

Item 1 Cover Page

# FORM ADV PART 2A Brochure

March 28, 2023

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This Brochure provides information about the qualifications and business practices of Adero Partners, LLC (“Adero”). If you have any questions about the contents of this Brochure, please contact James M. Knight, our Chief Compliance Officer at 650-252-0550.

The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state authority. Additional information about Adero is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Adero as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## Item 2 MATERIAL CHANGES

This Item of the Brochure discusses only material changes that are made to the Brochure since the last annual update and provides clients with a summary of such changes.

Since the last annual update filing in March 2022, we had the following changes:

- In September 2022, Vista Wealth Management, LLC changed its name to Adero Partners, LLC (“Adero”). Operating and ownership structures were not affected by this change.
- In November 2022, removed references to Rule 206(4)-3 (Cash Payments from Client Solicitations).
- In December 2022, added that Adero helps our clients obtain certain insurance solutions from unaffiliated, third-party insurance brokers by introducing clients to Focus Risk Solutions, LLC (“FRS”). FRS does not receive any compensation from such third-party insurance brokers from serving our clients. Further information on this service is available in Items 4, 5 and 10 of this Brochure.

ANY QUESTIONS: Adero’s Chief Compliance Officer, James M. Knight, remains available to address any questions regarding this Brochure, including the material changes.

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## Item 4 ADVISORY BUSINESS

- A. Adero Partners, LLC (“Adero”) is part of the Focus Financial Partners, LLC (“Focus LLC”) partnership. Specifically, Adero is a wholly-owned subsidiary of Focus Operating, LLC (“Focus Operating”), which is a wholly-owned subsidiary of Focus LLC. Focus Financial Partners Inc. (“Focus Inc.”) is the sole managing member of Focus LLC and is a public company traded on the NASDAQ Global Select Market. Focus Inc. owns approximately two-thirds of the economic interests in Focus LLC.

Focus Inc. has no single 25% or greater shareholder. Focus Inc. is the managing member of Focus LLC and has 100% of its governance rights. Accordingly, all governance is through the voting rights and Board at Focus Inc.

Focus LLC also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, business managers, and other firms (the “Focus Partners”), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

We have a business arrangement with SCS Capital Management LLC (“SCS”), which is an indirect, wholly-owned subsidiary of Focus LLC and Focus Inc., under which certain clients of Adero have the option of investing in certain private investment vehicles managed by SCS. Adero is an affiliate of SCS firm by virtue of being under common control with it. Please see Items 5 and 10 of this Brochure for further details.

We offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions with the assistance of our affiliate, Focus Treasury & Credit Solutions, LLC (“FTCS”), a wholly-owned subsidiary of our parent company, Focus Financial Partners, LLC. Please see Items 5 and 10 for a fuller discussion of these services and other important information.

We help our clients obtain certain insurance solutions from unaffiliated, third-party insurance brokers by introducing clients to our affiliate, Focus Risk Solutions, LLC (“FRS”), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC. Please see Items 5 and 10 for a fuller discussion of this service and other important information.

Adero is managed by James Knight, Michael Spector, Eric Swensen, Aaron White, Gregory Warner, Jayne Smith, and Mark Bates. (“Adero Principals”), pursuant to a management agreement between Cambridge Partners, LLC and Adero Partners, LLC. The Adero Principals serve as leaders and officers of Adero and, in that capacity, are responsible for the management, supervision and oversight of Adero.

- B. Adero offers clients discretionary investment management, financial planning, and other consulting services as discussed in more detail below.

## **INVESTMENT MANAGEMENT SERVICES**

Adero offers investment management services on a *fee-only* basis. Adero's annual investment management services also include, to the extent requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined at the sole discretion of Adero), Adero may determine to charge for these additional services pursuant to a stand-alone Financial Planning and Consulting Agreement.

Before engaging Adero to provide planning or consulting services, clients are required to enter into an Investment Advisory Agreement with Adero setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client.

To commence the investment management process, Adero representatives consult with clients to discuss their financial condition, investment experience, time horizon, risk tolerance level, income requirements, and other relevant factors. Adero representatives then help clients develop investment objectives, individualized investment guidelines, and an asset allocation strategy. Adero supervises account transactions on a continuous basis, and each client's portfolio holdings and asset allocations are monitored on at least a quarterly basis.

## **CONSULTING SERVICES (STAND-ALONE)**

Adero may provide consulting services on investment and non-investment-related matters on a stand-alone separate fee basis. Clients are required to enter into a separate agreement with Adero setting forth the terms and conditions of the engagement. In certain circumstances, Adero personnel may be engaged to assist in the preparation and filing of client tax returns for a set fee in addition to any other service, when agreed upon in writing. If requested by the client, Adero may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from Adero.

Adero does not serve as a law firm, accounting firm, or insurance agency, and no portion of its services should be viewed as legal, accounting, or insurance implementation services. Accordingly, Adero does not prepare estate planning documents or sell insurance products. However, to the extent requested by a client, Adero may recommend the services of other professionals for implementation purposes (i.e., attorneys, accountants, insurance agents, etc.). The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from Adero. If the client engages any recommended professional, and a dispute arises from that engagement, the client agrees to seek damages exclusively from the engaged professional.

## **OTHER**

Adero is a fiduciary under the Employee Retirement Income Securities Act of 1974, as amended (“ERISA”) with respect to investment management services and investment advice provided to ERISA plan clients, including ERISA plan participants. Adero is also a fiduciary under section 4975 of the Internal Revenue Code (the “IRC”) with respect to investment management services and investment advice provided to individual retirement accounts (“IRAs”), ERISA plans, and ERISA plan participants. As such, Adero is subject to specific duties and obligations under ERISA and the IRC that include, among other things, prohibited transaction rules which are intended to prohibit fiduciaries from acting on conflicts of interest. When a fiduciary gives advice in which it has a conflict of interest, the fiduciary must either avoid or eliminate the conflict or rely upon a prohibited transaction exemption (a “PTE.”)

As a fiduciary, we have duties of care and of loyalty to you and are subject to obligations imposed on us by the federal and state securities laws. As a result, you have certain rights that you cannot waive or limit by contract. Nothing in our agreement with you should be interpreted as a limitation of our obligations under the federal and state securities laws or as a waiver of any unwaivable rights you possess.

Adero may provide investment advice about unaffiliated private investment funds, and may also recommend, on a non-discretionary basis, that certain qualified clients consider an investment in unaffiliated private investment funds. Adero’s role relative to the private investment funds will be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) will be included for purposes of Adero calculating its annual investment advisory fee. Adero clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

While Adero may recommend allocating investment assets to private investment funds that are not available directly to the public, Adero may also recommend that clients allocate investment assets to publically available mutual funds and exchange-traded funds (“ETFs”) that the client could obtain without engaging Adero as an investment adviser. If a client or prospective client determines to allocate investment assets to publically available mutual funds or ETFs without engaging Adero as an investment adviser, the client or prospective client would not receive the benefit of Adero’s initial and ongoing investment advisory services. Certain mutual funds, such as those issued by Dimensional Fund Advisors (“DFA”), are only available through professional intermediaries like registered investment advisers. Adero may allocate client investment assets to DFA mutual funds. Upon the termination of Adero’s services, clients may be restricted in transferring or purchasing additional shares of DFA mutual funds or similarly restricted mutual funds.

Adero may allocate (and/or recommend that the client allocate) a portion of a client’s investment assets among unaffiliated independent investment managers (“Independent Manager(s)”) in accordance with the client’s designated investment objective(s). The client may be required to enter into a separate agreement with

the Independent Manager(s), which will set forth the terms of the client's engagement with the Independent Manager(s). In these situations, the Independent Manager(s) will have day-to-day responsibility for the active discretionary management of the allocated assets. Adero will continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. The factors Adero considers in recommending Independent Manager(s) include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fee charged by the Independent Manager(s) is separate from, and in addition to, Adero's advisory fee as set forth in Item 5.

- C. Adero provides investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Adero allocates and/or recommends that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on Adero services. Clients may impose reasonable restrictions on the management of their accounts if Adero determines, in its sole discretion, that the conditions would not materially impact the performance of a management strategy or prove overly burdensome for Adero's management efforts.

In performing its services, Adero is not required to verify any information received from the client or from the client's other professional advisors and is expressly authorized to rely thereon upon. Under all circumstances, clients must promptly notify Adero of any change in their financial situation or investment objectives that would necessitate a review, evaluation or revision by Adero of previous recommendations and/or services.

- D. Adero does not participate in a wrap fee program.
- E. As of December 31, 2022, Adero maintained approximately \$3,376,501,663 in client assets under management, with \$3,211,051,691 being managed on a discretionary basis.

## **Item 5 FEES AND COMPENSATION**

- A. The client can determine to engage Adero to provide discretionary investment advisory services on a *fee-only* basis as described below based on a percentage of assets under management as well as fixed fees, depending on the particular type of services to be provided. The specific fees charged by Adero for services provided will be set forth in each client's Agreement.

### **INVESTMENT MANAGEMENT SERVICES**

Adero charges an annual advisory fee that is agreed upon with each client and set forth in an agreement executed by Adero and the client. Adero's annual investment advisory fee for investment management services is generally based on a percentage of the market value of the assets under management as follows:

<b>Total Annual Client Fee Rate</b>	<b>Asset Tier</b>
0.95%	on the first \$3,000,000 of managed assets, plus
0.80%	on the next \$2,000,000 of managed assets, plus
0.70%	on the next \$5,000,000 of managed assets, plus
0.50%	on the next \$10,000,000 of managed assets, plus
0.40%	on the next \$10,000,000 of managed assets, plus
0.30%	on assets over \$30,000,000

The investment advisory fee is computed on the last day of each quarter by determining the market value of assets under management using the following guidelines: (a) cash or cash equivalents are valued at their dollar value; (b) marketable securities are valued at the current market price provided by the custodian; and (c) for securities for which there is no active market (i.e., private investment funds), the most recent valuation provided by the sponsor or the initial investment cost, as applicable.

The investment advisory fee is billed quarterly, in advance, and prorated for accounts established or terminated at times other than the start of the quarter.

Although Adero generally charges for investment management services according to the fee schedule provided above, Adero may negotiate alternative fee arrangements (including a fixed percentage or lower minimum) with the client based on, but not limited to the following factors: the complexity of the engagement, the value of assets under management, anticipated future additional assets, related accounts, investment objectives, account composition, and the individual(s) performing the services.

For certain clients, we charge an advisory fee for services provided to the held-away accounts mentioned above in Item 4, just as we do with client accounts held at our primary custodians(s). The specific fee schedule charged by us is provided in the client's investment advisory agreement with us.

In regard to private investment funds, Adero generally relies upon the value or estimated value provided by the specific private investment fund. Adero often receives private fund valuations on a delayed basis; such delays could mean that the current value of an investor's fund holding could be significantly more or less than the value shown on their statement. Adero Partners' advisory fee is based on the value shown on the client statement. While our current practice is to value private investment funds based on the valuations received from the private fund managers, we retain the discretion to independently determine a value for any private investment fund in circumstances when we believe that the value or estimated value provided by the private investment fund does not accurately reflect the value of the private investment fund. In any such cases, we would rely upon available ancillary reporting and other applicable information.



Certain legacy clients are charged an amount different from the fee schedule set forth above.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

Adero may provide its clients with financial consulting services (which may include non-investment-related matters as outlined in Item 4 above) on a stand-alone fee basis. For these services, Adero charges either an hourly or a fixed fee. Adero's hourly rates generally range from \$250 - \$500, depending upon the level of staff experience required for the services requested.

Before engaging Adero to provide consulting services, the client will generally be required to enter into a written agreement setting forth the terms and conditions of the engagement. Generally, Adero requires one-half of the financial planning or consulting fee, payable upon entering into a written agreement. The balance is generally due upon completion.

- B. Clients may elect to have Adero's investment advisory fees deducted from their custodial account. Both Adero's Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Adero's investment advisory fee and to directly remit that management fee to Adero in compliance with regulatory procedures. The custodian of the client's accounts provides each client with a statement, at least quarterly, indicating separate line items for all amounts disbursed from the client's account(s), including any fees paid directly to Adero. In the limited event that Adero bills the client directly, payment is due upon receipt of Adero's invoice.

Clients may make additions to and withdrawals from their account at any time, subject to Adero's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets at any time on notice to Adero, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Adero may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Adero will generally recommend that Charles Schwab & Co., Inc., an SEC-registered, FINRA and SIPC member broker-dealer ("Schwab") or Fidelity Brokerage Services LLC and National Financial Services LLC (together with affiliates) an SEC-registered, FINRA and SIPC member broker-dealer ("Fidelity"), serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab and Fidelity charge brokerage commissions and/or transaction fees for effecting certain securities transactions (e.g., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Adero's

investment advisory fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and ETF purchases, charges imposed at the fund level (e.g., management fees and other fund expenses). In the limited event that Adero purchases or sells individual fixed income security, the transaction may be affected through a broker-dealer other than the account custodian, when Adero reasonably believes that it would be beneficial for the client. However, in this event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate “tradeaway” and/or prime broker fee charged by the account custodian (generally, Schwab or Fidelity). For Independent Managers, clients should review each manager’s Form ADV 2A disclosure brochure and either the contract they sign with the Independent Manager (in a dual contract relationship) or their Statement of Investment Selection (in a single contract relationship) for additional information about fees and expenses charged.

- D. Adero’s annual investment advisory fee is prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the billing quarter. The Investment Advisory Agreement between Adero and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, Adero will refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter. Either party may also terminate a Consulting Agreement by written notice to the other. In the event the client terminates Adero’s consulting services, the balance of Adero’s unearned fees (if any) will be refunded to the client. The client may specify how he/she would like such refund issued (i.e., a check sent directly to the client or a check sent to the client’s custodian for deposit into his/her account).
- E. Neither Adero, nor its representatives accept compensation from the sale of securities or other investment products.

We offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions with the assistance of our affiliate, Focus Treasury & Credit Solutions, LLC (“FTCS”). FTCS does not receive any compensation from such third-party institutions for serving our clients. Further information on this conflict of interest is available in Item 10 of this Brochure.

Additionally, we help our clients obtain certain insurance solutions from unaffiliated, third-party insurance brokers by introducing clients to our affiliate, Focus Risk Solutions, LLC (“FRS”), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC. FRS has arrangements with certain third-party insurance brokers (the “Brokers”) under which the Brokers assist our clients with regulated insurance sales activity. FRS does not receive any compensation from such third-party insurance brokers from serving our clients. Further information on this service is available in Item 10 of this Brochure.

We do not receive any compensation from SCS in connection with assets that our clients place in SCS’s pooled investment vehicles. Adero’s clients are not advisory clients of SCS and do not pay advisory fees to SCS. However, our clients bear the costs of the Focus firm’s investment vehicle or vehicles in which they are invested,

including any management fees and performance fees payable to SCS.

The allocation of Adero client assets to SCS's pooled investment vehicles, rather than to an unaffiliated investment manager, increases SCS's compensation and the revenue to Focus LLC relative to a situation in which our clients are excluded from SCS's pooled investment vehicles. As a consequence, Focus LLC has a financial incentive to cause us to recommend that our clients invest in SCS's pooled investment vehicles.

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

Neither Adero nor any supervised person of Adero accepts performance-based fees or participates in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Adero's fees are calculated as described in Item 5 above.

## **Item 7 TYPES OF CLIENTS**

Adero's clients will generally include individuals, high-net-worth individuals, pension and profit-sharing plans, trusts and estates, charitable organizations, corporations, and other business entities. Adero generally requires a \$2 million minimum asset value for investment management services. Multiple accounts for the same client may be aggregated to meet the minimum account value. As a result of this minimum account value requirement, Adero's services may not be appropriate for everyone. Particularly for smaller accounts, other investment advisers may provide somewhat similar services for lower compensation, although still others may charge more for similar services.

Adero may reduce its fees or minimum asset requirement in its sole discretion. As a result, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. Adero reserves the right to accept or decline a potential client for any reason at its sole discretion.

## **Item 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

A. Adero may utilize the following methods of security analysis:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical - (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

Adero may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

Investing in securities involves a risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Adero) will be profitable or equal any specific performance level(s).

As further outlined below, private investment funds generally involve various risk factors, including, but not limited to the potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client must establish that he/she is qualified for investment in the fund and acknowledges and accepts the various risks associated with an investment.

- B. Every method of analysis has its own inherent risks. To perform an accurate market analysis Adero must have access to current/new market information. Adero has no control over the dissemination rate of market information; therefore, unbeknownst to Adero, certain analyses may be compiled with outdated market information, severely limiting the value of Adero's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Adero's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

Generally, the market value of equity stocks will fluctuate with market conditions, and small- stock prices generally will fluctuate more than large-stock prices. The market value of fixed income securities will generally fluctuate inversely with interest rates and other market conditions prior to maturity. Fixed income securities are obligations of the issuer to make payments of principal and/or interest on future dates, and include, among other securities: bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, or by a non-U.S. government or one of its agencies or instrumentalities; municipal securities; and mortgage-backed and asset-backed securities. These securities may pay fixed, variable, or floating rates of interest, and may include zero coupon obligations and inflation-linked fixed income securities. The value of longer duration fixed income securities will generally fluctuate more than shorter duration fixed income securities. Investments in overseas markets also pose special risks, including currency fluctuation and political risks, and it may be more volatile than that of a U.S. only investment. Such risks are generally intensified for investments in emerging markets. In addition, there is no assurance that a mutual fund or ETF will achieve its investment objective. Past performance of investments is no guarantee of future results.

Additional risks involved in the securities recommended by Adero include, among others:

- *Stock market risk*, which is the chance that stock prices overall will decline. The market value of equity securities will generally fluctuate with market conditions. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Prices of equity securities tend to fluctuate over the short term as a result of factors affecting the individual companies, industries or the securities market as a whole. Equity securities generally have greater price volatility than fixed income securities.
- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.
- *Issuer risk*, which is the risk that the value of a security will decline for reasons directly related to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods or services.
- *Non-diversification risk*, which is the risk of focusing investments in a small number of issuers, industries or foreign currencies, including being more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.
- *Value investing risk*, which is the risk that value stocks not increase in price, not issue the anticipated stock dividends, or decline in price, either because the market fails to recognize the stock's intrinsic value, or because the expected value was misgauged. If the market does not recognize that the securities are undervalued, the prices of those securities might not appreciate as anticipated. They also may decline in price even though in theory they are already undervalued. Value stocks are typically less volatile than growth stocks, but may lag behind growth stocks in an up market.

- *Smaller company risk*, which is the risk that the value of securities issued by a smaller company will go up or down, sometimes rapidly and unpredictably as compared to more widely held securities. Investments in smaller companies are subject to greater levels of credit, market and issuer risk.
- *Foreign (non-U.S.) investment risk*, which is the risk that investing in foreign securities results in the portfolio experiencing more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. companies. Risks associated with investing in foreign securities include fluctuations in the exchange rates of foreign currencies that may affect the U.S. dollar value of a security, the possibility of substantial price volatility as a result of political and economic instability in the foreign country, less public information about issuers of securities, different securities regulation, different accounting, auditing and financial reporting standards and less liquidity than in the U.S. markets.
- *Interest rate risk*, which is the chance that prices of fixed income securities decline because of rising interest rates. Similarly, the income from fixed income securities may decline because of falling interest rates.
- *Credit risk*, which is the chance that an issuer of a fixed income security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that fixed income security to decline.
- *Exchange Traded Fund (ETF) risk*, which is the risk of an investment in an ETF, including the possible loss of principal. ETFs typically trade on a securities exchange and the prices of their shares fluctuate throughout the day based on supply and demand, which may not correlate to their net asset values. Although ETF shares will be listed on an exchange, there can be no guarantee that an active trading market will develop or continue. Owning an ETF generally reflects the risks of owning the underlying securities it is designed to track. ETFs are also subject to secondary market trading risks. In addition, an ETF may not replicate exactly the performance of the index it seeks to track for a number of reasons, including transaction costs incurred by the ETF, the temporary unavailability of certain securities in the secondary market, or discrepancies between the ETF and the index with respect to the weighting of securities or number of securities held.
- *Management risk*, which is the risk that the investment techniques and risk analyses applied by Adero may not produce the desired results and that legislative, regulatory, or tax developments, affect the investment techniques available to Adero. There is no guarantee that a client's investment objectives will be achieved.
- *Real Estate risk*, which is the risk that an investor's investments in Real Estate Investment Trusts ("REITs") or real estate-linked derivative instruments will subject the investor to risks similar to those associated with direct ownership of real estate, including losses from casualty or condemnation, and changes in local and general economic conditions, supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes and operating expenses. An investment in REITs or real estate-linked derivative instruments subject the investor to management and tax risks.
- *Investment Companies ("Mutual Funds") risk*, when an investor invests in mutual funds, the investor will bear additional expenses based on his/her pro rata share of the mutual fund's operating expenses, including the

- management fees. The risk of owning a mutual fund generally reflects the risks of owning the underlying investments the mutual fund holds.
- *Commodity risk*, generally commodity prices fluctuate for many reasons, including changes in market and economic conditions or political circumstances (especially of key energy-producing and consuming countries), the impact of weather on demand, levels of domestic production and imported commodities, energy conservation, domestic and foreign governmental regulation (agricultural, trade, fiscal, monetary and exchange control), international politics, policies of OPEC, taxation and the availability of local, intrastate and interstate transportation systems and the emotions of the marketplace. The risk of loss in trading commodities can be substantial.
  - *Cybersecurity risk*, which is the risk related to unauthorized access to the systems and networks of Adero and its service providers. The computer systems, networks and devices used by Adero and service providers to us and our clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks or devices potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality. Cybersecurity breaches cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or other compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issues of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers and other financial institutions; and other parties. In addition, substantial costs may be incurred by those entities in order to prevent any cybersecurity breaches in the future.
  - *Alternative Investments / Private Funds risk*, investing in alternative investments is speculative, not suitable for all clients, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include:
    - loss of all or a substantial portion of the investment due to leveraging, short-selling or other speculative investment practices;
    - lack of liquidity in that there may be no secondary market for the investment and none expected to develop;
    - volatility of returns;
    - restrictions on transferring interests in the investment;

- potential lack of diversification and resulting higher risk due to concentration of trading authority when a single adviser is utilized;
  - absence of information regarding valuations and pricing;
  - delays in tax reporting;
  - less regulation and higher fees than mutual funds;
  - risks associated with the operations, personnel, and processes of the manager of the funds investing in alternative investments.
- *Closed-End Funds risk*, Closed-end funds typically use a high degree of leverage. They may be diversified or non-diversified. Risks associated with closed-end fund investments include liquidity risk, credit risk, volatility and the risk of magnified losses resulting from the use of leverage. Additionally, closed-end funds may trade below their net asset value.
  - *Structured Notes risk* -
    - *Complexity*. Structured notes are complex financial instruments. Clients should understand the reference asset(s) or index(es) and determine how the note's payoff structure incorporates such reference asset(s) or index(es) in calculating the note's performance. This payoff calculation may include leverage multiplied on the performance of the reference asset or index, protection from losses should the reference asset or index produce negative returns, and fees. Structured notes may have complicated payoff structures that can make it difficult for clients to accurately assess their value, risk and potential for growth through the term of the structured note. Determining the performance of each note can be complex and this calculation can vary significantly from note to note depending on the structure. Notes can be structured in a wide variety of ways. Payoff structures can be leveraged, inverse, or inverse-leveraged, which may result in larger returns or losses. Clients should carefully read the prospectus for a structured note to fully understand how the payoff on a note will be calculated and discuss these issues with Adero.
    - *Market risk*. Some structured notes provide for the repayment of principal at maturity, which is often referred to as "principal protection." This principal protection is subject to the credit risk of the issuing financial institution. Many structured notes do not offer this feature. For structured notes that do not offer principal protection, the performance of the linked asset or index may cause clients to lose some, or all, of their principal. Depending on the nature of the linked asset or index, the market risk of the structured note may include changes in equity or commodity prices, changes in interest rates or foreign exchange rates, and/or market volatility.
    - *Issuance price and note value*. The price of a structured note at issuance will likely be higher than the fair value of the structured note on the date of issuance. Issuers now generally disclose an estimated value of the structured note on the cover page of the offering prospectus, allowing investors to gauge the difference between the issuer's estimated value of the note and the issuance price. The estimated value of the notes is likely lower than the issuance price of the note to investors because issuers include the costs for selling, structuring and/or hedging the exposure on the note in the initial price



of their notes. After issuance, structured notes may not be re-sold on a daily basis and thus may be difficult to value given their complexity.

- *Liquidity.* The ability to trade or sell structured notes in a secondary market is often very limited, as structured notes (other than exchange-traded notes known as ETNs) are not listed for trading on securities exchanges. As a result, the only potential buyer for a structured note may be the issuing financial institution's broker-dealer affiliate or the broker-dealer distributor of the structured note. In addition, issuers often specifically disclaim their intention to repurchase or make markets in the notes they issue. Clients should, therefore, be prepared to hold a structured note to its maturity date, or risk selling the note at a discount to its value at the time of sale.

- *Credit risk.* Structured notes are unsecured debt obligations of the issuer, meaning that the issuer is obligated to make payments on the notes as promised. These promises, including any principal protection, are only as good as the financial health of the structured note issuer. If the structured note issuer defaults on these obligations, investors may lose some, or all, of the principal amount they invested in the structured notes as well as any other payments that may be due on the structured notes.

- *Covered Call Writing risks.* In the limited event that a client owns a substantial individual equity position in the account managed by Adero, Adero may, upon the client's consent, engage in covered call writing (i.e., the sale of in-, at-, or out-of- the money call option against a long security position held in a client portfolio). This type of transaction is used to generate income. It is also designed to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. There can be no assurance that the security will not be called away by the option buyer, which will result in the client (option writer) to lose ownership in the security and incur potential unintended tax consequences.
- *Interval Fund risk.* Adero may recommend or purchase shares of interval funds for clients. Interval funds make periodic offers to repurchase their shares between 5% and 25% of their outstanding shares at net asset value ("NAV"). Repurchases generally are funded from an interval fund's available cash or a sale of its portfolio securities. However, repurchase offers and the need to fund repurchase obligations may affect the ability of an interval fund to be fully invested or force an interval fund to maintain a higher percentage of its assets in liquid investments, which may harm an interval fund's investment performance. Moreover, a reduction in the size of an interval fund through repurchases may result in untimely sales of portfolio securities (with associated imputed transaction costs, which may be significant), and may limit the ability of an interval fund to participate in new investment opportunities or to achieve its investment objective. The repurchases of shares of an interval fund can compound the adverse effects of leverage in a declining market. In addition, if an interval fund borrows money to finance repurchases, interest on that borrowing will negatively affect shareholders who do not request that their

shares be repurchased by increasing fund expenses and reducing any net investment income. If a repurchase offer is oversubscribed and an interval fund determines not to repurchase additional shares beyond the repurchase offer amount, or if shareholder repurchase requests are in an amount of shares greater than that which the interval fund is entitled to repurchase, interval funds repurchase shares on a pro-rata basis, and shareholders have to wait until the next repurchase offer to make another repurchase request. As a result, shareholders may be unable to liquidate all or a given percentage of their investment in the fund at NAV during a particular repurchase offer. Some shareholders, in anticipation of proration, may submit more shares for repurchase than they wish to have repurchased in a particular quarter, thereby increasing the likelihood that proration will occur. A shareholder may be subject to market and other risks, and the NAV of shares submitted for repurchase in a repurchase offer may decline to the extent there is any delay between the repurchase request deadline and the date on which the NAV for such shares is determined. In addition, the repurchase of shares by the fund may be a taxable event to shareholders. Clients may direct Adero, in writing, not to purchase these funds for their account.

- *Independent Manager risk.* Adero may select certain Independent Managers to manage a portion of its client's assets. In these situations, the success of such recommendations relies to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, Adero generally may not have the ability to supervise the External Managers on a day-to-day basis.
- *COVID risk.* The transmission of COVID and efforts to contain its spread has resulted in border closings and other travel restrictions and disruptions, market volatility, disruptions to business operations, supply chains and customer activity and quarantines. With the widespread availability of vaccines, the U.S. Centers for Disease Control and Prevention has revised its guidance, travel restrictions have started to lift, and businesses have reopened. However, the COVID pandemic continues to evolve and the extent to which our investment strategies will be impacted will depend on various factors beyond our control, including the extent and duration of the impact on economies around the world and on the global securities and commodities markets. Volatility in the U.S. and global financial markets caused by the COVID pandemic may continue and could impact our firm's investment strategies.

Although currently there has been no significant impact, the COVID outbreak, and future pandemics, could negatively affect vendors on which our firm and clients rely and could disrupt the ability of such vendors to perform essential tasks.

- C. Currently, Adero primarily allocates client investment assets among various mutual funds, ETFs, individual bonds, bond funds, and Independent Managers on a discretionary basis in accordance with the client's designated investment objective(s). Adero may also recommend that clients allocate investment assets to unaffiliated private investment funds and private real estate investment trusts ("REITs").

Clients are advised that they should only commit assets for management that can be invested for the long term, that volatility from investing can occur, and that all investing is subject to risk. Adero does not guarantee the future performance of a client's portfolio, as investing in securities involves the risk of loss that clients should be prepared to bear.

Past performance of a security or a fund is not necessarily indicative of future performance or risk of loss.

## **Item 9 DISCIPLINARY INFORMATION**

Registered Investment Advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the advisor and the integrity of the advisor's management. Adero has no disciplinary history and consequently, is not subject to any disciplinary disclosures.

## **Item 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

- A. Neither Adero, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Adero, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or a representative of the foregoing.

### **Other Affiliations.**

- C. Vista Venture Partners LLC ("VVP"), which is a California limited liability company that invests in early-stage private companies, is owned by officers of Adero and by two advisory clients. Adero does not recommend investment in VVP to its clients. However, VVP invests in companies in which Adero's clients have invested or have brought to Adero's attention. However, Adero will not recommend these companies to its clients. Adero's Chief Compliance Officer, James M. Knight, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

### **FOCUS FINANCIAL PARTNERS, LLC**

We do not believe the Focus Partnership presents a material conflict of interest with our clients. Adero has no business relationship with other Focus LLC firms that is material to our advisory business or to our clients, with one exception. As stated earlier in Items 4 and 5 of this Brochure, under certain circumstances we offer our clients the opportunity to invest in pooled investment vehicles managed by SCS. SCS provides these services to such clients pursuant to limited partnership agreement documents and in exchange for a fund-level management fee and performance fee paid by our clients and not by us. SCS, like Adero, is an indirect wholly owned subsidiary of Focus LLC and is therefore under common control with Adero. The allocation of our client's assets to SCS's pooled investment vehicles, rather than to an unaffiliated investment manager, increases SCS's compensation and the revenue to Focus LLC relative to a situation in which our clients are excluded from SCS's pooled investment vehicles. Therefore, Focus LLC has a

financial incentive to cause Adero to recommend that our clients invest in SCS's pooled investment vehicles, which creates a conflict of interest with those Adero clients who invest in SCS's pooled investment vehicles. More information about Focus LLC can be found at [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

We believe this conflict is mitigated because of the following factors: (1) this arrangement is based on our judgment that investing a portion of Adero clients' assets in SCS's investment vehicles is in the best interests of the affected clients; (2) SCS and its investment vehicles have met the due diligence and performance standards that we apply to outside, unaffiliated investment managers; (3) subject to redemption restrictions, we are willing and able to reallocate Adero client assets to other unaffiliated investment vehicles, in part or in whole, if SCS's services become unsatisfactory in our judgment and at our sole discretion; and (4) we have fully and fairly disclosed the material facts regarding this relationship to you, including in this Brochure, and Adero clients who invest in SCS's pooled investment vehicles have given their informed consent to those investments.

#### Focus Treasury & Credit Solutions

We offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions with the assistance of our affiliate, Focus Treasury & Credit Solutions ("FTCS"), a wholly-owned subsidiary of our parent company, Focus Financial Partners, LLC. These third-party financial institutions are banks and non-banks (the "Network Institutions") that offer credit and cash management solutions to our clients. Certain other unaffiliated third parties provide administrative and settlement services to facilitate FTCS's cash management solutions. FTCS acts as an intermediary to facilitate our clients' access to these credit and cash management solutions.

Neither we nor FTCS receives any compensation from the Network Institutions or any other third parties for providing credit or cash management solutions to our clients. For services provided by FTCS to clients of other Focus firms, FTCS receives a portion of the revenue earned by the Network Institutions, and such compensation to FTCS is also revenue for our common parent company, Focus Financial Partners, LLC. However, this compensation to FTCS does not come from credit or cash management solutions provided to any of our clients. The volume generated by our clients' transactions does benefit FTCS and Focus in attracting, retaining, and negotiating with Network Institutions. We mitigate this conflict by: (1) fully and fairly disclosing the material facts concerning the above arrangements to our clients, including in this Brochure; and (2) offering FTCS solutions to clients on a strictly nondiscretionary and fully disclosed basis, and not as part of any discretionary investment services. Additionally, we note that clients who use FTCS's services will receive product-specific disclosure from the Network Institutions and other unaffiliated third-party intermediaries that provide services to our clients.

We have an additional conflict of interest when we recommend FTCS to provide credit solutions to our clients because our interest in continuing to receive investment advisory fees from client accounts gives us a financial incentive to recommend that clients borrow money rather than liquidating some or all of the assets we manage.

### Credit Solutions from FTCS

For FTCS credit solutions, the interest rate of the loan is ultimately dictated by the lender, although in some circumstances FTCS may have the ability to influence the lender to lower the interest rate of the loan within certain parameters. The final rate may be higher or lower than the prevailing market rate. We can offer no assurances that the rates offered to you by the lender are the lowest possible rates available in the marketplace.

Clients retain the right to pledge assets in accounts generally, subject to any restrictions imposed by clients' custodians. While the FTCS program facilitates secured loans through Network Institutions, clients are free instead to work directly with institutions outside the FTCS program. Because of the limited number of participating Network Institutions, clients may be limited in their ability to obtain as favorable loan terms as if the client were to work directly with other banks to negotiate loan terms or obtain other financial arrangements.

Clients should also understand that pledging assets in an account to secure a loan involves additional risk and restrictions. A Network Institution has the authority to liquidate all or part of the pledged securities at any time, without prior notice to clients and without their consent, to maintain required collateral levels. The Network Institution also has the right to call client loans and require repayment within a short period of time; if the client cannot repay the loan within the specified time period, the Network Institution will have the right to force the sale of pledged assets to repay those loans. Selling assets to maintain collateral levels or calling loans may result in asset sales and realized losses in a declining market, leading to the permanent loss of capital. These sales also may have adverse tax consequences. Interest payments and any other loan-related fees are borne by clients and are in addition to the advisory fees that clients pay us for managing assets, including assets that are pledged as collateral. The returns on pledged assets may be less than the account fees and interest paid by the account. Clients should consider carefully and skeptically any recommendation to pursue a more aggressive investment strategy in order to support the cost of borrowing, particularly the risks and costs of any such strategy. More generally, before borrowing funds, a client should carefully review the loan agreement, loan application, and other forms and determine that the loan is consistent with the client's long-term financial goals and presents risks consistent with the client's financial circumstances and risk tolerance.

### Cash Management Solutions from FTCS

For FTCS cash management solutions, as stated above, certain third-party intermediaries provide administrative and settlement services in connection with the program. Those intermediaries each charge a fixed basis point fee on total deposits in the program. Before any interest is paid into client accounts, the Network Institutions and certain unaffiliated third-party service providers take their fees out, and the net interest is then credited to the clients' accounts. Engaging FTCS, the Network Institutions, and these other intermediaries to provide cash management solutions do not alter the manner in which we treat cash for billing purposes.

Clients should understand that in rare circumstances, depending on interest rates and other economic and market factors, the yields on cash management solutions could be lower than the aggregate fees and expenses charged by the Network Institutions, the intermediaries referenced above, and us. Consequently, in these rare circumstances, a client could experience a negative overall investment return with respect to those cash investments. Nonetheless, it might still be reasonable for a client to participate in the FTCS cash management program if the client prefers to hold cash at the Network Institutions rather than at other financial institutions (e.g., to take advantage of FDIC insurance).

#### Focus Risk Solutions

We help clients obtain certain insurance products from unaffiliated insurance companies by introducing clients to our affiliate, Focus Risk Solutions, LLC (“FRS”), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC (“Focus”). FRS acts as an intermediary to facilitate our clients’ access to insurance products. FRS has agreements with certain third-party insurance brokers (the “Brokers”) under which the Brokers assist our clients with regulated insurance sales activity.

Neither we nor FRS receives any compensation from the Brokers or any other third parties for providing insurance solutions to our clients. For services provided by FRS to clients of other Focus firms, FRS receives a percentage of the upfront commission or a percentage of the ongoing premiums for policies successfully placed with insurance carriers on behalf of referred clients, and such compensation to FRS is also revenue for our common parent company, Focus Financial Partners, LLC. However, this compensation to FRS does not come from insurance solutions provided to any of our clients. The volume generated by our clients’ transactions does benefit FRS and Focus in attracting, retaining, and negotiating with the Brokers and insurance carriers. We mitigate this conflict by: (1) fully and fairly disclosing the material facts concerning the above arrangements to our clients, including in this Brochure; and (2) offering FRS solutions to clients on a strictly nondiscretionary and fully disclosed basis, and not as part of any discretionary investment services. Additionally, we note that clients who use FRS’s services will receive product-specific disclosure from the Brokers and insurance carriers and other unaffiliated third-party intermediaries that provide services to our clients.

The insurance premium is ultimately dictated by the insurance carrier, although in some circumstances the Brokers or FRS may have the ability to influence an insurance carrier to lower the premium of the policy. The final rate may be higher or lower than the prevailing market rate. We can offer no assurances that the rates offered to you by the insurance carrier are the lowest possible rates available in the marketplace.

- D. Adero does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

## Item 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

- A. Adero has a Code of Ethics (the “Code”) which requires Adero’s employees (“supervised persons”) to comply with their legal obligations and fulfill the fiduciary duties owed to the Firm’s clients. Among other things, the Code of Ethics sets forth policies and procedures related to conflicts of interest, outside business activities, gifts and entertainment, compliance with insider trading laws and policies and procedures governing personal securities trading by supervised persons.

Personal securities transactions of supervised persons present potential conflicts of interest with the price obtained in client securities transactions or the investment opportunity available to clients. The Code addresses these potential conflicts by prohibiting securities trades that would breach a fiduciary duty to a client and requiring, with certain exceptions, supervised persons to report their personal securities holdings and transactions to Adero for review by the Firm’s Chief Compliance Officer. The Code also requires supervised persons to obtain pre-approval of certain investments, including initial public offerings and limited offerings.

In accordance with Section 204A of the Investment Advisers Act of 1940 (the “Advisers Act”), Adero also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Adero or any person associated with Adero. A copy of Adero’s Code of Ethics will be provided to clients upon request by contacting our Chief Compliance Officer.

- B. Neither Adero nor any related person of Adero recommends, buys, or sells for client accounts, securities in which Adero or any related person of Adero has a material financial interest.
- C. Adero and/or representatives of Adero may buy or sell securities that are also recommended to clients. This situation creates conflicts of interest because if Adero did not maintain policies and procedures that are designed to mitigate these conflicts of interest, Adero or its employees could potentially benefit from (i) clients buying securities that Adero or employees then sell because client purchases may increase the value of a security Adero or the employee owns and then sells, or (ii) clients selling securities that Adero or the related person then buys, because client sales may reduce the market price of a security Adero or the employee then buys. Adero has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Adero’s Access Persons.

Adero’s personal securities transaction policy requires that an Access Person of Adero must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period

thereafter on a date Adero selects.

- D. As described in Item 11.C, Adero employees may buy or sell securities, at or around the same time as those securities are recommended to clients. Trades by Adero employees are not generally required to be aggregated with client transactions as discussed in Item 12.B. However, Adero maintains policies discussed in Item 11.C that are designed to review and monitor employee trading in an effort to mitigate these conflicts of interests.

## Item 12 BROKERAGE PRACTICES

- A. In the event that the client requests that Adero recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Adero to use a specific broker-dealer/custodian), Adero generally recommends that investment management accounts be maintained at Schwab or Fidelity. Before engaging Adero to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Adero setting forth the terms and conditions under which Adero will manage the client's assets and a separate custodial/clearing agreement with Schwab or Fidelity.

Factors that Adero considers in recommending Schwab, Fidelity, or any other broker-dealer include Adero's historical relationship with the broker-dealer, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Adero's clients comply with Adero's duty to seek to best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to affect the same transaction where Adero determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Adero will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Adero's investment management fee. Adero's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close. The transaction fees charged by Schwab, Fidelity, or any other broker-dealer could be more than other broker-dealers/custodians charge for similar accounts and transactions.

### 1. Non-Soft Dollar Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Adero can receive from Schwab, Fidelity (or another broker-dealer/custodian, unaffiliated investment platform, unaffiliated investment manager, vendor, and/or mutual fund sponsor) without cost (and/or at a discount) support



services and/or products, certain of which assist Adero to better monitor and service client accounts maintained at these institutions. Included within the support services that can be obtained by Adero may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, payment and/or reimbursement for services provided by third-party consultants/vendors, computer hardware and/or software and/or other products used by Adero in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that are received assist Adero in managing and administering client accounts. Others assist Adero to manage and further develop its business enterprise.

Adero's clients do not pay more for investment transactions affected and/or assets maintained at Schwab, Fidelity, or any other broker-dealer as a result of this arrangement. There is no corresponding commitment made by Adero to Schwab, Fidelity, or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

## 2. Schwab Advisor Network<sup>®</sup>

Adero is a participant in the Schwab Advisor Network<sup>®</sup> (the "Service") which is designed to help investors find an independent investment advisor through Schwab. Adero receives client referrals from Schwab through its participation in the Service, for which Adero pays Schwab referral fees. Adero's participation in the Service may raise potential conflicts of interest described below. Schwab does not supervise Adero through the Service and has no responsibility for Adero's management of clients' portfolios or its other advice or services.

Adero pays Schwab a referral fee, called a "Participation Fee", on all referred clients' accounts that are maintained in custody at Schwab. It also may pay a Non-Schwab Custody Fee on all referred client accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Adero is a percentage of the fees the referred client owes to Adero or a percentage of the value of the assets in the referred client's account, subject to a minimum Participation Fee. Adero pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Adero quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Adero and not by the client. Adero has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Adero charges clients with similar portfolios who were not referred through the Service.

Adero pays Schwab the Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee

is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, Adero has an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees are based on assets in accounts of Adero clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Adero has incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab.

3. Adero does not generally accept directed brokerage arrangements (when a client requires that account transactions be affected through a specific broker-dealer). In client-directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Adero will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Adero. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs Adero to effect securities transactions for the client's accounts through a specific broker-dealer, the client acknowledges that this will likely cause the client's account to pay higher commissions or transaction costs than if the client determined to effect account transactions through alternative clearing arrangements that Adero has arranged. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

4. Adero's goal is to execute trades seamlessly and in the best interest of the client. In the event a trade error occurs, Adero endeavors to identify the error in a timely manner, correct the error so that the client's account is in the position it would have been had the error not occurred, and, after evaluating the error, assess what action(s) might be necessary to prevent a recurrence of similar errors in the future.

Trade errors generally are corrected through the use of a "trade error" account or similar account at Schwab, or another custodian, as applicable. In such accounts, Adero retains the net gains resulting from trade errors to offset any trade error reimbursements that it must provide to clients. In the event an error is made in the client account custodied elsewhere, Adero works directly with the broker in question to take corrective action. In all cases, Adero will take the appropriate measures to return the client's account to its intended position.

- B. Transactions for each client account will generally be affected independently unless Adero decides to purchase or sell the same securities for several clients at approximately the same time. Adero may (but is not obligated to) combine or "bunch" orders to obtain best execution, to negotiate more favorable commission

rates or to allocate equitably among Adero's client's differences in prices and commissions or other transaction costs that might have been obtained had orders been placed independently. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which the Firm's supervised persons may invest, the Firm will generally do so in a fair and equitable manner in accordance with applicable rules promulgated under the Advisers Act and guidance provided by the staff of the SEC and consistent with policies and procedures established by the Firm. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Adero does not receive any additional compensation in the event it aggregates client transactions.

### **Item 13 REVIEW OF ACCOUNTS**

- A. Individual client accounts are supervised on a continuous basis by Adero's advisory staff and reviewed not less than quarterly. Reviews focus on asset allocations, securities positions, cash positions, market prospects and client liquidity needs. Each advisor reviews no more than 200 accounts. Reviewers verify that accounts are managed within the guidelines of the respective client's investment objectives and that appropriate securities are held in each account. Financial plans provided to clients are reviewed and updated when necessary, as agreed to by the client and Adero.
- B. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, changes in the market or political environment. Adero consults with each client at least annually to review the client's account and update the client's investment objectives as necessary. It is the client's responsibility to notify Adero immediately of any material change in their personal and/or financial situation, which would require immediate review/revision of the client's investment objectives.

Adero has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Adero will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Adero determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by Adero will be profitable or equal any specific performance level(s).

- C. All clients receive monthly statements and confirmations of transactions directly from their respective broker/dealer/custodian. In addition, a client also has ongoing daily electronic access to his/her portfolio via Adero's portal.

## Item 14 CLIENT REFERRALS AND OTHER COMPENSATION

- A. As indicated in Item 12 above, Adero can receive from Schwab and Fidelity (or others) without cost (and/or at a discount), support services and/or products. Adero's clients do not pay more for investment transactions affected and/or assets maintained at Schwab or Fidelity as a result of these arrangements. There is no corresponding commitment made by Adero to Schwab, Fidelity, or to any other entity, to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangements.

Adero's parent company is Focus Financial Partners, LLC ("Focus"). From time to time, Focus holds partnership meetings and other industry and best-practices conferences, which typically include Adero, other Focus firms, and external attendees. These meetings are first and foremost intended to provide training or education to personnel of Focus firms, including Adero. However, the meetings to provide sponsorship opportunities for asset managers, asset custodians, vendors and other third-party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including Adero. Although the participation of Focus firm personnel in these meetings is not preconditioned on the achievement of a sales target for any conference sponsor, this practice could nonetheless be deemed a conflict as the marketing and education activities conducted, and the access granted, at such meetings and conferences could cause Adero to focus on those conference sponsors in the course of its duties. Focus attempts to mitigate any such conflict by allocating the sponsorship fees only to defray the cost of the meeting or future meetings and not as revenue for itself or any affiliate, including Adero. Conference sponsorship fees are not dependent on assets placed with any specific provider or revenue generated by such asset placement.

The following entities have provided conference sponsorships to Focus from January 1, 2022, to March 1, 2023:

*Orion Advisor Technology, LLC*

*TriState Capital Bank*

*StoneCastle Network, LLC*

*Charles Schwab & Co., Inc.*

*BlackRock, Inc.*

*Fidelity Brokerage Services LLC*

*Fidelity Institutional Asset Management LLC*

- B. Adero enters into arrangements with certain third-parties, called promoters, some of whom may be affiliated or unaffiliated with Adero, under which such promoters refer clients to us in exchange for a percentage of the advisory fees we collect from such referred clients. Such compensation creates an incentive for the promoters to refer clients to us, which is a conflict of interest for the promoters. Rule 206(4)-1 of the Advisers Act addressed this conflict of interest by, among other things, requiring disclosure of whether the promoter is a client or a non-client and a description of the material conflicts of interest and material terms of the compensation arrangement with the promoter. Accordingly, we require promoters

to disclose to referred clients, in writing: whether the promoter is a client or a non-client; that the promoter will be compensated for the referral; the material conflicts of interest arising from the relationship and/or compensation arrangement; and the material terms of the compensation arrangement, including a description of the compensation to be provided for the referral.

All such agreements will be in writing and comply with the applicable state and federal regulations. If a client is introduced to Adero by a solicitor, Adero will pay that solicitor a fee in accordance with the applicable federal and state securities law requirements. While the specific terms of each agreement may differ, generally, the compensation will be based upon Adero's engagement of new clients and the retention of those clients and would be calculated using a varying percentage of the fees paid to Adero by such clients until the account is closed by written authorization from the client. Any such fee shall be paid solely from Adero's fees and shall not result in any additional charge to the client.

Adero participates in an online adviser matching program, Zoe Financial, which seeks to match prospective advisory clients who have expressed an interest in finding an investment adviser with investment advisory firms. The adviser matching program provides the name and contact information of such persons to the advisory firms as potential leads. Zoe Financial is compensated with a percentage of revenue for those users who enter into an advisory relationship with us. No portion of this fee is charged to the client and there is no difference in the level of advisory fees charged by Adero to referred clients as a result of this referral arrangement.

## **Item 15 CUSTODY**

Adero does not maintain physical custody of client funds or securities. Clients are required to set up their investment accounts with a "qualified custodian," namely a broker-dealer, bank or trust company. Adero generally recommends that clients establish their custodial accounts with either Schwab or Fidelity.

Your account custodian has physical custody of your assets, but the SEC deems us to have legal custody over your assets if we are authorized to instruct the custodian to deduct our advisory fees directly from clients' custodial accounts when our personnel serves as a trustee for advisory clients, general partner of a private investment fund, and when we have the authority to instruct the custodian to transfer assets to third parties pursuant to standing letters of authorization ("SLOA"). We report having custody of client assets under Item 9 Part 1 of Form ADV and are required under Rule 206(4)-2 to obtain a custody audit to verify client assets over which we have authority as a general partner or trustee. For the remaining assets, the SEC has exempted advisers from the custody audit requirement by rule or no-action relief. Clients will receive account statements directly from the custodian at least quarterly. They will be sent to the email or postal mailing address clients provide to the custodian. Clients should carefully review those statements promptly upon receipt, and compare them with any reports they receive from us. Clients are encouraged to note that the account custodian does not verify the accuracy of Adero's advisory fee calculation.

## **Item 16 INVESTMENT DISCRETION**

The client can determine to engage Adero to provide investment advisory services on a discretionary basis. By granting Adero investment discretion, a client authorizes Adero to direct securities transactions and determine which securities are bought and sold, the total amount to be bought and sold, and the costs at which the transactions will be affected. Before Adero assumes discretionary authority over a client's account, the client will be required to execute an Investment Advisory Agreement naming Adero as the client's attorney and agent, in fact, granting Adero full authority to buy, sell, or otherwise affect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Adero on a discretionary basis may, at any time, impose restrictions, in writing, on Adero's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Adero's use of margin, etc.).

## **Item 17 VOTING CLIENT SECURITIES**

- A. Adero does not vote for client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client will be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Adero to discuss any questions they may have with a particular solicitation.

## **Item 18 FINANCIAL INFORMATION**

- A. Adero does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. Adero is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. Adero has not been the subject of a bankruptcy petition.

Adero's Chief Compliance Officer, James M. Knight, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.