



# **Form ADV, Part 2A Disclosure Brochure**

March 29, 2019

This Disclosure Brochure provides information about the qualifications and business practices of Pacific Financial Group, LLC (“PFG”). If you have any questions about the contents of this Disclosure Brochure, please contact us at (714) 427-5800. The information in this Disclosure Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

Any reference to or use of the terms “registered investment advisor” or “registered” does not imply that PFG or any person associated with PFG has achieved a certain level of skill or training.

Additional information regarding Pacific Financial Group, LLC (PFG) is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching by our firm name or our CRD# 143041.

2077 West Coast Highway  
Suite A  
Newport Beach, CA 92663  
(714) 427-5800  
[www.tegmms.com](http://www.tegmms.com)

## ITEM 2 - MATERIAL CHANGES

The purpose of this page is to inform you of any material changes since the last update of our Disclosure Brochure. If you are receiving this Disclosure Brochure for the first time, this section may not be relevant to you.

Pacific Financial Group (“PFG,” “we,” “firm,” “our,” or “us”) reviews and updates our Disclosure Brochure at least annually to confirm that it remains current.

### Material Changes

The firm has no material changes to disclose since its last update.

## ITEM 3 - TABLE OF CONTENTS

ITEM 2 - MATERIAL CHANGES .....	2
ITEM 3 - TABLE OF CONTENTS.....	3
ITEM 4 - ADVISORY BUSINESS .....	4
ITEM 5 - FEES AND COMPENSATION .....	11
ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	16
ITEM 7 - TYPES OF CLIENTS.....	16
ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS ...	17
ITEM 9 - DISCIPLINARY INFORMATION.....	21
ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	21
ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	22
ITEM 12 - BROKERAGE PRACTICES .....	24
ITEM 13 - REVIEW OF ACCOUNTS .....	27
ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION .....	28
ITEM 15 – CUSTODY.....	30
ITEM 16 - INVESTMENT DISCRETION .....	30
ITEM 17 - VOTING CLIENT SECURITIES .....	31
ITEM 18 - FINANCIAL INFORMATION.....	31
ADV 2B - Brochure Supplements .....	32

## ITEM 4 - ADVISORY BUSINESS

### Description of Advisory Firm

Pacific Financial Group, LLC (“PFG”) is a privately owned limited liability company headquartered in Newport Beach, California. PFG was founded in December 2006 and began operations as a registered investment advisor with the U.S. Securities and Exchange Commission (“SEC”) in September 2007.

In September 2017, PFG was reorganized. PFG is now a wholly owned subsidiary of The Pacific Holdings Group, LLC, a Washington State limited liability company (“Pacific Holdings”). ProTools, LLC (“ProTools”), a technology company that created RiskPro®, and The Pacific Financial Group, Inc., a Washington State based investment adviser registered with the SEC (“TPFG”), are also wholly owned subsidiaries of Pacific Holdings. Megan Meade, the Co-Chief Executive Officer of TPFG, PFG and ProTools, is the owner of more than 25% of the Membership Interests in Pacific Holdings.

Management of Pacific Holdings is under the control of Megan Meade, Co-Chief Executive Officer of TPFG, PFG and ProTools; James McClendon, Managing Member of Pacific Holdings; Nicholas Scalzo, Co-Chief Executive Officer of TPFG, PFG and ProTools, and Gaetan Scalzo, Managing Member of Pacific Holdings.

PFG provides services in three principal lines of business: (1) as the provider of a Turnkey Asset Management Program (“TAMP”); (2) as the exclusive distributor of RiskPro®, an Internet based, risk analysis and portfolio construction software tool; and (3) as the investment adviser to the New Pacific RiskPro® Mutual Funds.

#### 1. PFG’s Platform

PFG TAMP (the “Platform”) is entitled Market Movement Solutions and provides access to a number of different institutional money managers (“Platform Strategists”). As part of the Platform, PFG provides individuals, trusts and businesses (“Platform Clients”) with varying services (“Platform Services”), including: (i) individualized investment management services (“Individualized Management Services”); (ii) impersonal management services (“Impersonal Management Services”); and (iii) non-investment management services (“Non-Management Services”).

In most instances, Platform Clients are referred to PFG by “Solicitors,” who are typically financial professionals, such as investment advisor representatives affiliated with a registered investment advisor, or registered representatives affiliated with a broker/dealer (collectively, “Platform Advisors”). When Platform Clients are referred by Solicitors, PFG enters into an “Investment Management Agreement” directly with the Platform Client, and PFG’s investment services include Individualized Management Services. Alternatively, when Platform Advisors maintain a direct contractual relationship with the Platform Client, PFG is engaged by the Platform Advisor to serve as a “Sub-Advisor,” and PFG’s investment services are limited to Impersonal Management Services.

For convenience, PFG will use the term “Platform Client” to refer to the end investor that receives Platform Services, regardless of whether PFG is providing Individualized Management Services pursuant to an Investment Management Agreement executed by PFG and the end-client, or whether PFG is providing Impersonal Management Services pursuant to a Sub-Advisor Agreement executed by PFG its and the Platform Advisor, with the Platform Advisor acting under an investment management agreement executed with the end-client.

### **A. Platform Services**

PFG's provides Platform Clients, Platform Advisors and Solicitors with access to multiple Platform Strategists. The investment products offered by Platform Strategists ("Platform Investment Products") include: (i) mutual funds and exchange traded funds ("Platform Funds"); (ii) model portfolios, which typically consist of underlying Platform Funds, and which are typically designed to meet certain gradients of investment risk ("Platform Model Portfolios"); (iii) multi-mandate models, which include, in a single investment product, several Platform Model Portfolios ("Platform Multi-Mandate Models"); and (iv) separately managed accounts, consisting of individual bonds, stocks, mutual funds and exchange traded funds ("Platform SMAs"). In some instances, Platform Clients, Platform Advisors or Solicitors are provided with access to stocks, bonds and other individual securities ("Other Platform Investment Options"). Through a Unified Managed Account ("UMA"), a variety of Platform Investment Products may be held in a single account.

In most instances, Platform Investment Products are selected for Platform Clients based on an investment methodology that uses three distinct allocations: (i) a Market Movement Allocation; (ii) a Dynamic Asset Allocation; and (iii) an Active Alternative Allocation. For further information, see *Item 8, Methods of Analysis, Investment Strategies and Risk of Loss*.

Platform Services provided by PFG, with the assistance of a third-party service provider, include access to any update or rebalancing of Platform Investment Products, principally based on information provided by Platform Strategists. In addition, PFG provides access for trading in all Platform Investment Products (other than Platform SMAs, which are traded separately by the Strategist managing the SMA). PFG's Platform also provides access to RiskPro®, a software tool that is used to assist Platform Clients in the selection of a "Risk Profile" (as further described, below), and to assist in constructing investment portfolios for Platform Clients that are designed to be consistent with the Client's Risk Profile. RiskPro® was created by ProTools, LLC ("ProTools"), a software development company that is an affiliate of PFG.

Further, PFG's Platform Services include a variety of Non-Management Services, such as access to software that assists in the administration of Platform Client accounts. For example, PFG provides Solicitors and Platform Advisors with assistance in setting up and maintaining Platform Clients' accounts; creating Platform Clients' investment proposals and policy statements; structuring Platform Clients' agreements; performing billing and record keeping; providing performance reporting; and enabling Platform Advisors and Solicitors to view and manage Platform Clients' information. In addition, PFG provides access to custodial services for Platform Clients, and assistance to Solicitors and Platform Advisors in marketing the Platform to Clients.

### **B. PFG as Investment Manager**

For Clients referred by a Solicitor, PFG enters into an Investment Management Agreement directly with the Platform Client, under which PFG provides the Platform Client with discretionary Individualized Management Services. PFG also provides the Platform Client referred by a Solicitor with Non-Management Services, of the type described above. The complete services provided by PFG is set forth in the Investment Management Agreement executed between PFG and the Platform Client.

The Investment Management Services provided by PFG include responsibility for determining the Platform Client's investment objectives and risk tolerance ("Risk Profile"); selecting Platform Strategists and Platform Investment Products that are consistent with the Risk Profile of the Platform Client; exercising discretion regarding whether, how and when to implement transactions in a Platform Client's account, consistent with their Risk Profile, and consistent with market circumstances and other factors; and arranging for execution of trades in the Client's account. The Platform Client is responsible to inform PFG of any investment restrictions Client elects to place on their account. Unless PFG and the Platform Client otherwise

agree in writing, or as required by law, PFG does not vote proxies solicited by issuers of securities held in a Platform Client's account.

In order to determine each Platform Client's Risk Profile, the Client completes a Risk Profile Questionnaire ("RPQ"), as provided by PFG, and the RPQ, together with RiskPro®, a web-based, risk profiling tool developed by PFG's affiliate, ProTools, is used by the Solicitor to assist the Platform Client in selecting a Risk Profile that matches the Client's investment objectives and risk tolerance. Alternatively, the Platform Client may complete a different risk profiling document, as provided by the Solicitor, in order for the Client to select a Risk Profile. In either instance, the Platform Client is free to select a Risk Profile that is different than the Profile that results from the RPQ or from the alternative risk profiling document. The Platform Client is solely responsible for the completeness and accuracy of the information provided to PFG, or to the Solicitor, in connection with the Platform Client's selection of a Risk Profile. Further, the Platform Client is responsible for promptly advising PFG or the Solicitor of any changes or modifications to the Client's investment objectives, risk tolerance or any other information provided to PFG or the Solicitor, in connection with the Client's selection of a Risk Profile. The Platform Client is also responsible to advise PFG or the Solicitor of any additions or withdrawals of assets from the Client's account.

In the Investment Management Agreement, PFG is granted a limited power of attorney to act on behalf of the Platform Client to engage in transactions ("Platform Transactions") without prior notice to the Client, provided that the Platform Transactions are consistent with the Client's Risk Profile. In addition, PFG is authorized to appoint Platform Strategists, with limited discretionary power to enter into Platform Transactions on the Client's behalf, without prior notice to the Platform Client, provided that the Platform Transactions are consistent with the Client's Risk Profile and are subject to approval by PFG. Platform Strategists are not responsible for ensuring that Investment Products are consistent with a Platform Client's Risk Profile.

The Solicitor serves as the primary relationship contact with the Platform Client. The Solicitor facilitates the on-boarding process for the Platform Client, including supporting the Client in completing the new account paperwork; assisting in communications between the Platform Client and PFG; working with the Platform Client in the Client's selection of a Risk Profile that matches the Client's investment objectives and risk tolerance; and identifying Platform Investment Products that are consistent with the Platform Client's Risk Profile. The Platform Client provides the Solicitor with authorization to communicate to PFG, or to Platform Strategists, trading instructions on behalf of the Platform Client, provided that the instructions are consistent with the Client's Risk Profile, or that the Client authorized a change in the Client's Risk Profile. The Solicitor continues to monitor the Client's account and the Platform Investment Products held in the Client's account.

Under the Investment Management Agreement, PFG is only responsible to the Platform Client for the supervision and management of securities that PFG recommends or selects. PFG is not responsible for the supervision or management of non-managed assets, which may include securities held in a Platform Client's account that were:

- Delivered into the account by the Platform Client;
- Purchased by the Platform Client;
- Purchased by PFG at the request of the Platform Client, as an accommodation; or
- Designated in writing by the Platform Client to be non-managed securities.

For Platform Clients referred by a Solicitor, PFG reserves the right to not accept and/or terminate the Client's account, for any reason, including (by way of example) if PFG believes that investment restrictions imposed by the Client would limit or prevent PFG from meeting or maintaining the Client's investment strategy.

### **C. PFG as Sub-Advisor**

When serving as a Sub-Advisor to a Platform Advisor, PFG enters into a Sub-Advisor Agreement with the Platform Advisor, whereby PFG agrees to provide Impersonal Management Services to the Platform Advisor's Clients. The Platform Advisor and their Client execute a separate investment advisory agreement, and the Platform Advisor is responsible to provide the Platform Client with individualized discretionary investment management services. The Platform Advisor serves as the primary relationship contact with the Platform Client, and is responsible for determining the Client's Risk Profile and for selecting Platform Strategists and Platform Investment Products that are consistent with the Client's Risk Profile. Platform Clients should carefully review the investment management agreement executed with the Platform Advisor, as well as the Platform Advisor's ADV Part 2A - Disclosure Brochure, for a full description of the services to be provided by the Platform Advisor to the Platform Client.

Under the Sub-Advisor Agreement, PFG provides the Platform Services, of the type described above, other than Individualized Management Services. For example, PFG provides access to Platform Investment Products; assistance in account administration; access to RiskPro®; assistance in trading; billing and record keeping; and performance reporting. PFG is provided with a limited power of attorney, by the Platform Advisor and the Platform Client, to arrange for execution of trades and rebalancing of Platform Investment Products, as directed by the Platform Advisor. Neither PFG nor Platform Strategists are responsible for ensuring that Investment Products are consistent with a Platform Client's Risk Profile.

### **D. Potential Conflicts of Interest**

In most instances, regardless of whether PFG enters into an Investment Management Agreement with a Platform Client, or enters into a Sub-Advisor Agreement with a Platform Advisor, PFG receives payments from Platform Strategists and/or Platform Investment Products for services provided by PFG, in connection with making Investment Products available on the Platform. These payments to PFG create potential conflicts of interest, which are discussed in *Item 14, Client Referrals and Other Compensation*.

## **2. Distribution of RiskPro®**

By agreement with ProTools, an affiliate of PFG and the developer of RiskPro®, PFG is the exclusive distributor of RiskPro® to financial intermediaries, such as investment advisor representatives affiliated with a registered investment advisor, or registered representatives affiliated with a broker/dealer (collectively, "Financial Intermediaries"). RiskPro® is an Internet based, risk analysis software tool that is utilized by Financial Intermediaries as part of the investment-decision-making process. RiskPro® assists Financial Intermediaries in evaluating their client's Risk Profile and in building portfolios designed to be consistent with their client's Risk Profile. RiskPro® can also be used to provide a surveillance function, assisting Financial Intermediaries in identifying client portfolios that are outside a pre-selected range of investment risk. ProTools is not a registered investment advisor and does not provide investment advice.

### **A. Risk Profiling**

RiskPro® enables Financial Intermediaries to discuss investment risk with their clients in language that PFG believes that a client can understand: how much money might the client lose (or gain) over the next year or, put differently, the client's maximum range of returns, or volatility, over a one-year period. At the point of sale, the Financial Intermediary utilizes RiskPro® to assist their client in determining the client's Risk Profile. Through RiskPro®, the client answers a series of questions (a "Risk Profile Questionnaire," or "RPQ") about the client's investment objectives and comfort level with investment risk.

Based on the client's responses to the RPQ, RiskPro® calculates the client's Risk Profile, which includes a forward-looking, probabilistic range of returns, over a twelve-month period of time. The estimated maximum amount of annual loss (or gain) is expressed in dollar terms and as a percentage of the client's

total portfolio. After reviewing the initial results calculated by RiskPro®, the client is provided with the opportunity to make changes to their Risk Profile. In the end, the client is typically asked to take responsibility for their selection of a Risk Profile, by signing an acknowledgement that confirms the client's estimated maximum annual tolerance in dollars and as a percentage of the client's portfolio. PFG is not responsible for ensuring the appropriate selection of a Risk Profile for a Financial Intermediary's client.

### **B. Portfolio Construction**

Based on RiskPro's® proprietary methodology, RiskPro® assists the Financial Intermediary in the investment decision-making process – that is, in constructing a portfolio that is designed to be consistent with the client's Risk Profile. Based on internal testing and independent review, PFG believes that there is a high statistical likelihood that the annual range of returns of a portfolio constructed by a Financial Intermediary, which is consistent with the client's Risk Profile, will not exceed the client's maximum tolerance, or expected volatility, over a one-year period.

For selecting investment products, RiskPro® is a flexible system, providing Financial Intermediaries with information about RiskPro® analytics on a wide range of securities and investment products, which typically include: (i) open-end and closed-end mutual funds; (ii) exchange traded funds (“ETFs”); (iii) variable annuity sub accounts; (iv) publicly traded domestic equity securities; and (v) UITs going back one-year (collectively, “RiskPro® Standard Products”). In most instances, RiskPro® Standard Products have a one-year history of daily performance, providing a reasonable number of data points to be used in calculating RiskPro's® annual estimates of volatility. On an exception basis, and upon disclosure to Financial Intermediaries, a proxy may be used for the annual daily returns of a security that does not have a one-year performance history.

In addition to the RiskPro® Standard Products, Financial Intermediaries may be provided with information about a select number of model portfolios, mutual funds and ETFs (collectively, “RiskPro® Featured Products”). RiskPro® Featured Products are managed by institutional asset managers (“RiskPro® Strategists”) and, typically, are designed to match different gradients of investment risk, as calculated by RiskPro®. In addition, The Pacific Financial Group, Inc. (“TPFG”), an affiliate, may serve as a RiskPro® Strategist along with Pacific Financial Group, LLC (“PFG”). When RiskPro® Featured Products are rebalanced or updated by RiskPro® Strategists, each client account maintained on RiskPro® and invested in such Product is rebalanced, on an automated basis.

RiskPro® may also be customized, at the request of Financial Intermediaries, to provide risk analytics about model portfolios managed or selected by the Financial Intermediary, or about other securities managed or selected by the Intermediary (“RiskPro® Customized Products”). The extent of customization is determined by the Financial Intermediary. (RiskPro® Standard Products, RiskPro® Featured Products and RiskPro® Customized Products shall be referred to, collectively, as “RiskPro® Investment Products.”)

Financial Intermediaries are solely responsible for determining which RiskPro® Investment Products shall be purchased or sold on behalf of their clients, and whether those Products match their clients' Risk Profile. Other than with respect to Platform Clients, where PFG enters into an Investment Management Agreement with the Client, neither PFG nor RiskPro® Strategists are responsible for: (i) making any investment decisions on behalf of a Financial Intermediary's clients; (ii) making any recommendations to a Financial Intermediary's clients; or (iii) evaluating whether any RiskPro® Investment Product is consistent with a Financial Intermediary's client's Risk Profile.

In connection with PFG distribution of RiskPro®, PFG makes reasonable efforts to: (i) educate Financial Intermediaries about RiskPro® Featured Products, including the investment objectives, fees, expenses and past performance of such Products; and (ii) educate and train Financial Intermediaries about how to utilize the features and functionality of RiskPro®, as part of the Intermediary's investment decision-making process. PFG's services, along with RiskPro's® proprietary algorithms, are used by Financial



Intermediaries: (i) to assist them in determining which RiskPro® Investment Products to purchase on behalf of, or recommend for purchase by, their clients; (ii) to respond to inquiries by their clients about RiskPro® Investment Products; and (iii) to provide their clients with information about the clients' investments in RiskPro® Investment Products purchased, or recommended for purchase, by Financial Intermediaries.

### **C. Surveillance**

RiskPro® can also be used by Financial Intermediaries to surveil, on an automated basis, the estimated annual volatility of a client's investment portfolio, and identify if and when a portfolio falls outside parameters predetermined by the Financial Intermediary.

### **D. Methods of Distribution**

Typically, PFG distributes RiskPro® directly to Financial Intermediaries. In some instances, PFG enters into agreements with third party providers of financial services, who assist PFG in distributing RiskPro® to Financial Intermediaries. RiskPro® software may also be integrated with software of another service provider, so that Financial Intermediaries are provided with access to the features of RiskPro®, as well as with access to the features of the other service provider.

### **E. Potential Conflicts of Interest**

In most instances, RiskPro® Strategists and/or RiskPro® Featured Products make payments to PFG for services provided in connection with making information about those Strategists and their Products available to Financial Intermediaries, through RiskPro®. For a description of the potential conflicts of interests resulting from these payments, see *Item 10, Other Financial Activities and Affiliations*.

## **3. New Pacific RiskPro® Funds**

In September 2017, PFG launched thirteen new mutual funds, which are known as the New Pacific RiskPro® Funds (the "Funds"). Each of the Funds will be a fund of funds. In managing the level of investment risk of each of the Funds, PFG intends to use RiskPro®, a software technology tool developed by its affiliate, ProTools. Based on proprietary algorithms, RiskPro® provides an estimate of the maximum range of gain or loss of a portfolio of securities over a forward-looking rolling twelve-month period. The higher the RiskPro® estimate, the greater the level of volatility that the Fund may experience over a twelve-month period. As a result, investors should consider investments that are designed to be aligned with their level of comfort with investment risk. As a point of comparison, RiskPro® estimates the gain or loss on the S&P 500, over a twelve-month period, could exceed more than 37%, based on its historical volatility.

For several of the Funds, PFG will use research services provided by an independent asset manager. This approach will result in some of the Funds investing at least 80% of the Fund's net assets in mutual funds advised by a single asset manager, increasing the investment risk of that Fund. In addition, PFG will use a proprietary investment analysis called "Rational Analysis™." For a description of PFG's proprietary "Rational Analysis™," see *Item 8, Methods of Analysis, Investment Strategies and Risk of Loss*.

The names of the New Pacific RiskPro® Mutual Funds are:

RiskPro® PFG Aggressive 30+ Fund
RiskPro® PFG 30+ Fund
RiskPro® 30+ Fund
RiskPro® Aggressive 30+ Fund
RiskPro® Dynamic 0-10 Fund

RiskPro® Dynamic 15-25 Fund
RiskPro® Dynamic 20-30 Fund
RiskPro® PFG Balanced 20-30 Fund
RiskPro® PFG Equity 30+ Fund
RiskPro® PFG Global 30+ Fund
RiskPro® PFG Tactical 0-30 Fund
RiskPro® PFG 0-15 Fund
RiskPro® Alternative 0-15 Fund

Prior to investing in any of the Funds, an investor should consider carefully the investment objectives, risks, and charges and expenses of each of the Funds. The Funds' Prospectus contains this and other important information and should be read carefully before investing. To obtain a copy of the Funds' Prospectus, please contact PFG at (866) 612-5808 or visit [www.tegmms.com](http://www.tegmms.com).

The shareholders of the Funds are also investment management clients of TPF (The Pacific Financial Group, Inc.), an affiliate of PFG. TPF develops and manages portfolios consisting of the Funds ("Managed Strategist Program"), with each Managed Strategist Program designed to correspond to a different level of investment risk, as measured by RiskPro®. For providing TPF's clients with management services in connection with the Managed Strategist Programs, the only fees received by TPF, or by its affiliate PFG, are the investment advisory fees paid by the Funds to PFG.

Financial Intermediaries serve as Solicitors or Co-Advisors (or both) to TPF's clients, who are also shareholders of the Funds ("SH/Clients"), providing the SH/Clients with a number of services, which may include: (i) assisting the SH/Client in determining their initial and ongoing Risk Profile, utilizing RiskPro®; (ii) helping the SH/Client in identifying Funds, or Managed Strategist Programs consisting of the Funds, which are consistent with the SH/Client's Risk Profile; and (iii) maintaining ongoing contact with the SH/Client to identify any changes in their Risk Profile and to determine whether the Funds and Managed Strategist Programs in which the SH/Client is invested remain suitable.

For the services provided by the Solicitor or Co-Advisor, the Client is obligated to pay a fee to the Solicitor or Co-Advisor; however, the fee is typically offset by fees paid to the Solicitor or Co-Advisor by the Funds or by PFG or TPF.

#### **4. Other Services and Additional Information**

##### ***A. Third Party Platforms***

In some instances, PFG provides registered investment advisers or their affiliate with a license to utilize various aspects of PFG's Platform, in connection with an independent platform offered by the third party investment adviser or affiliate ("Third Party Platforms"). For example, PFG may include, as part of the license, the right to use PFG's investment methodology, which is based on three distinct allocations; selection of investment products, including mutual funds, ETFs, model portfolios, multi-mandate products and SMAs for each investment allocation; the right to use the trademarked name, Market Movement Solutions; assistance in preparing marketing materials for the Third Party Platform; access to RiskPro®; and various items of support in setting up, maintaining and operating the Third Party Platform. PFG does not provide the end investor on the Third Party Platform with Individualized Management Services. For further details about the services provided on a Third Party Platform, end investors should review available disclosure information, including the ADV, Part 2A of the investment advisor on the Third Party Platform.

##### ***B. Potential Conflicts of Interest***

In most instances, institutional strategists that manage an investment product on a Third Party Platform

make payments to PFG for services provided in connection with making the strategist's product available on the Third Party Platform and for other services provided by PFG. For a description of the potential conflicts of interests resulting from these payments, see *Item 14, Client Referrals and Other Compensation*.

**C. Wrap Fee Programs**

PFG does not offer wrap fee programs as part of our services and does not place Clients into wrap fee programs of other providers.

**D. Assets Under Management**

PFG manages certain Platform Client assets in discretionary accounts on a continuous and regular basis. As of March 28, 2019, the total amount of assets under our management was approximately \$267,065,816. With an additional \$1,983,582,291 managed for Pacific Funds.

## ITEM 5 - FEES AND COMPENSATION

### Fee Schedule and Billing Method

#### 1. The Platform: PFG as Investment Manager

When serving as Investment Manager to Platform Clients, PFG bills Platform Clients (i) a Total Client Fee, consisting of a Platform Fee and a Solicitor Fee; (ii) a Platform Strategist Fee, where applicable; and (iii) Other Fees.

**A. Total Client Fee**

The Total Client Fee paid by a Platform Client to PFG consists of the Platform Fee and the Solicitor Fee. The Platform Fee is collected from the Platform Client and retained by PFG; while the Solicitor Fee is collected from the Platform Client and paid by PFG to, or for the benefit of, the Solicitor. The custodian is authorized by the Platform Client to deduct the Total Client Fee from the Client's account, on a quarterly basis. PFG may need to liquidate securities to raise the requisite funds to pay these Fees. Further the Platform Fee and the Solicitor Fee may be amended by PFG, upon providing the Platform Client with no less than thirty (30) days written notice.

- i. Computation of Total Client Fee. Unless otherwise noted, each calendar quarter (and at the end of the first month a Platform Client account is initially opened), PFG computes and collects the Total Client Fee from the Platform Client's account, as follows: On a quarterly basis, the quarterly Total Client Fee is charged in advance, based on the Client's account value as of the last business day of the prior quarter. Each quarter, the amount of the Platform Fee is adjusted for "Platform Strategies Payments" as described below. The amount of the Solicitor Fee is determined based on the Solicitor Fee schedule and the Platform Client's account value, as of the last business day of the prior quarter.
- ii. Platform Fee. For Platform Services provided by PFG, the Platform Client pays PFG an annual fee ("Platform Fee") in the amount of 0.45%. A portion of the Platform Fee is paid by PFG to a Back-Office Provider that performs back-office functions in connection with the Platform Client's account. The amount of the Platform Fee may be negotiable by PFG, in its sole discretion, including based on the size of an account or the size of all accounts within a household. At the time in which a Platform Client's

account is first opened and funded, and at any time an additional deposit of \$10,000 or more is received, the Platform Fee is calculated based on the value of the deposit, prorated for the number of days remaining in the quarter. Under that circumstance, the Platform Fee is charged at the end of each month. In the event that a Platform Client account is terminated during a calendar quarter, and any time a withdrawal of \$10,000 or more is taken from a Client account, PFG computes the unearned Platform Fee, prorated for the number of days remaining in the quarter, and refunds the unearned portion of the Platform Fee to the Client.

- iii. Platform Strategies Payments. In many instances, a Platform Strategist and/or a Platform Investment Product makes payments to PFG (“Platform Strategies Payments”), to compensate or reimburse PFG for services provided in connection with making such Investment Products available on the Platform. Under that circumstance, on a quarterly basis, the amount of the Strategist Payment received by PFG, on account of a Platform Client’s assets invested with the Strategist, shall be used to reduce the amount of the Platform Fee paid by the Platform Client (the “Reduced Platform Fee”), for those assets invested with the Strategist. By way of example, if the Strategist Payment received by PFG, in connection with an investment of a Platform Client’s assets with a Strategist, is 0.20% per year, then the Reduced Platform Fee, payable by the Platform Client on those assets invested with the Strategist, shall be reduced from the Platform Fee of 0.45% per year to the Reduced Platform Fee of 0.25% per year.
- iv. Solicitor Fee. For the services provided by the Solicitor, PFG pays to, or for the benefit of, the Solicitor an annual fee (“Solicitor Fee”), which cannot exceed 1.50% annually, and which is based on the schedule set forth in the Solicitor’s Disclosure Statement. In the past, PFG’s Platform Fee that was paid by the Platform Client included the Solicitor Fee. While the Total Fee paid by Platform Client has not changed, the Solicitor Fee is now separate from the Platform Fee.

#### **B. Potential Conflicts of Interest**

The Platform Strategies Payments received by PFG create potential conflicts of interest, as the amounts received may influence (i) PFG’s decision of which Platform Strategists or Platform Investment Products to offer on the Platform, (ii) which securities may be included in a Platform Model Portfolio or a Platform Multi-Mandate Portfolio by a Platform Strategist, or (iii) which Platform Investment Products may be selected or recommended for a Platform Client’s Account, by PFG or the Solicitor.

To mitigate these potential conflicts of interest, the annual Platform Fee of 0.45% is reduced by the amount of the annual Strategist Payment received by PFG, on account of a Platform Client’s assets invested with such Strategist, resulting in the Reduced Platform Fee. In addition, PFG provides disclosure of such payments and the potential resulting conflicts of interest in PFG’s ADV Part 2A, so that Solicitors and Platform Clients can make fully informed decisions. Further, the Solicitor is responsible to provide the Platform Client with appropriate disclosure of Platform Strategies Payments received by PFG. For additional information regarding these potential conflicts of interest, see below under *Item 14, Client Referrals and Other Compensation*.

#### **C. Platform Strategist Fee**

Certain Platform Strategists may charge Platform Clients a separate fee (the “Platform Strategist Fee”) for designing, managing and maintaining a Platform Investment Product on the Platform. For each such Product, the amount of the Platform Strategist Fee is collected by PFG, on behalf of the Platform Strategist, and paid by PFG to the Platform Strategist. The Platform Strategist Fee is collected each quarter, in advance,

and computed in the same manner as the Total Client Fee. The amount of the Platform Strategist Fee is disclosed to the Solicitor and/or Platform Client in a timely manner, and may be amended by the Platform Strategist, upon providing the Solicitor and/or Platform Client with no less than thirty (30) days' written notice. The Solicitor is responsible to disclose the Platform Strategist Fee to the Platform Client.

#### **D. Other Fees**

In addition to the Total Client Fee and the Platform Strategist Fee described above, Platform Clients' accounts are charged the following additional fees: (i) custodial fees; (ii) brokerage commissions, stock transfer fees, and/or other similar charges incurred in connection with transactions in a Platform Client's accounts (see ***Item 12 - Brokerage Practices***, for more information on these fees); and (iii) minimum account fees, as described below.

Furthermore, shares of mutual funds or ETFs purchased in a Platform Client's account are subject to investment advisory fees and other expenses, including 12b-1 fees, which are paid by the funds and ETFs, and which are indirectly charged to all holders of shares of the funds and ETFs, all as described in each fund's or ETF's prospectus and statement of additional information. Consequently, Platform Clients with mutual funds or ETFs in their portfolios are effectively paying both PFG and the mutual fund or ETF manager for the management of their assets.

## **2. The Platform: PFG as Sub-Advisor**

When serving as Sub-Advisor on PFG's Platform, PFG bills Platform Clients (i) a Platform Fee; (ii) a Platform Advisor Fee; (iii) a Platform Strategist Fee, where applicable; and (iii) Other Fees.

#### **A. Platform Fee**

The Platform Fee is in the same amount as the Platform Fee described above, with respect to PFG as Investment Manager. That includes a reduction in the Platform Fee, by the amount of the annual Strategist Payment received by PFG, on account of a Platform Client's assets invested with such Strategist. In addition, the Platform Fee is billed by PFG, and paid by the Platform Client, in the same manner as described above.

#### **B. Potential Conflicts of Interest**

The Platform Strategies Payments received by PFG create potential conflicts of interest, as the amounts received may influence (i) PFG's decision of which Platform Strategists or Platform Investment Products to offer on the Platform, (ii) which securities may be included in a Platform Model Portfolio or a Platform Multi-Mandate Portfolio by a Platform Strategist, or (iii) which Platform Investment Products may be selected or recommended for a Platform Client's Account, by the Platform Advisor.

To mitigate these potential conflicts of interest, the annual Platform Fee of 0.45% is reduced by the amount of the annual Strategist Payment received by PFG, on account of a Platform Client's assets invested with such Strategist, resulting in the Reduced Platform Fee. In addition, PFG provides disclosure of such payments and the potential resulting conflicts of interest in PFG's ADV Part 2A, so that Solicitors and Platform Clients can make fully informed decisions. Further, the Solicitor is responsible to provide the Platform Client with appropriate disclosure of Platform Strategies Payments received by PFG. For additional information regarding these potential conflicts of interest, see below under ***Item 14, Client Referrals and Other Compensation***.

#### **C. Platform Advisory Fee**

For services provided to the Platform Client by the Platform Advisor, the Platform Client pays the Platform

Advisor such fee as agreed to by the Platform Advisor and the Platform Client (“Platform Advisory Fee”). PFG bills the Platform Client for the Platform Advisory Fee, in the same fashion as Platform Clients are billed for the Platform Fee; except that, PFG collects the Platform Advisory Fee on behalf of the Platform Advisor, and pays such Fee to the Platform Advisor. Platform Clients should carefully review the investment management agreement executed between the Client and the Platform Advisor, as well as the Platform Advisor’s ADV Part 2A - Disclosure Brochure, for a full description of the services to be provided by the Platform Advisor to the Platform Client.

***D. Platform Strategist Fee***

The Platform Strategist Fee, when applicable, is billed and collected, on behalf of a Platform Strategist, in the same manner as described above, where PFG is acting as Investment Manager.

***E. Other Fees***

Other Fees paid by Platform Clients, where PFG serves as Sub-Advisor, are the same as the Other Fees described above, where PFG serves as Investment Manager. As noted above, shares of mutual funds or ETFs purchased in a Platform Client’s account are subject to investment advisory fees and other expenses, including 12b-1 fees, which are paid by the funds and ETFs, and which are indirectly charged to all holders of shares of the funds and ETFs, all as described in each fund’s or ETF’s prospectus and statement of additional information. Where PFG is acting as Sub-Advisor, Platform Clients with mutual funds or ETFs in their portfolios are effectively paying PFG, the Platform Advisor and the mutual fund or ETF manager for the management of their assets.

**3. The Platform: Minimum Account Size and Fees**

Whether acting under an Investment Management Agreement or a Sub-Advisor Agreement, PFG requires the following account level minimums:

<b>Strategy</b>	<b>Account Minimum</b>
Fund Account	\$10,000
Fund Strategist Portfolio (FSP)	\$25,000 - \$50,000
Unified Managed Account (UMA)	\$50,000
Multi-Mandate Model	\$200,000
Separately Managed Account	\$250,000 to \$500,000 based on manager minimums

When allocating to multiple Investment Products within a UMA, minimums for each Product still apply. PFG may charge a quarterly surcharge of \$25 to accounts that do not meet the minimum. In addition, PFG may remove accounts from the Platform at any time if an account balance is below the account minimum due to withdrawals or inadequate funding. PFG may reduce or waive the account minimum and/or surcharge at its sole discretion.

Historically, PFG provided Platform Advisors, Solicitors and Platform Clients with access to Dimensional Fund Advisors (“DFA”) Funds. However, PFG is no longer able to offer DFA Funds to Clients of new Platform Advisors or new Solicitors. DFA Funds remain available to Platform Advisors and Solicitors that were initially offered access to DFA Funds on the Platform. In addition to the minimum account sizes noted above, PFG suggests that portfolios investing in DFA Funds maintain a minimum additional contribution of at least \$20,000, as the custodians generally charge \$25 for trades in DFA Funds.

**4. The Platform: Additional Fee Information**

Unless indicated otherwise, all fees stated above, whether PFG is acting under an Investment Management

Agreement or a Sub-Advisor Agreement, reflect PFG's maximum fees for Platform Services. PFG reserves the right to charge fees that are lower depending on the assets in a Platform Client's account and the services that will be provided to a Platform Client. In addition, PFG may change the fees it charges, upon providing each Platform Client with thirty (30) days written notice prior to the change taking effect.

## **5. Third-Party Platforms**

For providing Third Party Platforms with a license to utilize various aspects of PFG's Platform, PFG is paid a fee that is negotiated between PFG and the Third Party Platform provider. The amount of the fee is based on a variety of factors, including the extent of services licensed by the Third Party Platform provider; the scope of services provided by PFG, in support of the Third Party Platform; the number of end investors, and the size of their investment accounts, utilizing the Third Party Platform; and other factors bearing on the relationship between PFG and the Third Party Platform Provider.

In a few instances, PFG provides multi-mandate models to a Third Party Platform provider, for the provider to offer to their clients. Under that circumstance, PFG charges an annual fee of up to 0.25%, based on the assets invested in such multi-mandate models. PFG does not compute fees or deduct fees from the end investor's custodian account on Third Party Platforms. Instead, the Third Party Platform provider (or their administrator) handles the collection of fees and pays PFG one-fourth of PFG's annual fee, on a quarterly basis.

## **6. Termination of Services**

### **A. Investment Management Agreement between PFG and a Platform Client**

Either PFG or a Platform Client may terminate the Investment Management Agreement at any time without cause by giving written notice of such termination to the other party; provided, however, in the event of termination by the Platform Client, any investment action taken by PFG regarding the Client's account prior to the effective date of such termination will be at the Client's risk. Upon termination, PFG will not liquidate the Platform Client's assets unless and until PFG's receives written instruction to do so from the Platform Client. In the event a Platform Client terminates the Investment Management Agreement and requests that their account(s) be fully liquidated, it might take PFG a number of days or more to sell all the securities in the account(s) due to market conditions at the time. Upon termination, the Platform Client will be responsible for the Total Client Fee, any Strategist Fee and all other applicable fees, up to and including the effective date of termination. Any unearned, prepaid fees will be promptly refunded to the Client.

In the event of a Client's death or disability, PFG will continue to manage the account until PFG is notified of the Client's death or disability and given alternative instructions by an authorized party.

### **B. Sub-Advisor Agreement between PFG and a Platform Advisor**

Either PFG or a Platform Advisor may terminate the Sub-Advisor Agreement upon sixty (60) days written notice to the other party. In addition, either party may terminate the Agreement if the other party is in material violation of any SEC, FINRA, banking or other such regulation, or materially breaches the Agreement and fails to remedy such violation or breach within ten (10) days of written notice from the party that intends to terminate the Agreement. Upon termination, PFG will not liquidate the Platform Client's assets unless it receives written instruction to do so from the Platform Advisor. Any unearned, prepaid fees will be promptly refunded to the Platform Client.

### **C. Third Party Platforms**

Where PFG is licensing certain rights in their Platform to a Third party Platform, end investors will need to contact their investment advisor on the Third Party Platform if they would like to terminate services. Once the advisor receives written notice from the end investor, PFG or the advisor on the Third Party Platform

will refund any prepaid, unearned fees based on the effective date of termination.

## **7. Distribution of RiskPro®**

PFG receives compensation, in connection with the distribution of RiskPro®, from a variety of sources. In some instances, payments are made by Financial Intermediaries. The amount of fees are subject to negotiation, based on a number of factors, including: (i) the extent of customization of RiskPro® required by the Financial Intermediary; (ii) the number of Financial Intermediaries using RiskPro®; (iii) the total assets under management, or the total number of client accounts, of Financial Intermediaries using RiskPro®; (iv) the length of the term of contract between PFG and the Financial Intermediary; or (v) other factors that bear on the services provided by PFG to the Financial Intermediary. PFG may also receive payments for research services provided by PFG to Financial Intermediaries that utilize RiskPro®. The amount of such payments are negotiated on a case by case basis.

In addition, PFG receives compensation or reimbursement from RiskPro® Strategists and/or RiskPro® Featured Products, for services provided by PFG in connection with providing information about such Strategists and such Featured Products to Financial Intermediaries, through RiskPro®. These payments give rise to potential conflicts of interest for PFG, which are described below, in *Item 10, Other Financial Activities and Affiliations*.

## **8. New Pacific RiskPro® Funds**

For the charges and expenses of investing in each of the Funds, please review the Funds' Prospectus. The minimum initial investment to open a Fund account is \$1,000, and the minimum subsequent investment is \$250, though each Fund reserves the right to waive any investment minimum.

For providing TPGF's clients with management services in connection with the Managed Strategist Programs, which consist of the Funds, the only fees received by TPGF, or by its affiliate PFG, are the investment advisory fees paid by the Funds to PFG.

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

PFG does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a Client.

## **ITEM 7 - TYPES OF CLIENTS**

PFG offers Platform Services to affiliated and non-affiliated Platform Advisors and their Clients, and to Solicitors and their Clients. Platform Clients typically include individuals, high net worth individuals, trusts and estates, individual participants of retirement plans, profit sharing plans, charitable organizations and businesses. Platform Clients are typically introduced to PFG by Solicitors. For information on Minimum Account Sizes for Platform Clients, see *Item 5, Fees and Compensation*.

In connection with the distribution of RiskPro®, PFG provides services to a variety of Financial Intermediaries, including registered investment advisors, broker/dealers and other financial professionals. PFG may also distribute RiskPro® to Financial Intermediaries through service providers, which agree to assist PFG in the distribution of RiskPro®.

PFG also provides investment management services to the New Pacific RiskPro® Funds.



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

### 1. The Platform: Methods of Analysis and Investment Strategies

#### A. Platform Strategists

PFG enters into written agreements with Platform Strategists, who agree to develop various Platform Investment Products. PFG's Platform is designed to provide Platform Advisors, Solicitors and Platform Clients with access to a number of different Platform Strategists. Accordingly, PFG permits each Platform Strategist to utilize their own methods of analysis and investment strategies. In certain instances, on the MMS platform, PFG leverages existing strategist model portfolios through our technology and trading service provider rather than contracting directly with the strategist. PFG conducts due diligence and monitors these strategist models on an ongoing basis.

In most instances, PFG limits the number of Platform Investment Products available for purchase and sale on behalf of Platform Clients. When selecting Platform Strategists and Platform Investment Products to be available on the Platform, PFG reviews key characteristics, such as historical performance, consistency of returns, risk level, expenses, size of a mutual fund or ETF, and liquidity of ETFs (average daily volume). In addition, PFG reviews other characteristics, such as team stability, process and style consistency and portfolio risk profiles. PFG also draws upon the experience of PFG's management personnel to make qualitative but equally important assessments of an organization's business and management skills, leadership abilities and judgment. As part of the review process, PFG may use various sources of information, including data provided by Morningstar.

PFG makes information about the qualifications, investment philosophies, policies and performance of Platform Strategists and Platform Investment Products available to Platform Advisors, Solicitors and Platform Clients. Generally, once a Platform Investment Product is developed by a Platform Strategist, PFG will monitor and review the holdings, overall allocation and performance. PFG also monitors Platform Investment Products for changes, or rebalancing, made by Platform Strategists to the allocation or securities held in Platform Investment Products.

#### B. Market Movement Solutions

In constructing portfolios for Clients on the Market Movement Solutions Platform, PFG uses an investment strategy that is based on the view that market movement typically has a significant impact on the variation of portfolio returns. Under this investment approach, PFG believes that it is useful, in constructing a portfolio, to understand which investments are more or less impacted by market movement. To assist in that process, PFG categorizes Platform Investment Products into three distinct allocations:

- Market Movement Allocation: Platform Investment Products that closely track the broad movement of stock and/or bond markets, or a blend of the two.
- Tactical Market Movement: Platform Investment Products that seek to adjust opportunistically the total level of risk in the portfolio or allocations to various asset classes. These Investment Products will track market movement to varying degrees, depending on the strategy and market environment.
- Market Movement Diversifier: Platform Investment Products that may delink from general market movement and may provide additional diversification.

#### C. Portfolio Construction

When PFG is acting pursuant to an Investment Management Agreement, PFG will typically construct

portfolios, with the assistance of the Solicitor, based on the three distinct allocations, described above. In addition, PFG and the Solicitor typically rely on RiskPro®, as part of the investment decision-making process, to construct portfolios that are designed to match the Platform Client’s Risk Profile. A Platform Client’s portfolio usually includes one or more Platform Investment Products: Platform Funds; Platform Model Portfolios; Platform Multi-Mandate Models; and/or Platform SMAs. In some instances, by agreement, PFG may purchase and sell, or provide Solicitors with access to purchase and sell, Other Platform Products on behalf of Platform Clients.

PFG does not generally purchase Platform Investment Products for Platform Client portfolios with the intent to sell the Platform Investment Product within thirty (30) days of purchase, as PFG does not use short-term trading as an investment strategy. However, there may be times when PFG will sell a Platform Investment Product that has been held for less than thirty (30) days, if circumstances warrant such action. If a Platform Strategist utilizes short-term trading as an investment strategy, that strategy will be clearly disclosed by the Platform Strategist.

When acting as a Sub-Advisor to a Platform Advisor, the Impersonal Investment Advice provided by PFG is based on the same approach, as described in this section.

## **2. The Platform: Investing Involves Risk**

PFG’s goal is to recommend or construct portfolios for Platform Clients that will enable Client assets to grow over time. Investments in securities, however, involves risk, and Platform Clients may lose money on their investments. There is no guarantee that PFG’s investment strategy, based on three distinct allocations, will be successful. Similarly, investments in all Platform Investment Products, such as Platform Model Portfolios and Platform Multi-Mandate Models, involve risk, including the loss of a Platform Client’s initial investment. Neither PFG nor any Platform Strategist can provide any assurance that any of the Platform Investment Products will provide positive returns over any period.

Prior to opening an account on the Platform, a Client should carefully consider:

- Committing to management only those assets that the Platform Client believes will not be needed for current purposes, and that can be invested on a long-term basis, usually a minimum of five to seven years;
- Volatility from investing in the stock market is likely to occur; and
- Over time, the Platform Client’s assets will fluctuate in value, and may be worth more or less than the amount invested, at any point in time.

## **3. The Platform: Specific Security Risks**

### **A. General Risks of Owning Securities**

The prices of securities held in Platform Client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of mutual funds, ETFs, Platform Model Portfolios, Platform Multi-Mandate Models and Platform SMAs in a Platform Client’s account; conditions affecting the general economy; and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

### **B. Mutual Funds and ETFs**

PFG frequently uses mutual funds and ETFs (collectively, “Funds”) in constructing Platform Client portfolios. For example, Platform Model Portfolios and Platform Multi-Mandate Models typically consist

of Funds. Funds are subject to investment advisory fees and other expenses, which are paid by the Fund and indirectly paid by the Platform Client. As a result, the cost of investing in a Fund will be higher than the cost of investing directly in the underlying securities owned by the Fund.

ETFs are listed on national stock exchanges and are traded like stocks listed on an exchange. ETF shares may trade at a discount or a premium in market price if there is a limited market in such shares. Investments in ETFs are also subject to brokerage and other trading costs.

Each Fund is subject to specific risks, depending on its investments. For example:

- i. *Equity Funds.* The net asset value of an equity Fund will fluctuate based on changes in the value of the securities in which that Fund invests. Equity securities are more volatile and carry more risk than some other forms of investment. The price of equity securities may rise or fall because of economic or political changes. Stock prices in general may decline over short or even extended periods of time, and tend to be more volatile than other investment choices. Market prices of equity securities in broad market segments may be adversely affected by a prominent issuer having experienced losses or by the lack of earnings or such an issuer's failure to meet the market's expectations with respect to new products or services, or even by factors wholly unrelated to the value or condition of the issuer, such as changes in interest rates.
- ii. *Fixed Income Funds.* The net asset value of a fixed income Fund, or bond Fund, will fluctuate with changes in interest rates. Typically, a rise in interest rates causes a decline in the value of bond Funds. In general, the market price of debt securities with longer maturities will increase or decrease more in response to changes in interest rates than shorter-term securities. Other risk factors include credit risk, maturity risk, market risk, extension risk, illiquid security risks, foreign securities risk, prepayment risk and investment-grade securities risk. These risks could affect the value of a particular investment owned by a fixed income Fund, possibly causing the Fund's share price and total return to be reduced and fluctuate more than other types of investments. In addition, fixed income Funds may invest in what are sometimes referred to as "junk bonds." Such securities are speculative investments that carry greater risks and are more susceptible to real or perceived adverse economic and competitive industry conditions than higher quality debt securities.
- iii. *Alternative Investment Strategy Funds.* Alternative Funds typically seek to provide investment returns that demonstrate a lower correlation with traditional investments such as stocks and bonds. These Funds seek to invest in unique opportunities or investment strategies and may exhibit unique asset allocation structures, which may include stocks, bonds, cash, and derivative investments ("derivatives"). Derivatives, such as futures and/or options, are investments with performance and/or valuations that are derived from another underlying security. Derivative instruments involve risks different from direct investments in the underlying assets, including: imperfect correlation between the value of the derivative instrument and the underlying assets; risks of default by the other party to the derivative instrument; risks that the transactions may result in losses of all or in excess of any gain in the portfolio positions; and risks that the transactions may not be liquid. Because there are many different types of alternative investment strategies, alternative funds can vary dramatically in their risks and rewards. Examples of alternative Funds include but are not limited to Managed Futures, Global Macro, Global Tactical Asset Allocation, and Arbitrage.
- iv. *Leveraged and Inverse Funds.* Leveraged Funds may deliver a more significant outperformance and/or more significant losses related to the benchmark they track. Such leverage causes the Fund's shares to be more volatile than if the Fund did not use

leverage. Inverse Funds seek to deliver the opposite of the performance of the index or benchmark they track, in some cases along with the use of leverage. In many cases these vehicles are designed to achieve the performance multiple on a daily basis and their performance over a longer period of time which might be substantially greater or substantially worse than the index or benchmark. It is important to note that such investment vehicles are generally used in active trading strategies and may offer a greater degree of risk than other investment vehicles.

- v. *Funds that Invest in Foreign Securities and American Depositary Receipts (ADRs)*. An ADR is a stock that trades in the United States but represents a specified number of shares in a foreign corporation. ADRs are subject to risks of investing in foreign securities, including, but not limited to, less complete financial information available about foreign issuers, less market liquidity, more market volatility, and political instability. In addition, currency exchange-rate fluctuations affect the U.S. dollar-value of foreign holdings. Some ADRs and ordinary shares of foreign securities pay dividends, and many foreign countries impose dividend withholding taxes up to 30%. Depending on a custodian's ability to reclaim any withheld foreign taxes on dividends, taxable accounts may be able to recoup a portion of these taxes by use of the foreign tax credit. However, tax-exempt accounts, to the extent they pay any foreign withholding taxes, may not be able to utilize the foreign tax credit. Therefore, investors may be unable to recover any foreign taxes withheld on dividends of foreign securities or ADRs.

#### **4. New Pacific RiskPro® Funds**

In managing the level of investment risk of each of the Funds, PFG uses RiskPro®, a software technology that provides an estimate of the maximum range of gain or loss of a portfolio of securities over a forward-looking rolling twelve-month period. The higher the RiskPro® estimate, the greater the level of volatility that the Fund may experience over a twelve-month period. As a result, investors should consider investments that are designed to be aligned with their level of comfort with investment risk. RiskPro's algorithms® take into account, among other factors, the volatility of the portfolio over the prior twelve months; a comparison of the portfolio's volatility over the prior twelve-month period, to the volatility of the S&P 500 Index; and the long-term volatility of the S&P 500 Index. As a point of comparison, RiskPro® estimates the gain or loss on the S&P 500, over a twelve-month period, could exceed more than 37%, based on its historical volatility.

For several of the Funds, PFG uses research services provided by an independent asset manager. This approach may result in some or all of the Funds investing in at least 80% of the Fund's net assets in mutual funds advised by a single asset manager, increasing the investment risk of that Fund. The method of analysis and investment strategy for each of these Funds shall be determined principally by the independent asset manager.

In addition, PFG will use PFG's proprietary investment analysis called "Rational Analysis™." PFG's "Rational Analysis™" investment approach relies on Fundamental Analysis, Technical Analysis, and Quantitative Studies in selecting positions.

- **Technical Analysis:** This method attempts to forecast future price movement by analyzing historical price patterns.
- **Fundamental Analysis:** This method is used to evaluate what a security's intrinsic value should be by examining related economic, financial, and other qualitative and quantitative factors. The outcome of this analysis can then be compared to the security's current value to determine if it is over or underpriced.

- **Quantitative Analysis:** This method analyzes historical price patterns and relationships between securities in an effort to create an optimal portfolio, which is the highest level of expected return for each level of risk.

Rather than using one of the above methods exclusively, PFG integrates the optimal elements of each method into a “Rational” decision-making model.

Investing in the Funds involves inherent risk, including the potential for loss of principal.

**IMPORTANT:** The projections or other information generated by RiskPro® regarding the likelihood of various outcomes are hypothetical in nature, do not reflect actual investment results and are not a guarantee of future results. Further, RiskPro® does not take into account (i) fees and expenses, such as advisory, custodial and other expenses; (ii) the impact of active management; or (iii) the potential impact of extreme market conditions. As a result, actual results may differ significantly. RiskPro® does not provide investment advice or recommendations to purchase specific securities or specific Funds.

## ITEM 9 - DISCIPLINARY INFORMATION

PFG and its personnel seek to maintain the highest level of business professionalism, integrity, and ethics. PFG does not have any disciplinary information to disclose.

## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### 1. Registered Representative of Unaffiliated Broker-Dealer

Nicholas Scalzo is a registered representative of Capital Investment Group, Inc. (CRD# 14752) (“CIG”), a non-affiliated broker-dealer and a member of the Financial Industry Regulation Authority. Nicholas Scalzo may receive compensation, commissions and/or trailing 12b-1 fees from CIG for services provided to CIG’s brokerage clients. However, Nicholas Scalzo does not receive any compensation, commissions and/or trailing 12b-1 fees relating to services provided to PFG’s Platform Clients.

Jason Luhan is a registered representative of WestPark Capital, Inc. (CRD# 5483636), a non-affiliated broker-dealer and a member of FINRA. Jason Luhan does not receive any compensation, commissions and/or trailing 12b-1 fees relating to services provided to PFG’s Clients.

### 2. Related Investment Advisors

PFG is a related entity of Claremont Financial Group, Inc. (“Claremont”), an SEC registered investment advisor. Nicholas Scalzo, Co-CEO of TPF, PFG and ProTools, and Gaetan Scalzo are Managing Managers of Pacific Holdings, the owner of PFG, jointly own Claremont. Claremont provides investment services to retail clients. Claremont’s services include asset allocation strategies, investment and asset management strategies and financial planning services for a fee. Claremont has entered into a written agreement with PFG in order to provide its clients with PFG’s Platform Services. Claremont may utilize RiskPro® in assisting Claremont clients in selecting a Risk Profile and in constructing portfolios for Claremont clients.

PFG is a related entity of TPF (The Pacific Financial Group, Inc.), an SEC investment advisor that is wholly owned by Pacific Holdings, LLC. TPF invest assets on behalf of clients of TPF in Managed Strategist Programs, consisting of the New Pacific RiskPro® Funds. The New Pacific RiskPro® Funds will offer investors access to the investment skills of independent asset managers, to supplement the skills of PFG and TPF. The New Pacific RiskPro® Funds will also enable investors to select Managed Strategist Programs

that are more closely aligned with their level of comfort with investment risk.

### **3. ProTools (RiskPro®)**

ProTools is an affiliate of PFG, as both ProTools and PFG are wholly owned by Pacific Holdings. ProTools is a software company and the developer of RiskPro®, a web-based, risk profiling, portfolio construction and surveillance tool used by Financial Intermediaries.

PFG has entered into an agreement with ProTools whereby PFG has the exclusive right to distribute RiskPro® to Financial Intermediaries. For a description of the fees and other compensation received by PFG from Financial Intermediaries, in connection with the distribution of RiskPro®, see *Item 5, Fees and Compensation*.

In addition, RiskPro® is used by PFG in managing the investment risk of the New Pacific RiskPro® Funds. For a description of the New Pacific RiskPro® Funds, see *Item 4, Advisory Business, and Item 5, Fees and Compensation*.

#### **A. Compensation or Reimbursement of PFG**

PFG's agreement with ProTools grants PFG the exclusive right to provide Financial Intermediaries with information about RiskPro® Featured Products included on RiskPro®. Typically, PFG receives compensation or reimbursement from a RiskPro® Strategist, for the opportunity to be featured on RiskPro® and for other services provided by PFG when RiskPro® is utilized by a Financial Intermediary to purchase a RiskPro® Featured Product. In some instances, the payment to PFG may be made by the RiskPro® Featured Product, for services provided by PFG for the benefit of the shareholders of, or investors in, the RiskPro® Featured Product. Such payments to PFG may create conflicts of interest, which are described below.

#### **B. Potential Conflicts of Interest**

Potential conflicts of interest may arise in those instances in which PFG receives compensation or reimbursements, in connection with the distribution of RiskPro®, other than from Financial Intermediaries that use RiskPro®. Payments to PFG by RiskPro® Strategists or RiskPro® Featured Products may influence: (i) PFG's decision of which RiskPro® Investment Products to feature on RiskPro®; or (ii) which mutual funds or ETFs will be part of a RiskPro® Investment Product. Further, payments to PFG may impact PFG's dealing with Financial Intermediary's that utilize RiskPro®, which in turn, may impact the Intermediary's or the Intermediary's clients' selection of RiskPro® Investment Products.

In order to mitigate these potential conflicts of interest, PFG provides disclosure to Financial Intermediaries of the types of payments received by PFG and its affiliates, in connection with the distribution of RiskPro®, and the potential resulting conflicts of interest, so that Intermediaries may make fully informed decisions. For example, disclosure typically appears: (i) in the agreements between PFG and the Financial Intermediary, regarding information about RiskPro® Featured Products provided by PFG to the Intermediary; and (ii) in PFG's ADV Part 2A.

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

### **1. Code of Ethics**

#### **A. PFG's Platform and the New Pacific RiskPro® Mutual Funds**

When serving Platform Clients under an Investment Management Agreement or a Sub-Advisor Agreement, and when serving as investment adviser to the Funds, PFG recognizes that Platform Clients and the Funds are owed the highest level of trust and fair dealing. As part of PFG's fiduciary duty, PFG places the interests of Platform Clients and the Funds ahead of the interests of the company and PFG's personnel. All persons associated with PFG are required to conduct themselves with integrity at all times and follow the principles and policies detailed in the Code of Ethics. The Code was developed to provide general ethical guidelines and specific instructions regarding PFG's duties to Platform Clients and to the Funds. PFG and its personnel owe a duty of loyalty, fairness and good faith towards each Platform Client and each Fund. It is the obligation of PFG associates to adhere not only to the specific provisions of the Code, but also to the general principles that guide the Code. The Code of Ethics covers a range of topics that include: general ethical principles, reporting personal securities trading, initial public offerings and private placements, reporting ethical violations, review and enforcement processes, and supervisory procedures. PFG wrote the Code of Ethics to meet and exceed regulatory standards. To request a copy of PFG's Code of Ethics, please contact PFG at (714) 427-5800.

### ***B. Distribution of RiskPro®***

When distributing RiskPro® to Financial Intermediaries, PFG expects its personnel to conduct themselves with integrity at all times and follow the principles and policies detailed in the Code of Ethics. This includes the obligation to disclose to Financial Intermediaries any material conflicts of interest.

## **2. Personal Trading**

PFG allows its employees to purchase or sell the same securities that may be recommended to, or purchased on behalf of, Platform Clients or the New Pacific RiskPro® Mutual Funds. Owning the same securities that PFG recommends (to purchase or to sell) to Platform Clients, or that PFG purchases or sells on behalf of the Funds, presents a potential conflict of interest that, as fiduciaries, PFG is obligated to disclose, and to mitigate through policies and procedures. As noted above, PFG adopted, consistent with Section 204A of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), a Code of Ethics, which addresses personal securities reporting procedures.

All employee trades are monitored by management of PFG to ensure that they are in compliance with SEC regulations. Duplicate statements and trade confirmations are received and maintained in the Compliance Department. All employees complete a quarterly Personal Trading report. Employees or associates of PFG are prohibited from soliciting sales or giving investment advice on closely held securities, thinly traded securities, or any securities in which they have a material interest. No securities are placed in client accounts in which any employees or associates of PFG have a material interest or are thinly traded or closely held. **At no time will PFG, or any associated person of PFG, transact in any security to the detriment of any Platform Client or a Fund.**

PFG also adopted written policies and procedures to detect insider trading and the misuse of material, non-public information. On an annual basis, all employees are required to sign PFG's Code of Ethics, in which they acknowledge their duty of loyalty to the firm's clients and their placing the clients' interests first and foremost before their own. By signing this document, all employees also acknowledge that they will not participate in insider trading, that they will keep client information confidential, and that they will report their trading activity and holdings. PFG's Code provides for oversight, enforcement and recordkeeping provisions. A copy of the Code of Ethics may be requested by contacting the Compliance Officer for PFG at 800-735-7199.

For Financial Intermediaries using RiskPro®, PFG is generally unaware of trading by Financial Intermediaries on behalf of their clients, prior to or at the time of trading. Nevertheless, PFG's Code, with respect to reporting personal securities transactions, still applies.

### 3. Other Issues

PFG's Code of Ethics also governs Gifts and Entertainment given by, and provided to, PFG and its employees; outside employment activities of PFG's employees; sanctions for violations of the Code of Ethics; and records retention requirements for various aspects of the Code of Ethics. PFG does not act as principal in any transactions.

## ITEM 12 - BROKERAGE PRACTICES

### 1. PFG's Platform Services

#### A. Custodians for Platform Clients

PFG requires Platform Clients to open one or more custodian accounts in their own name at a custodian of the Platform Client's choice ("Custodial Broker"). For Platform Clients in need of brokerage or custodial services, PFG currently works with either Schwab Advisor Services™, a division of Charles Schwab & Co., Inc. ("Schwab"), Pershing Advisor Solutions ("Pershing"), Fidelity Institutional Services ("Fidelity") or TD Ameritrade Institutional ("TD Ameritrade"), as the Custodial Broker.

For Platform Clients introduced by a Platform Advisor, the Client may be required to use the Custodial Broker that is specified in the agreement between the Platform Client and the Platform Advisor. Under that circumstance, the Sub-Advisor Agreement between PFG and the Platform Advisor will identify the Custodial Broker to be used for trade execution.

For Platform Clients introduced by a Solicitor, the Client may be required to use the Custodial Broker recommended by Solicitor's broker-dealer. The Platform Client enters into a separate agreement with the Custodial Broker to custody the assets. PFG is unaffiliated with any Custodial Broker.

PFG does not place trades directly for Platform Clients, but uses a third party service provider to place trades for execution. Typically, trades are placed with the Platform Client's Custodial Broker, unless indicated otherwise below.

#### B. Factors Considered in Selecting Broker-Dealers for Platform Client Transactions

PFG will provide information to Platform Advisors or Solicitors regarding third-party Custodial Brokers that are available for the custody of the Platform Client's cash and/or securities. Factors that are considered by PFG in determining the Custodial Brokers about which PFG will provide information about include, but are not limited to, the reasonableness of commissions, product availability, and research and other services available to both the Platform Client and PFG. The decision to select a Custodial Broker for a Platform Client is typically made by the Platform Client, together with their Platform Adviser or Solicitor.

#### C. Research and Other Benefits from Platform Custodial Brokers

PFG may receive from particular Custodial Brokers, without cost (or at a discount), support services and/or products that benefit PFG but may not directly benefit all Platform Clients' accounts. Custodial Brokers make available products and services that may be used to service all or some substantial number of PFG Platform Client accounts, including accounts not maintained with these brokers. Platform Client trades are not directed to broker-dealers to generate research credits or payments for services, which are referred to as "soft dollars".



However, Custodial Brokers make products and services available to PFG that assist PFG in managing and administering Platform Clients' accounts, including software and other technology that:

- Provide access to Platform Client account data (such as trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple Platform Client accounts;
- Provide research, pricing and other market data;
- Facilitate payment of PFG's fees from Platform Clients' accounts; and
- Assist with back-office functions, recordkeeping and reporting for Platform Clients.

Pershing, Schwab, Fidelity and TD Ameritrade offer other services intended to help PFG manage and further develop PFG's business enterprise. These services may include:

- Compliance, legal and business consulting;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants and insurance providers.

A Custodial Broker may discount or waive fees it would otherwise charge for some of these services of a third-party providing these services to PFG. Custodial Brokers may also provide other benefits such as educational events to PFG.

As part of PFG's fiduciary duty to Platform Clients, PFG endeavors at all times to put the interests of Platform Clients first. Platform Clients should be aware, however, that the receipt of economic benefits by PFG or its personnel in and of itself creates a potential conflict of interest and may indirectly influence PFG's determination of which Custodial Brokers PFG may provide information about.

#### **E. Aggregation and Allocation of Transactions for Platform Clients**

Transactions by a Custodial Broker for Platform Clients in the same securities are generally aggregated for the purpose of obtaining best execution, negotiating more favorable commission rates, or allocating equitably among PFG's Platform Clients the differences in prices and commission or other transaction costs that might not have been obtained had such orders been placed independently. No Platform Client will be favored over any other Client, and each account that participates in an aggregated order will participate at the average share price (per Custodial Broker) for all transactions in that security on a given business day. Trades of PFG's personnel are not aggregated with those of Platform Client accounts, unless PFG's personnel have personal accounts that are managed by PFG through the Platform, as those accounts are considered to be Platform Client accounts and generally treated the same as other Platform Client's accounts.

Aggregated transactions will be allocated among accounts in writing before the aggregated transaction is transmitted to a Custodial Broker for execution ("Pre-Allocation Statement"). If the aggregated transaction is filled in its entirety, it will be allocated among the accounts listed on the Pre-Allocation Statement. If an aggregated transaction is only partially filled, it will generally be allocated on a *pro rata* basis. However, the transaction may be allocated on a basis different from that specified in the Pre-Allocation Statement in both cases (filled entirely or partially filled) so long as all Platform Client accounts participating in the aggregated transaction receive fair and equitable treatment and the reasons for the different allocation is explained in writing and received prior approval by the PFG's Chief Compliance Officer or designee.

#### **F. Directed Brokerage: Platform Clients**

The above disclosure outlines the brokers and custodians that PFG recommends. Platform Clients who

direct PFG to use a particular broker-dealer for all trading may pay higher commission charges. Under these circumstances, PFG may not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. Platform Clients should further understand that when they direct PFG to use a specific broker, disparity in transaction charges might exist between the transaction costs charged to other Platform Clients. PFG may not be able to aggregate orders to reduce transaction costs and Platform Clients who direct PFG to use a particular broker-dealer may receive less favorable prices.

Platform Advisor's may be dually registered as broker-dealers or affiliated with broker-dealers. Such Platform Advisors may direct PFG to place Platform Client transactions with their broker-dealer, subject to PFG's duty to seek best execution for Platform Client transactions. Under these circumstances, PFG will have an incentive to place all transactions with the directed broker-dealer in an effort to ensure continued Platform Client referrals from the Platform Advisor. Under these circumstances, PFG will generally place Platform Client transactions with the directed broker, unless PFG determines that a transaction should be executed by another broker-dealer in order to attempt to obtain best execution of the transaction.

## **2. New Pacific RiskPro® Funds**

In trading on behalf of the Funds, PFG will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help PFG in providing investment management services to all of PFG's clients. PFG may, therefore recommend (or use) the use of a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all of PFG's clients, and not all of such research may be useful for the account for which the particular transaction was effected.

Consistent with obtaining best execution for clients, PFG may direct brokerage transactions for clients' portfolios to brokers who provide research and execution services to PFG and, indirectly, to PFG clients. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment PFG's own internal research and investment strategy capabilities. This may be done without prior agreement or understanding by the client (and done at PFG's discretion). Research services obtained through the use of soft dollars may be developed by brokers to whom brokerage is directed or by third-parties which are compensated by the broker. PFG does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research we receive will help PFG to fulfill PFG's overall duty to our clients. PFG may not use each particular research service, however, to service each client. As a result, a client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Broker-dealers PFG selects may be paid commissions for effecting transactions for PFG clients that exceed the amounts other broker-dealers would have charged for effecting these transactions if PFG determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to its ('brokerage') discretionary client accounts.

Certain items obtainable with soft dollars may not be used exclusively for either execution or research services. The cost of such "mixed-use" products or services will be fairly allocated and PFG makes a good faith effort to determine the percentage of such products or services which may be considered as investment research. The portions of the costs attributable to non-research usage of such products or services are paid by PFG to the broker-dealer in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934.

When PFG uses client brokerage commissions to obtain research or brokerage services, PFG receives a benefit to the extent that PFG does not have to produce such products internally or compensate third-parties

with PFG's own money for the delivery of such services. Therefore, such use of client brokerage commissions results in a conflict of interest, because PFG has an incentive to direct client brokerage to those brokers who provide research and services PFG utilizes, even if these brokers do not offer the best price or commission rates for our clients.

PFG has a soft dollar arrangement with Ceros Financial Services, Inc. The soft dollar arrangement includes only actual trades within each of the Funds themselves. In most cases, the Funds are traded at least monthly, if not weekly, due to the current financial marketing conditions. There is continuous monitoring of the Funds which requires trading and rebalancing. The Fund administrator is Gemini Fund Services, LLC. The types of research services and products that PFG expects to obtain with soft dollars include:

- Earnings information and estimates
- Stock quote systems
- Trading systems
- Data feeds from stock exchanges
- Software programs for analysis and research
- Market data
- Seminars or conferences that provide substantive content relating to issuers, industries or securities
- Trade magazines and technical journals
- Proxy services
- Quantitative analytical software.
- Pre-trade and post-trade analytics

These services and products will permit PFG to supplement its own research and analysis.

PFG intends to conduct periodic soft-dollar reviews, analyzing price and commissions offered by the various brokers used and volume of client commissions directed to each broker. Moreover, PFG expects to perform a qualitative ranking of all brokers used by interviewing and/or polling PFG's trading staff.

Brokers that PFG selects to execute transactions may from time to time refer clients to PFG or to its affiliate, TPF. PFG will not make commitments to any broker or dealer to compensate that broker or dealer through brokerage or dealer transactions for client referrals; however, a potential conflict of interest may arise between the client's interest in obtaining best price and execution and PFG's interest in receiving future referrals.

## ITEM 13 - REVIEW OF ACCOUNTS

### 1. Review of Platform Strategists

PFG's principals continually monitor the Platform Strategists and Platform Investment Products. PFG will make changes (such as decisions to either hire or fire) Platform Strategists, or change Platform Investment Products, as PFG may deem appropriate. PFG will also implement any rebalancing to Platform Investment Products, based on instructions by such Platform Strategists, and as approved by PFG.

### 2. Review of Platform Clients' Accounts

PFG principals review Platform Client accounts, where PFG is acting under an Investment Management Agreement, on a periodic basis, but no less frequently than annually. In addition, the Platform Client's Solicitor is responsible for monitoring Platform Client Risk Profile, investment objectives and suitability, and communicating to PFG any changes in Platform Investment Products, as such Solicitor deems appropriate. Where PFG is acting under a Sub-Advisor Agreement, each Platform Advisor is responsible

for monitoring their Client's Risk Profile, investment objectives and suitability, and communicating to PFG any changes in Platform Investment Products, as such Advisor deems appropriate.

### **3. Account Reporting**

Each Platform Client receives a written statement from the Custodial Broker that includes an accounting of all holdings and transactions in the account for the reporting period. In addition, PFG provides Platform Clients, Platform Advisors and Solicitors other periodic reports that PFG makes available online. These reports include investment activity and performance, allocation of assets, appraisal, and fee reports.

### **4. New Pacific RiskPro® Funds**

PFG continually reviews and monitors each Fund's holdings in accordance with the investment objectives as detailed in the Funds' Prospectus.

Clients should refer to the Funds' Prospectus and SAI (Statement of Additional Information) for information regarding regular reports to the Funds by PFG. The Fund Prospectus and SAI are listed on PFG's website, [www.tegmms.com](http://www.tegmms.com).

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

### **1. Solicitors for Platform Services**

If an unaffiliated or an affiliated Solicitor introduces a Platform Client to PFG, PFG typically pays that Solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act, and any corresponding state securities law requirements.

If an unaffiliated Solicitor introduces a Platform Client to PFG, that Solicitor will disclose the nature of the Solicitor relationship with PFG at the time of the solicitation. In addition, the Solicitor will provide each prospective Platform Client with a copy of this Disclosure Brochure, and a copy of the written disclosure statement from the Solicitor to the Platform Client, disclosing the terms and conditions of the arrangement between PFG and the Solicitor, including the compensation the Solicitor will receive from PFG. Typically, the amount of the payment to the Solicitor will not exceed 1.50% per year. For additional information regarding the payments to Solicitors, see above under **Item 5, Fees and Compensation**. Any affiliated Solicitor of PFG will disclose the nature of the relationship to prospective Platform Clients at the time of the solicitation and will provide all prospective Platform Clients with a copy of this Disclosure Brochure.

The Solicitor typically serves as the primary relationship contact with the Platform Client. The Solicitor's responsibilities include:

- Platform Client Risk Profile. The Solicitor assists in determining the initial and ongoing Risk Profile for each Client, providing PFG with the required information to reasonably support the Client's Risk Profile, and working with the Client to select Platform Investment Products that are consistent with each client's Risk Profile;
- Platform Client On-Boarding. The Solicitor facilitates the on-boarding process for the Client, including supporting the Client in completing the new account opening paperwork, PFG's Investment Management Agreement, obtaining complete Risk Profile information and other information, as may be required;
- Platform Client Relationship. The Solicitor assists with receiving, ascertaining, forwarding and communicating any instructions to or from the Client and promptly providing copies of all required documentation to PFG; and

- **Platform Investment Product Changes.** The Solicitor facilitates changes in Platform Investment Products in connection with each Client and provide PFG with the required communications and documentation on such changes.

PFG may compensate certain wholesalers who support PFG in the distribution of its services. Wholesalers may contact third party investment advisors and discuss the services offered on PFG's Platform. Wholesalers receive compensation based on a percentage of the revenue that PFG receives from Platform Clients who are provided services by PFG because of the introductions that such wholesalers make to third party advisors. This practice presents a conflict of interest and could give the wholesaler an incentive to recommend PFG's services based on the compensation received rather than on the third party advisor's Client's needs. This conflict is mitigated as the Client's third party advisor will decide whether to recommend PFG's Platform to their Clients (not the wholesaler that PFG compensates).

## **2. Payments by Platform Strategists or Platform Investment Products**

In most instances, regardless of whether PFG enters into an Investment Management Agreement with a Platform Client, or enters into a Sub-Advisor Agreement with a Platform Advisor, PFG receives Platform Strategies Payments for services provided by PFG, in connection with making Investment Products available on the Platform.

These payments received by PFG from Platform Strategists and/or Platform Investment Products create potential conflicts of interest, as the amounts received may influence (i) PFG's decision of which Platform Strategists or Platform Investment Products to offer on the Platform, (ii) which securities may be included in a Platform Model Portfolio or a Platform Multi-Mandate Portfolio by a Platform Strategist, or (iii) which Platform Investment Products may be selected or recommended for a Platform Client's Account, by PFG, a Solicitor or a Platform Advisor.

To mitigate these potential conflicts of interest, PFG uses all, or a portion of, the these payments to reduce the Platform Fee paid by the Client, from the annual standard Platform Fee of 0.45% to the annual Reduced Platform Fee of 0.20%, on that portion of a Platform Client's assets that gave rise to such payments. In addition, PFG provides disclosure of such payments and the potential resulting conflicts of interest in PFG's ADV Part 2A, so that Platform Advisors, Solicitors and Platform Clients can make fully informed decisions.

## **3. Strategists Payments on Third Party Platforms**

PFG also receives payments from institutional strategists when end investors purchase a strategists' investment products on Third Party Platforms. These payments create potential conflicts of interest, which PFG mitigates by disclosing to the Third Party Platform provider the nature of the payments and the resulting potential conflicts of interest. Potential conflicts are further mitigated as the Third Party Platform provider, or the investment advisor on that Platform, provide investment advice to the end investor. PFG does not provide the end investor with Individualized Investment Advice.

## **4. Payments to Solicitors and Co-Advisors for TPFPG**

Financial Intermediaries serving as Solicitors or Co-Advisors (or both) refer clients to TPFPG and provide services to TPFPG clients. Frequently, TPFPG clients invest in Managed Strategist Programs created and managed by TPFPG, which consist of New Pacific RiskPro® Funds. Additional services provided by the Solicitor or Co-Advisor to the TPFPG client, who is also a Fund shareholder ("SH/Client") include: (i) assisting the SH/Client in determining their initial and ongoing Risk Profile, utilizing RiskPro®; (ii) helping the SH/Client in identifying Funds, or Managed Strategist Programs consisting of the Funds, which are consistent with the SH/Client's Risk Profile; and (iii) maintaining ongoing contact with the SH/Client to identify any changes in their Risk Profile and to determine whether the Funds and Managed Strategist

Programs in which the SH/Client is invested remain suitable.

For the services provided by the Solicitor or Co-Advisor, the client is obligated to pay a fee to the Solicitor or Co-Advisor; however, the fee is typically offset by fees paid to the Solicitor or Co-Advisor by the Funds, in the form of a Shareholder Services Fee and, if applicable, a Rule 12b-1 Distribution Fee. In addition, fees are paid by PFG from its own resources, or by TPFPG, to the Solicitor or Co-Advisor. The Solicitor or Co-Advisor will disclose the nature of their relationship with TPFPG at the time of referring the client to TPFPG. In addition, the Solicitor or Co-Advisor will provide each TPFPG client with a copy of TPFPG's Disclosure Brochure and PFG's Disclosure Brochure, along with a copy of a written disclosure statement, disclosing the terms and conditions of the arrangement between the Solicitor or co-Advisor and TPFPG, including the sources and the amount of compensation that the Solicitor or Co-Advisor will receive. The total amount of the payment to the Solicitor or Co-Advisor will not exceed 0.75% per year.

## ITEM 15 – CUSTODY

PFG has custody of Platform Clients' funds or securities *only* to the extent that Platform Clients authorize PFG to deduct its fees directly from the Platform Client's account[s]. A Custodial Broker (generally a broker-dealer, bank, trust company, or other financial institution) holds the Platform Client's funds and securities. Platform Clients will receive statements directly from their Custodial Broker at least quarterly. The statements will reflect the Platform Client's funds and securities held with the Custodial Broker, as well as any transactions that occurred in the account, including the deduction of PFG's fee.

Platform Clients should carefully review the account statements received from their Custodial Broker. When Platform Clients receive statements from PFG as well as from the Custodial Broker, Platform Clients should compare these two reports carefully. Clients with any questions about their statements should contact PFG at the address or phone number on the cover of this Disclosure Brochure. Platform Clients who do not receive their statement from their Custodial Broker at least quarterly should also notify PFG.

The Custodian for the New Pacific RiskPro® Mutual Funds is The Bank of New York Mellon.

## ITEM 16 - INVESTMENT DISCRETION

Under PFG's Investment Management Agreements, PFG has full discretion to decide and appoint Platform Strategists and to determine the specific security to trade, the quantity, and the timing of transactions for Platform Client accounts (with the exception of accounts invested in Platform SMAs) without notice to, or approval from each Platform Client. When serving under a Sub-Advisor Agreement, PFG is provided with a limited power of attorney, by the Platform Advisor and the Platform Client, to arrange for execution of trades and rebalancing of Platform Investment Products, as directed by the Platform Advisor. Under both arrangements, Platform Clients provide PFG with trading authority over their accounts when they sign the paperwork with the Custodial Broker. In the case of Platform SMAs, PFG delegates this discretionary authority to the Platform Strategist managing the separate account.

However, certain Client-imposed conditions may limit PFG's and the Separate Account Manager's discretionary authority, such as where the Platform Client prohibits transactions in specific security types or directs PFG to execute transactions through specific broker-dealers. See also *Item 12 – Brokerage Practices*, above.

Eligible Platform Client accounts are typically placed into a UMA structure, unless otherwise directed by the Client or its authorized agent (Platform Advisor or Solicitor). PFG will use its best efforts to implement instructions for new accounts that are received by PFG, in proper and complete form, within five (5) business days following the date the funds are received into the Platform Client's account. The Platform Advisor or Solicitor, as applicable, shall be responsible for validating that each new account for their Client

relationships are properly invested within three (3) days following the implementation. Please note that incomplete or incorrect account forms may result in a delay in implementing investment instructions. **PFG cannot implement instructions on any incomplete or incorrect forms.** PFG will use best efforts to resolve any issues on this new account form in a timely manner. **After 5 business days with no response to PFG's requests for assistance, PFG will consider the instructions to be void.**

PFG will rebalance accounts for Platform Clients, in accordance with the changes communicated to PFG by the Platform Strategists, subject to PFG's discretion. PFG has the authority to hire and fire the Platform Strategists and Separate Account Managers on the Platform. PFG will use its best efforts to provide Platform Advisors and Solicitors with reasonable advanced notice of any termination and the opportunity to select an alternative Platform Strategist.

As investment advisor to the New Pacific RiskPro® Funds , PFG has discretion to select the securities to purchase or sell on behalf of the Funds. Typically, PFG purchases shares of other mutual funds. For several of the Funds, PFG utilizes the research services of independent asset managers, in determining which mutual funds to buy or sell on behalf of the PFG Funds.

## ITEM 17 - VOTING CLIENT SECURITIES

### 1. Proxy Voting

#### A. Platform and Investment Advisory Clients

PFG does not have the authority to vote Platform Client securities (proxies) on behalf of Platform Clients and neither do the Platform Strategists. PFG has no obligation to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a Platform Client's account. Each Platform Client will have the obligation to vote proxies in their own account. PFG does not assume proxy-voting authority solely because PFG may provide information about a particular proxy vote to a Platform Client or a Platform Advisor.

#### B. New Pacific RiskPro® Funds

PFG has the authority to vote proxies on behalf of the securities held by the Funds. In most instances, however, the securities held by the Funds are other mutual funds, in which case the investment adviser that manages the assets of the mutual fund generally votes mirror proxies issued on securities held by the fund.

### 2. Class Actions

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

## ITEM 18 - FINANCIAL INFORMATION

Registered investment advisers are required in this item to provide Clients with certain financial information or disclosures about the firm's financial condition. PFG does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to Clients.

ADV 2B - Brochure Supplements



## **Part 2B of Form ADV: Brochure Supplement**

**Jennifer L. Enstad, CFA®**

2077 West Coast Highway Suite A  
Newport Beach, CA 92663  
(714) 427-5800

March 29, 2019

**This brochure supplement provides information about Jennifer L. Enstad that supplements Pacific Financial Group, LLC. Brochure. You should have received a copy of that Brochure. Please contact the PFG Compliance Department at 800.735.7199 or [Compliance@TPFG.com](mailto:Compliance@TPFG.com) if you did not receive a Brochure or if you have any questions about the contents of this supplement. Additional information about Jennifer L. Enstad is available of the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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

- Jennifer L. Enstad, CFA®, Chief Investment Officer
- Born: 1970

#### **Education:**

- University of Washington, Seattle, WA
- BA Business with a concentration in Finance (2002)

#### **Business Background:**

- The Pacific Financial Group, Inc., Bellevue, WA, Chief Investment Officer, January, 2018 - Present
- The Pacific Financial Group, Inc., Bellevue, WA, Senior Portfolio Manager, January, 2017 – January, 2018
- The Pacific Financial Group, Inc., Bellevue, WA, Portfolio Manager, March, 2006 – January, 2017
- The Pacific Financial Group, Inc., Bellevue, WA, Assistant Portfolio Manager, 2004 – March, 2006
- The Pacific Financial Group, Inc., Bellevue, WA, Analyst, 2002 – 2004
- The Pacific Financial Group, Inc., Bellevue, WA Head Trader, 1995 – 2002
- The Pacific Financial Group, Inc., Bellevue, WA, Administrative Assistant, 1990 – 1995

#### **Current Securities Examinations and Licenses:**

- Series 65 - Investment Adviser Representative

#### **Certifications:**

- Chartered Financial Analyst (CFA®) (2010) - The CFA program is a self-study graduate program consisting of three exam levels and takes on average four years to complete (on average 300 hours preparing for each level). Candidates must also have 48 months of

qualified work experience of which at least 50% must be directly involved in investment decision making or producing a product that impacts the investment decision making process.

**Item 3. Disciplinary Information**

- Ms. Enstad does not have any history of disciplinary events.

**Item 4. Other Business Activities**

- Ms. Enstad is a member of the Pacific Financial Group portfolio management team, an affiliate of PFG and does not engage in any other investment-related business or occupation not affiliated with PFG.

**Item 5. Additional Compensation**

- Ms. Enstad does not receive any additional compensation from third parties for providing investment advice to the firm's clients and does not compensate anyone for client referrals.

**Item 6. Supervision**

- Ms. Enstad is responsible for overseeing the portfolio management activities of the firm and is supervised by Jason Luhan, Chief Compliance Officer. The CCO is responsible for implementing the Firm's policies and procedures to include the policies and procedures governing the Portfolio Management group. Supervision is conducted through periodic reviews of the Portfolio Management Group's work product. The CCO can be reached at 866-583-8734 or by email at [jluhan@TPFG.com](mailto:jluhan@TPFG.com).

## Part 2B of Form ADV: *Brochure Supplement*

Eric J. Neufeld, CFA®

2077 West Coast Highway Suite A  
Newport Beach, CA 92663  
(714) 427-5800

March 29, 2019

**This brochure supplement provides information about Eric J. Neufeld that supplements the Pacific Financial Group, LLC. Brochure. You should have received a copy of that Brochure. Please contact the PFG Compliance Department at 800.735.7199 or [Compliance@TPFG.com](mailto:Compliance@TPFG.com) if you did not receive a Brochure or if you have any questions about the contents of this supplement. Additional information about Mr. Neufeld is available of the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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

- Eric J. Neufeld, CFA® Portfolio Manager
- Born: 1972

#### **Education:**

- James Madison University, Harrisonburg, VA
- Bachelor of Business Administration – Finance (1994)
- Suffolk University, Boston, MA
- Master of Business Administration – Finance (2008)

#### **Business Background:**

- The Pacific Financial Group, Inc., Bellevue, WA, Portfolio Manager, 2016 – Present
- The Pacific Financial Group, Inc., Bellevue, WA, Assistant Portfolio Manager, 2015 – 2016
- The Pacific Financial Group, Inc., Bellevue, WA, Investment Analyst, 2013 – 2015
- Fidelity Investment, Westlake, TX, Relationship Manager, 1998 - 2001
- Fidelity Investment, Westlake, TX, Project Manager, 1995-1998
- First Data Corporation, Atlanta, GA, Project Manager, 1995-1998
- SunAmerica Financial Group, New York, NY, 1995

#### **Current Securities Examinations and Licenses:**

- Series 65 - Investment Adviser Representative

#### **Certifications:**

- Chartered Financial Analyst (CFA®) (2013) - The CFA program is a self-study graduate program consisting of three exam levels and takes on average four years to complete (on average 300 hours preparing for each level). Candidates must also have 48 months of qualified work experience of which at least 50% must be directly involved in investment decision making or producing a product that impacts the investment decision making process.

**Item 3. - Disciplinary Information**

- Mr. Neufeld does not have any history of disciplinary events.

**Item 4. - Other Business Activities**

- Mr. Neufeld is a member of the Pacific Financial Group portfolio management team, an affiliate of PFG and does not engage in any other investment-related business or occupation not affiliated with PFG.

**Item 5. - Additional Compensation**

- Mr. Neufeld does not receive any additional compensation from third parties for providing investment advice to the firm's clients and does not compensate anyone for client referrals.

**Item 6. - Supervision**

- Mr. Neufeld is part of the Portfolio Management group and is supervised by Jason Luhan, Chief Compliance Officer. The CCO is responsible for implementing the Firm's policies and procedures to include the policies and procedures governing the Portfolio Management group. Supervision is conducted through periodic reviews of the Portfolio Management Group's work product to include trade instructions and strategy changes. The CCO can be reached at 866-583-8734 or by email at [jluhan@TPFG.com](mailto:jluhan@TPFG.com).

## Part 2B of Form ADV: *Brochure Supplement*

### Erwin Ma

2077 West Coast Highway Suite A  
Newport Beach, CA 92663  
(714) 427-5800

March 29, 2019

**This brochure supplement provides information about Erwin Ma that supplements the Pacific Financial Group, LLC. Brochure. You should have received a copy of that Brochure. Please contact the PFG Compliance Department at 800.735.7199 or [Compliance@TPFG.com](mailto:Compliance@TPFG.com) if you did not receive a Brochure or if you have any questions about the contents of this supplement. Additional information about Mr. Ma is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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

- Erwin Ma, Financial Analyst
- Born: 05/28/1981

#### **Education:**

- Indiana University; Bloomington, IN; Master of Science, Finance, 2013
- University of Washington; Seattle, WA; Bachelor of Science, Economics, 2003

#### **Business Background:**

- The Pacific Financial Group, Inc., Bellevue, WA, Financial Analyst, January 2017 - Present
- Morgan Stanley Wealth Management; Seattle, WA; Consulting Group Analyst; June 2013 – December 2016
- Ameriprise Financial; Seattle, WA; Paraplanner; August 2002 – May 2013

#### **Current Securities Examinations and Licenses:**

- Series 65 - Investment Adviser Representative

#### **Certifications:**

- Certified Investment Management Analyst (CIMA) – Investments Wealth Institute (fmr. IMCA) – Is a designation offered by the Investments and Wealth Institutes. Candidates must have three years of financial services experience, a satisfactory record of ethical conducts (as determined by the admissions committee) must successfully complete up to four days of classes and successfully pass the certification exam which consists of 140 questions over five hours.
- Chartered Financial Analyst (CFA<sup>®</sup>) Level II Candidate - The CFA program is a self-study graduate program consisting of three exam levels and takes on average four years to complete (on average 300 hours preparing for each level). Candidates must also have 48 months of qualified work experience of which at least 50% must be directly involved in investment decision making or producing a product that impacts the investment decision making process.

**Item 3. - Disciplinary Information**

- Mr. Ma does not have any history of disciplinary events.

**Item 4. - Other Business Activities**

- Mr. Ma a member of the Pacific Financial Group portfolio management team, an affiliate of PFG and does not engage in any other investment-related business or occupation not affiliated with PFG.

**Item 5. - Additional Compensation**

- Mr. Ma does not receive any additional compensation from third parties for providing investment advice to the firm's clients and does not compensate anyone for client referrals.

**Item 6. - Supervision**

Mr. Ma is part of the Portfolio Management team is supervised by Jason Luhan, Chief Compliance Officer. The CCO is responsible for implementing the Firm's policies and procedures to include the policies and procedures governing the Portfolio Management group. Supervision is conducted through periodic reviews of the Portfolio Management Group's work product to include trade instructions and strategy changes. The CCO can be reached at 866-583-8734 or by email at [jluhan@TPFG.com](mailto:jluhan@TPFG.com).