ratios for the Passive Strategy) are anticipated to be below .25% per year for all investment objectives.

Passive strategy asset management fees are payable quarterly in advance, unless a specific situation calls for a calculation in arrears. Passive strategy asset management fees are deducted from client accounts by qualified custodians. Clients provide the qualified custodian with written authorization to deduct fees and pay the fees to ACT Advisors.

Clients may terminate the agreement without penalty for a full refund of fees within five business days of signing the Discretionary Asset Management Agreement. Thereafter, clients may terminate the agreement generally with 5 days' written notice.

## **Financial Planning**

ACT Advisors charges a flat fee of \$3,500.00 for financial planning, payable in advance. This fee will be in addition to any other asset management fees that are or will be charged to the client and it may be reduced at the sole discretion of ACT Advisors. If Client engages Act Advisors to provide the Financial Planning, the client will receive their plan and 2 years access to “eMoney Advisor” (or a similar platform). Such service offerings are more specifically described in the ACT Advisors Financial Planning Services Agreement.

If the Client terminates this Agreement before Act Advisors delivers a Financial Plan the unearned, prepaid Planning Fee will be refunded pro-rata based upon the actual services rendered.

The actual fee charged will be disclosed to the client in writing. The financial planning fee may be adjusted or reduced at the discretion of ACT Advisors.

## **Employer Sponsored Plans Participant Advice**

The annual fee to receive customized advice and rebalancing on employer sponsored plans is based on percentage of assets in the sponsored plan ranging up to a maximum of 2.5%. Most clients will pay significantly less than the maximum fee.

ACT Advisors will collect these fees in one of two ways:

- Fees may be direct billed from an investment account under management by ACT Advisors. This will be done by increasing the billing fee on the referenced account, which will require the client’s signature and be disclosed in the Discretionary Asset Management Agreement. If the extra amount collected on that account is not sufficient to cover the fee for the service provided, the Participant will be invoiced for the difference.
- Fees may be directly invoiced to the Participant.

Employer sponsored plan advice fees are payable quarterly in advance, unless a specific situation calls for a calculation in arrears.

### **Other Information on Compensation**

A client can engage certain IARs of the firm, in their individual capacities as registered representatives of LPL Financial, to implement investment recommendations on a commission basis that could be more or less than the advisory fees charged by ACT Advisors.

Fees are typically based on the value of assets under management and will vary by engagement. The amount of the fee will be set out in the written agreement executed by the client at the time the relationship is established. Fees are negotiable. If the written agreement provides for payment in advance, the written agreement will state how the client can obtain a refund of any pre-paid fee if the agreement is terminated before the end of the billing period.

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

We do not charge performance-based fees because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## **Item 7: Types of clients**

The advisory services offered by us are available for individuals, high net worth individuals, individual retirement accounts (IRAs), banks and thrift institutions, pension and profit-sharing plans, including plans subject to Employee Retirement Income Security Act of 1974 (ERISA), trusts, estates, charitable organizations, state and municipal government entities, corporations and other business entities.

For asset management clients, we have a minimum account size of \$25,000.

For passive strategy clients, we have a minimum account size of \$5,000.

Waivers or exceptions from the minimum account requirement may be granted at the exclusive discretion of ACT Advisors.

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

We purchase research from a variety of sources and rely on our research partners to guide our investment decisions. We, and our research partners, use a combination of Fundamental and Technical Analysis, as well as Modern Portfolio Theory in order to formulate investment advice when managing assets. Depending on the analysis, we will implement a long or short term trading strategy based on the particular objectives and risk tolerance of a particular client.

**Fundamental Analysis** concentrates on factors that affect asset class pricing relative to historical norms.

**Technical Analysis** involves the analysis of past market data; primarily price and volume. Technical analysis attempts to predict the direction of an asset class based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not take into account new patterns that emerge over time.

**Modern Portfolio Theory** is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various assets. Modern Portfolio Theory assumes that investors are risk adverse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile (i.e., if for that level of risk an alternative portfolio exists which has better expected returns).

### **Risks**

Please note, investing in securities involves risk of loss that clients should be prepared to bear. There are different types of investments that involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy will be profitable or equal any specific performance level(s). Past performance is not indicative of future results.

Our methods of analysis and investment strategies do not represent any significant or unusual risks; however, all strategies have inherent risks and performance limitations such as:

- **Market Risk** - the risk that the value of securities may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or industries.
- **Interest Rate Risk** - the risk that fixed income securities will decline in value because of an increase in interest rates; a bond or a fixed income fund with a longer duration will be more sensitive to changes in interest rates than a bond or bond fund with a shorter duration.
- **Credit Risk** - the risk that an investor could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations.
- **Mutual Funds** - Investing in mutual funds carries the risk of capital loss and thus an investor may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond "fixed income" nature (lower risk) or stock "equity" nature (mentioned below).
- **Equity** - investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.
- **Fixed Income** - investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best-known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.
- **Exchange Traded Funds (ETFs)** - An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed "electronic shares" not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in

hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

- **Annuities** - are a retirement product for those who may have the ability to pay a premium now and want to guarantee they receive certain monthly payments or a return on investment later in the future. Annuities are contracts issued by a life insurance company designed to meet retirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long term investments, to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early. Variable annuities also involve investment risks, just as mutual funds do.
- **Non-U.S. Securities** - present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

## **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of ACT Advisors or the integrity of our management. We have no legal or disciplinary events to disclose.

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

### **Financial Industry Activities – Broker-Dealers**

As disclosed above, certain IARs are also registered representatives of LPL Financial, an unaffiliated SEC registered and FINRA/SIPC member broker/dealer. Clients engage an IAR in their capacity as a registered representative of LPL Financial, to implement investment recommendations on a commission basis.

LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about our clients, even if client does not establish any account through LPL Financial. If you would like a copy of the LPL Financial privacy policy, please contact Jennifer English, Chief Compliance Officer.

### **Financial Industry Activities – Futures and Commodities**

Neither we nor any of our management persons is registered as (or associated with) a futures commissions merchant, commodity pool operator, or a commodity trading advisor.

### **Financial Industry Affiliations – Insurance Broker or Agent**

Some of our IARs may be insurance agents. They offer insurance products and receive customary fees as a result of insurance sales. A conflict of interest may arise as these insurance sales may create an incentive to recommend products based on the compensation adviser and/or our supervised persons may earn and may not necessarily be in the best interests of the client. Such potential conflicts of interest are subject to review by Jennifer English, Chief Compliance Officer.

### **Other Investment Advisors**

We may enter into agreements with various Independent Advisers. Under these agreements, we offer clients various types of programs sponsored by these advisers. All third-party investment advisers to whom the Adviser will refer clients will be licensed as investment advisers by their resident state and any applicable jurisdictions or registered investment advisers with the Securities and Exchange Commission.

After gathering information about a client's financial situation and investment objectives, we will assist the client in selecting a third-party program. We receive compensation pursuant to its agreements with this Independent Adviser for introducing clients to this Independent Adviser and for certain ongoing services provided to clients.

This compensation is disclosed to the client in a separate disclosure document and is typically equal to a percentage of the investment advisory fee charged by that third-party adviser or a fixed fee. The disclosure document provided by the Adviser will clearly state the fees payable to us and the impact to the overall fees due to these payments.

Since the compensation we receive may differ depending on the agreement with each Independent Adviser, we may have an incentive to recommend one Independent Adviser over another, if the compensation arrangements are more favorable. Since the Independent Adviser may pay the fee for the investment advisory services the fee paid to us is not negotiable, under most circumstances.

In addition, if the investment program recommended to a client is a wrap fee program the client will also receive the wrap fee brochure provided by the sponsor of the program.

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

We maintain a Code of Ethics (Code), which serves to establish a standard of business conduct for all IARs and employees that are based upon fundamental principles of openness, integrity, honesty and trust. Our firm, IARs and employees must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients.

The Code's key provisions include:

- Statement of General Principles
- Policy on and reporting of Personal Securities Transactions and Holdings
- A prohibition on Insider Trading
- Procedures to detect and deter misconduct and violations
- Requirement to maintain confidentiality of client information

The Code includes guidelines regarding personal securities transactions of its IARs and employees. The Code permits IARs and employees to invest for their own personal accounts in the same or different securities that an IAR or employee may purchase for clients. This presents a potential conflict of interest because trading by an IAR or employee in a personal securities account in the same or different security on or about the same time as trading in a client account could potentially disadvantage the client. We address this conflict of interest by requiring in our Code that IARs and employees report certain personal securities transactions and holdings to the Chief Compliance Officer for review. In addition, the Code requires pre-clearance of certain transactions. The Chief Compliance Officer is an interested party on all advisor account held away from the qualified custodian(s) and receives duplicate statements.

Upon employment and at least annually thereafter, all IARs and employees will sign an acknowledgement that they have read, understand, and agree to comply with the Code.

Clients and prospective clients can obtain a copy of our Code of Ethics by contacting Jennifer English, Chief Compliance Officer.

### **Other Conflicts of Interest**

Directors, officers, IARs and employees have a duty to act in the best interests of clients at all times. As part of this duty, directors, officers, IARs and employees are prohibited from engaging in any transaction which involves an improper conflict of interest.

A "conflict of interest" exists when a person's private interests interfere in any way with the interests of ACT Advisors. A conflict situation can arise when a director, officer, IAR or employee takes actions or has interests that may make it difficult to perform his or her work objectively and effectively. Conflicts of interest may also arise when a director,

officer, IAR or employee, or members of his or her family, receives improper personal benefits as a result of his or her position at ACT Advisors. Loans to, or guarantees of obligations of, IAR or employees and their family members may create conflicts of interest.

It is almost always a conflict of interest for an IAR or employee to work simultaneously for a competitor, customer or supplier. IARs or employees are not allowed to work for a competitor as a consultant or board member. Our policy is to avoid any direct or indirect business connection with our customers, suppliers or competitors, except on our behalf.

Conflicts of interest are prohibited unless they have been approved by us. Wherever a conflict of interest arises, the IAR or employee involved must promptly disclose the circumstances of the conflict to the Chief Compliance Officer.

### **Participation or Interest in Client Transactions – Material Financial Interest**

We nor our IARs recommend to clients or buy or sell for client accounts, securities in which they have a material financial interest.

### **Participation or Interest in Client Transactions – Principal/Agency Cross**

We will not affect any principal or agency cross securities transactions for client accounts.

## **Item 12: Brokerage Practices**

### **Soft Dollar Benefits**

We do not receive formal soft dollar benefits other than execution, research and support services from broker/dealers in connection with client securities transactions.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker/dealers.

### **Client Directed Brokerage**

While not routine, a client may direct us to use a broker-dealer to execute some or all transactions for the client. This brokerage direction must be requested by the client in writing. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and we will not seek better execution services or prices from other

broker-dealers or be able to “batch” client transactions for execution through other broker-dealers with orders for other accounts managed by us. By directing brokerage, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Not all advisers require or allow their clients to direct brokerage. Subject to our duty of best execution, we may decline a client’s request to direct brokerage if, in our sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

If the client requests us to arrange for the execution of securities brokerage transactions for the client’s account, we shall direct such transactions through broker-dealers that we reasonably believe will provide best execution. We shall periodically and systematically review our policies and procedures regarding recommending broker-dealers to our client in light of our duty to obtain best execution.

### **Brokerage Selection**

We generally recommend LPL Financial and/or TD Ameritrade, both members of FINRA/SIPC (Selected Broker/Dealers). Selected Broker/Dealers are widely recognized independent, and unaffiliated FINRA member broker-dealers. Selected Broker/Dealers offer independent investment advisers program services which include custody of securities, trade execution, clearance and settlement of transactions.

The primary factors considered in our decision to recommend Selected Broker/Dealers include financial strength and the quality of the products and services offers to clients.

We have determined that Selected Broker/Dealers currently offer the best overall value to us and our clients for the customer service, brokerage, research services and technology they provide. We believe these qualities make these firms superior to most non-service oriented, deep-discount and internet/web-based brokers that may otherwise be available to the public.

### **Economic Benefits**

We receive support services from Selected Broker/Dealers, both of which assist us to better monitor and service program accounts maintained at Selected Broker/Dealers. We receive some non-soft dollar benefits from Selected Broker. It is not the result of soft dollar arrangements or any other express arrangements with Selected Broker/Dealers that involves the execution of client transactions as a condition to the receipt of services. These support services are provided to us based on the overall relationship between us and Selected Broker/Dealers. These support services may include the following:

- investment-related research
- pricing information and market data
- software and other technology that provide access to client account data

- compliance and/or practice management-related publications
- consulting services
- attendance at conferences, meetings, and other educational and/or social events
- marketing support
- computer hardware and/or software
- other products and services used by us in furtherance of our investment advisory business operations

We will continue to receive the services regardless of the volume of client transactions executed with Selected Broker/Dealers. Although the non-soft benefits will generally be used to service all our clients, a specific client may benefit more or less than another. As a result of receiving the services we may have an incentive to continue to use or expand the use of a particular custodian. We examined this potential conflict of interest when we chose to enter into Selected Broker/Dealer relationships and we have determined that each relationship is in the best interest of our clients and satisfies our fiduciary obligations, including our duty to seek best execution.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

Some of the products and services made available by Selected Broker/Dealers may benefit us but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at Selected Broker/Dealers. Other services made available by Selected Broker/Dealers are intended to help us manage and further develop our business enterprise. The benefits received by us or employees are not dependent on the amount of brokerage transactions directed to Selected Broker/Dealers. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by us or our employees in and of itself creates a potential conflict of interest and may indirectly influence our choice of Selected Broker/Dealers for custody and brokerage services.

A client may pay a commission that is higher than another qualified broker-dealer might charge to execute the same transaction where we determine, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness.

While we will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

### **Directed Brokerage – Wrap Fee Programs**

As disclosed in Item 4, clients may participate in the ACT Advisors Wrap Fee Program. For wrap fee accounts, we receive investment advisory fees, which cover both investment advice and transaction costs. More detail on the Program may be found in Form ADV Part 2A Appendix 1.

Transactions are effected net, i.e., without commission and a portion of the investment advisory fee is generally considered to be in lieu of commissions. Trades are generally expected to be executed only with Selected Broker/Dealers with which the client has entered into the wrap fee arrangement.

We may not, therefore, be free to seek best price and execution by placing transactions with other broker dealers. Our experience indicates that certain broker dealers under clients' wrap fee agreements generally offer best price for transactions in listed equity securities, but no assurance can be given that such will continue to be the case with those or other broker dealers which may offer wrap fee arrangements, nor with respect to transactions in other types of securities. The client should also consider that depending on the wrap-fee charged by the broker dealer, the amount of portfolio activity in the client's account, the value of products and other services which are provided under the arrangement, and other factors, the wrap-fee may or may not exceed the aggregate cost of such services were they to be provided separately and if the firm were free to negotiate commissions and seek best price and execution of transactions for the client's account.

### **Trade Aggregation**

Trade aggregation is the act of trading a large block of a security in a single order. Shares of a purchased security are then allocated to the appropriate accounts in the appropriate proportion. The main purposes of order aggregation are (i) for ease of trading and (ii) to obtain a lower transaction cost associated with trading a larger quantity.

We usually place trades on a block trade basis and will occasionally trade portfolio securities on an individual basis based on the client's profile, needs and objectives.

In a situation where we do not aggregate trades, clients purchasing securities around the same time may receive a less favorable price than other clients. In addition, not aggregating trades may result in higher transaction costs, as a client will not benefit from lower transaction cost which might be achieved if the trade was aggregated.

Accounts for us or our employees may be included in a block trade with client accounts.



## **Item 13: Review of Accounts**

For those clients to whom we provide asset management services, account reviews are conducted on an ongoing basis by Douglas English, Investment Advisor Representative, or Wes Johnson, Investment Advisor Representative, or Neil Lambert, Investment Advisor Representative or Patrick Latta, Investment Advisor Representative or Timothy Mowrey, Investment Advisor Representative. All investment advisory clients are advised that it remains their responsibility to advise us of any changes in their investment objectives and/or financial situation. All clients are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with their IAR on an annual basis.

Douglas English, Investment Advisor Representative, Wes Johnson, Investment Advisor Representative, Neil Lambert, Investment Advisor Representative, Patrick Latta, Investment Advisor Representative, and Timothy Mowrey, Investment Advisor Representative may also conduct account reviews based on the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and by client request.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the custodian and/or program sponsor for the client accounts. We may also provide written periodic reports summarizing account activity and performance.

### **Financial Planning – Reviews and Reporting**

The initial financial plan is included as a component of the financial planning service. Should a client want or request an updated financial plan, one can be prepared under a separate agreement and for a separate fee.

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

### **Other Compensation**

We and our employees may receive additional compensation from product sponsors. However, such compensation may not be tied to the sales of any products. Compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings with investment advisor representative, client workshops or events, marketing events or advertising initiatives, including services for identifying prospective clients. Product sponsors may also pay for, or reimburse us for the costs associated with, education or training events that may be attended by our employees and for our sponsored conferences and events.

### **Other Compensation – Brokerage Arrangements**

See disclosure in Item 12 regarding compensation, including economic benefits received in connection with giving advice to clients.

### **Compensation – Client Referrals**

We do not make or accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

## Item 15: Custody

### **Custody – Fee Debiting**

Our written agreement and/or the separate agreement with the custodian(s) may authorize us through the custodian(s) to debit the client's account for the amount of our asset management fee and to directly remit that fee to us in accordance with applicable custody rules. The custodian(s) that we recommend have agreed to send a statement to the client, monthly, indicating all amounts disbursed from the account including the amount of fees paid directly to us.

### **Custody – Account Statements**

As described above and in Item 13, clients receive monthly statements from the custodian that holds and maintains client's investment assets. Clients are urged to carefully review such statements and compare such official custodial records to the account statements or other reports that we provide. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16: Investment Discretion**

Clients engage us to provide asset management services on a discretionary basis. Before we assume discretionary authority over a client's account, the client shall be required to execute a written agreement, naming ACT Advisors as the client's limited power of attorney and agent in fact, granting us full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account. This limited power of attorney allows us to manage the account on a discretionary basis but it does not allow us to deposit or withdraw funds from the account. We will not have custody of these assets.

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

We do not have any authority to and do not vote proxies on behalf of clients. Clients retain the responsibility for receiving and voting proxies; clients receive proxies directly from either custodians or transfer agents.

You may contact Jennifer English, Chief Compliance Officer at (828) 398-2802 for information about proxy voting.

## **Item 18: Financial Information**

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

There are no financial conditions that are reasonably likely to impair the firm's ability to meet contractual commitments to clients. At no time have we been the subject of a bankruptcy petition.