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December 2020

**FORM ADV PART 2A  
BROCHURE**

This brochure provides information about the qualifications and business practices of Apella Capital, LLC. If there are any questions about the contents of this brochure, please contact us at 860.785.2260 or visit our website at [www.apellacapital.com](http://www.apellacapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Apella Capital, LLC, is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Apella Capital, LLC, is 171106.

Apella Capital, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## SUMMARY OF MATERIAL CHANGES

We are required to update our Brochure on an annual basis or more frequently in the event information contained herein becomes materially inaccurate. While we do not consider the change to be material, we have expanded our fee discussion to include the potential for clients of acquired advisory firms to have contractual fee arrangements that are in excess of our published fee schedule. Below is a summary of the changes to this brochure since its last annual update on March 29, 2019.

**Item 4: Advisory Business.** Apella has established new branch offices to broaden the availability of the firm's services.

**Item 5: Fees and Compensation.** In most circumstances, Apella charges an annual fee based on the client's assets under management. The following tiered fee schedule (which may be negotiable) applies to the organic clients of Apella:

| <u>Range Start</u> | <u>Range End</u> | <u>Percentage</u> |
|--------------------|------------------|-------------------|
| \$0                | \$1,000,000      | 1.00%             |
| \$1,000,001        | & Above          | 0.50%             |

However, Apella has acquired various firms that may have a different fee structure, including negotiated flat fee arrangements.

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## **Advisory Business**

Form ADV Part 2A, Item 4

### **A. Description of Advisory Firm**

Apella is an investment adviser registered with the Securities and Exchange Commission (“SEC”) under the Investment Adviser Act of 1940 (the “Advisers Act”). The firm is located in Glastonbury, Connecticut and was established in 2013. The firm was founded by and is currently operated under the control of David E. Connelly Jr. and Patrick A. Sweeny, and continues to be majority owned by David Connelly and Patrick Sweeny through Strategic Investment Holdings, LLC. Apella provides investment advisory services to individuals, trusts, estates, charitable organizations, corporations, and other business entities, pension plans, endowments, 401k, 403b and similar account structures, among other types of clients. The Firm has been an SEC Registered Investment Adviser since April 2014. As of December 31, 2019, the Firm had approximately \$869,000,000 in discretionary assets under management.

In addition to the main Apella office in Glastonbury, Connecticut, the Firm also has offices in Marblehead, Massachusetts - Lenox, Massachusetts - Knoxville, Tennessee – Providence, Rhode Island – Long Island, New York – Dallas, TX - San Francisco, California – and, Bellevue, Washington.

Apella offers services through its various branch offices. The Firm owns a number of trademarks, including a trademark on the name “Vestory,” which name may be used for marketing purposes and may appear on marketing materials or client statements. The Client should understand that Vestory is merely a trademark and not a separate legal entity. All Firm branch offices are under common supervision and the advisory services are provided through Apella.

### **B. Types of Advisory Services**

#### *Investment Advisory Services*

Apella offers investment advisory services to clients through the efforts of the firm’s investment adviser representatives (“IARs or Financial Advisors”). Acting as a client’s investment adviser, the Apella IAR builds custom investment programs. The IAR collaborates with the client to develop objectives within suitable risk/reward parameters relative to the client’s financial circumstances, and then develop an appropriate asset allocation strategy. The Apella IAR begins with a model portfolio constructed for each specific investment strategy the Firm offers, and then tailors the model for each client, taking into account the client’s individual needs, including client requested restrictions, cash needs, tax considerations, and other items, while generally remaining consistent with the Firm’s model for that strategy. There may be an opportunity to employ client requested restrictions on a case by case basis; any proposed client requested restrictions should be provided to the Firm in writing in advance for its consideration. The Firm will also consider allowing clients to impose restrictions on investing in certain securities or types of securities.

Apella acknowledges that it is a fiduciary with respect to any investment advice. Apella strives to ensure high standards of ethical conduct among its employees to protect the firm’s clients and firm reputation. Apella employees take their positions of trust seriously and must act professionally and with complete propriety at all times.

The model strategies utilized by Apella IARs cover a range of investment strategies that include equi-

ty and fixed income allocations in varying percentages. The various model strategies are generally composed of pooled investments including mutual funds, exchange traded funds, and other similar registered products. Some of the model strategies are designed and maintained by The Investment Committee of Symmetry Partners, LLC ("Symmetry") (an affiliated registered investment adviser). Apella or the Investment Committee, as the case may be, selects third party investment advisory firms ("External Managers") to manage specific portions of the allocation consistent with the overall asset allocation strategy developed by the Investment Committee, including model portfolios comprised of the Symmetry-managed Panoramic Funds (described below under Panoramic Fund Model Portfolios). External Managers are selected based on an evaluation of the investment advisory organization, including the organization's performance against selected benchmarks, investment style within a particular asset class, expenses and related factors.

Apella or the Investment Committee, as the case may be, monitors the performance of External Managers, including managers' adherence to investment style and continuing suitability with respect to model strategies and overall asset allocation strategy, as well as overall expense levels. As part of this monitoring process, Apella or the Investment Committee, as the case may be, employs the services of various outside consulting and research providers to obtain performance measurement, including index and peer group comparisons, and/or other services. Apella and/or the Investment Committee continually monitor the capital markets and various asset classes. Periodically, Apella and/or the Investment Committee may recommend adjustments to model strategies in seeking to avoid risk or gain exposures associated with investment opportunities.

The Firm's advisory services may include the following: reviewing the client's investment portfolio at the commencement of the Apella advisory relationship; assessing the client's investment needs and objectives; investment policy planning and suitability; developing an asset allocation strategy designed to meet client objectives; ongoing monitoring of the performance of the accounts; implementation of asset allocation strategy; reviewing accounts to ensure adherence to policy guidelines and re-balancing asset allocations when Apella, in its discretion, deems such re-balancing appropriate for the client; answering client inquiries; updating client information; and interviewing the client at least annually to identify changes in the client's financial situation. The client should notify Apella promptly if the client's financial situation or investment objectives change.

**Discretionary Services** – As designated in the client's Investment Advisory Agreement, Apella may be engaged to provide investment advisory services on a discretionary basis, whereby Apella may, without client consent, implement investment strategies or change portfolio holdings or allocations, provided all actions are consistent with a client's risk tolerance and investment objectives. Please see Investment Discretion below, Item 16.

**Non-Discretionary Services** – In contrast to "Discretionary Services," when Apella is engaged (per the Investment Advisory Agreement) to provide Non-Discretionary advisory services, the Apella IAR will recommend a course of action and seek client consent or direction before proceeding with implementation.

**Qualified Plan Clients** - Apella IARs may refer qualified plan clients to Symmetry for investment management services provided by the Symmetry Retirement Program. Qualified plan clients include those complying with the requirements of Section 401(a) (and related sections) of the Internal Revenue Code. Should a qualified plan client engage Symmetry for investment management services, the Apella IAR would serve as a co-adviser to the qualified plan client.

Symmetry is an investment manager as defined in sections 402(c)(3) and (3)(38) of the Employment Retirement Income Security Act of 1974 ("ERISA"). Symmetry works with a select group of third-party administrators referred to as Symmetry's QP Partners. Symmetry offers its investment management

services to 401(k) and qualified plans through the Symmetry Retirement Program. Symmetry services include, but are not limited to, reviewing investment options, recommending a portfolio structure, and recommending appropriate changes in portfolio holdings.

A full description of the Symmetry Retirement Program will be provided to plan sponsor/client by the Apella IARs. Other Apella IARs services may include, but are not limited to, assist in assessing and gathering information to determine the suitability of Symmetry's services for the plan, assist in enrollment meetings, provide investment education to participants, be reasonably available to plan sponsor for questions and requests, and contacting the plan sponsor at least annually to see if there has been a change in the plan's financial situation.

To the extent that an account is an employee benefit plan described in section 3(3) of ERISA and subject to Title I of ERISA (an "ERISA plan") or a plan described in Section 4975(e)(1)(B) through (F) of the Internal Revenue Code of 1986, as amended ("Code") and subject to Section 4975 of the Code, including an individual retirement account (an "IRA") (each a "Retirement Client"), Apella acknowledges that it is a fiduciary under ERISA or the Code, or both, as applicable, with respect to any investment advice (as defined in 29 C.F.R. § 2510.3-21) it provides to the Retirement Client with respect to the Account.

For additional information on Symmetry Partners, LLC and their Retirement Program, please refer to Symmetry's ADV Part 1 and 2A, which can be found at [www.adviserinfo.sec.gov/Firm/120982](http://www.adviserinfo.sec.gov/Firm/120982).

### *Financial Planning*

Apella also provides advice in the form of a financial plan. An advisory client of Apella may receive these services as part of the bundled services offered under the established advisory fee. Alternatively, clients who are seeking financial planning services only, may receive these services on a standalone basis for a flat fee. The flat fee is negotiable depending on the services provided and is typically a onetime fee unless the client requests the services the following year. The financial planning fee is refunded to the client if the client chooses to engage Apella for investment advisory services. Financial Planning clients that come through the Knoxville, Tennessee, ("TN") office may pay an ongoing financial planning fee for the services provided. All financial planning clients may receive a written financial plan, providing the client with a detailed financial plan designed to achieve the client's stated financial goals and objectives. Implementation of financial plan recommendations is entirely at the client's discretion.

In order to develop a comprehensive plan, the Apella IAR will:

- Determine and prioritize personal and financial goals, needs and objectives.
- Gather the pertinent data and documents and conduct personal interviews with the client and professional advisers.
- Analyze and evaluate a client's overall financial situation.
- Develop and present investment and financial planning recommendations both verbally and in writing.
- Implement all investment and financial plans as directed by the client.
- Monitor and adjust plans as needed and directed on an ongoing basis.

Depending on a client's objectives, the resulting formal written plan will cover general financial planning, estate planning, educational fund planning, individual tax planning, retirement planning, risk management, and insurance planning.

### *Investment Management Services*

Apella IARs may use any methods of analysis and any investment strategies the Firm believes will be helpful in achieving the investment objectives of its clients, consistent with any guidelines and restrictions that the client may otherwise request, and consistent with the information provided herein.

The Firm uses a variety of investment approaches and techniques in managing client portfolios, with an emphasis on the use of quantitative research and proprietary models to manage accounts, and to monitor selected investments and performance against internal parameters. The Firm primarily utilizes model strategies designed to cover a wide range of investment objectives, risk tolerances, and time horizons, while individually providing managed investment allocations more closely tailored to a particular investor profile. The strategies vary in their equity and fixed income exposures – and, within the equity allocations, further variance with respect to market capitalization and style – and, within the fixed income allocations, further variance in credit quality and duration.

The recommendations implicit in the model strategies may reflect recommendations being made by Symmetry contemporaneously to, or investment advisory decisions made contemporaneously for, similarly situated discretionary clients of Symmetry or affiliated entities. As a result, Symmetry or its affiliates may have already commenced trading before an Apella IAR has received or has had the opportunity to evaluate or act on Symmetry's model strategy information. In this circumstance, trades ultimately placed by an Apella IAR for its clients may be subject to price movements that may result in Apella clients receiving prices that are less or more favorable than prices obtained by Symmetry for its client accounts.

In addition, Symmetry also has model portfolios composed of proprietary mutual funds, the Symmetry Panoramic Funds, (each a Fund and collectively the "Funds" which are registered with the SEC under the 1940 Act, ("40 Act") and the Securities Act of 1933. Use of Symmetry Panoramic Funds in client portfolios is discussed further under *Symmetry Panoramic Model Portfolios*, below.

Apella IARs manage the assets in client accounts and may invest a portion or all of a client's assets in accordance with model strategies. IARs may also customize portfolios to better address the client's stated investment objective, including but not limited to, tax sensitivity, allocation criteria, and liquidity requirements. In some cases, when a client account is transitioned to Apella through one of Apella's branch offices, the client may remain in their legacy portfolio and continue to have that portfolio managed by Apella. The Firm may use other funds and/or other investments vehicles apart from those mentioned in this section based on the client's unique circumstances. However, the primary investment vehicles utilized by Apella are mutual funds or exchange traded funds and the primary methodology is model based. Risks associated with these various vehicles are identified in Item 8C. of this brochure.

Certain Apella IARs manage assets for participants in specific employee sponsored retirement plans and annuity contracts. The individual investments available in the employee sponsored retirement plans and annuity contracts differ from the model portfolios designed and managed by the Apella IARs and Symmetry. For this reason, while target allocations are materially similar to those provided directly by Apella or Symmetry, the returns for similar allocations will differ.

Apella has contracted with Orion Advisory Services, LLC ("Orion") to utilize its technology platforms to support data reconciliation, performance reporting, fee calculation and billing, research, client da-

tabase maintenance, quarterly performance evaluations, payable reports, website administration, models, trading platforms, and other functions related to the administrative tasks of managing client accounts. As a result of this arrangement, Orion will have access to client accounts, but Orion will not serve as an investment advisor to Apella clients. Apella has a separate Confidentiality agreement with Orion and a copy of Apella's privacy policy can be obtained on the Apella website at [www.apellacapital.com](http://www.apellacapital.com). Apella and ORION are non-affiliated companies. ORION charges Apella a fee for each account administered by Orion. The annual fee is paid from the portion of the management fee retained by Apella.

#### *Symmetry Panoramic Model Portfolios (Previously known as Structured Panoramic)*

The Apella IAR may recommend and utilize managed portfolio solutions composed of Symmetry Panoramic Funds. When Apella utilizes Symmetry Panoramic Fund Model Portfolios, Symmetry Partners receives a management fee from the Panoramic Funds. The management fee is in addition to the advisory fee paid to Apella by Clients. While every mutual fund or sub-advised portfolio component used by Apella carries its own sub-advisory or investment management fee, in cases when Apella uses the Symmetry-managed Panoramic Funds, the affiliated entities receive both the advisory fee at the Client account level (paid to Apella) and the investment management fee at the fund level (paid to Symmetry).

While an Apella IAR will not receive more compensation for using Panoramic Fund Model Portfolios, Symmetry Partners will. The higher overall compensation received by the affiliated entities may create an incentive for an Apella IAR to recommend Panoramic Fund Model portfolios over another investment solution. This conflict created by higher affiliate compensation is addressed in a variety of ways, including disclosure of the conflict in this Brochure. In addition, as fiduciaries, the Apella IARs are required to consider the costs of any investment solution in conjunction with the anticipated benefits to the Client. The Apella IARs are further required to recommend only those investment solutions that are suitable for each client based on the client's investment objectives, risk tolerance and financial situation and needs.

#### **C. Individual Tailored Services and Reasonable Restrictions**

Apella's IARs assist clients in determining which model strategy or allocation is most appropriate for a client's particular needs. Apella IARs may also customize portfolios to meet the unique needs and objectives of its clients. Clients may place reasonable restrictions on their accounts. However, Apella may decline a restriction request upon notice to the client if the request is fundamentally inconsistent with Apella's investment philosophy, is counter to the client's stated investment objectives, or would prevent the firm from properly servicing client accounts.

#### **D. Wrap Fee Programs**

Apella is not a sponsor of or a portfolio manager to a wrap fee program.

#### **E. Assets Under Management**

Apella's current assets under management total for discretionary accounts is \$869,000,000 as of 12/31/2019.

## **Fees and Compensation**

Form ADV Part 2A, Item 5

### **A. Fees**

Advisory services can be priced in multiple ways depending on various factors and the client's specific situation. Advisory fees are generally based upon an analysis of the client's financial goals and needs, along with the complexity of their objectives. A client's specific pricing is fully described in the client's Investment Advisory or Financial Planning agreement.

Fees are based on a number of criteria, which may include, but are not limited to:

- Investable assets / assets subject to the agreement;
- Complexity of the client's needs, objectives or planning concerns;
- Services provided;
- Amount of time allocated and/or anticipated to be allocated to the client's advisory or planning needs; and/or
- Customization and requests for expedited services.

Fees may be charged in a number of ways depending on the specific services being rendered and the client's specific situation, including:

- Fees charged as a percentage of assets under management or advisement;
- Negotiated flat fee (one time or annually recurring); and/or
- Hourly fee.

The client's fee is generally deducted from the client account. Though, clients may be billed for certain services or upon request. The client is also charged a custodian fee and may incur transaction costs such as, but not limited to, wire fees, commissions and termination fees – such fees are charged by and payable to the client's custodian. A description of these expenses and fees can be found in the client's custodial agreement and are described in greater detail below. In addition, the client also pays fees and expenses related to the client's investments in mutual funds and ETFs. A description of these fees and expenses can be found in each fund's prospectus. Mutual fund and ETF fees are collected by the mutual fund or ETF as a fund expense and do not result in additional billed expenses. Unless a flat fee has been requested or negotiated, Apella will charge an annual fee based on the client's assets under management. The following tiered fee schedule (which may be negotiable) applies to the organic clients of Apella, however, Apella has acquired various firms that may have a higher fee schedule:

| <u>Range Start</u> | <u>Range End</u> | <u>Percentage</u> |
|--------------------|------------------|-------------------|
| \$0                | \$1,000,000      | 1.00%             |
| \$1,000,001        | & Above          | 0.50%             |

The following tiered fee schedule applies to the clients that come to Apella through the Dallas, Texas office:

| <u>Range Start</u> | <u>Range End</u> | <u>Percentage</u> |
|--------------------|------------------|-------------------|
| \$0                | \$1,000,000      | 1.25%             |
| \$1,000,001        | \$2,500,000      | 1.00%             |
| \$2,500,001        | \$5,000,000      | 0.90%             |
| \$5,000,001        | \$10,000,000     | 0.80%             |
| \$10,000,001       | & Above          | 0.60%             |

## *Retirement*

For Symmetry's investment management services under the Symmetry Retirement Program, clients will be charged an annual fee based on client's assets under management. Symmetry's fees are negotiable. The progressive fee schedule is as follows:

| <u>Range Start</u> | <u>Range End</u> | <u>Percentage</u> |
|--------------------|------------------|-------------------|
| \$0                | \$1,000,000      | 0.35%             |
| \$1,000,001        | \$3,000,000      | 0.32%             |
| \$3,000,001        | over             | 0.30%             |

For additional information on fees regarding the Symmetry Retirement Program, please refer to Symmetry's ADV Part 2A located at [www.symmetrypartners.com](http://www.symmetrypartners.com).

Apella IARs charge an annual fee for accounts in the Retirement Program. The fee is negotiable, but will not be over the maximum fee allowed, which is 0.80%.

On assets subject to an investment management agreement, the Firm receives no additional remuneration outside of asset-based fees directly paid by clients for investment management services, with the following exceptions:

**Financial Planning Fees** - Should clients engage Apella for financial planning services, specific planning fees will apply. Financial planning fees can vary based on the Apella office providing the services, along with the scope and duration of planning services provided. In most situations, if a planning client engages Apella for ongoing investment management services, financial planning fees will be rebated or applied towards Apella asset-based investment management fees. Financial planning fees may not be rebated or used to offset investment management fees depending on the nature of and duration of the planning services.

The client may be charged a flat fee for financial planning services, which is negotiable depending on the services provided. Generally, the fee ranges from \$200.00 to \$3,500.00. The fee is refunded to the client if the client chooses to engage Apella for investment advisory services.

San Francisco, CA Office - For written financial plans developed for clients through the San Francisco, CA office, fees are negotiated and range from \$250.00 to \$10,000 depending on the complexity of a client's situation. Financial planning clients who require limited financial planning or investment advice, may be charged an ongoing financial planning fee of \$250.00 per hour.

Knoxville, TN - For written financial plans developed for clients through the Knoxville, TN office, clients may be charged an ongoing financial planning fee of \$300.00 per hour. There is no refund if the client chooses to engage Apella for investment advisory services.

Dallas, TX - For written financial plans developed for clients through the Dallas, TX office, clients may be charged a financial planning fee up to \$375.00 per hour.

Bellevue, WA - For written financial planning services clients through the Bellevue, WA office, clients may be charged a \$1,500 fee for general planning or to address a particular area of interest or need, depending on the individual's unique circumstances. Additionally, clients may be charged on an hourly basis for financial planning services and a special portfolio research document, "My Future Blueprint." Clients who choose to have "My Future Blueprint" created pay a flat fee of \$199 for the report.

Further, fees may vary from the above standard fee schedule depending on the timeframe the client was introduced to Apella or which branch office is servicing the client. In all cases, fees are disclosed to the client.

Insurance Referral Revenue - The Firm may receive revenue derived from referred insurance sales. Assets used for the purchase of insurance products fall outside the asset base for which Apella charges asset-based fees for investment management services.

On assets participating in an Apella investment management service, the Firm receives no fees in addition to the asset-based fees directly paid by clients, with limited exceptions for ongoing financial planning as described above. However, Apella does compensate affiliated entities for support services provided to Apella clients and on Apella accounts, including:

Administrative Services – Symmetry provides a variety of administrative services to all Apella accounts. As stated above, Symmetry is compensated for back office services to Apella directly.

Model Portfolio Management Services – In the event all or a portion of a client portfolio is allocated to a model strategy designed and managed by Symmetry, a portion of the asset-based fee paid to Apella by an Apella client is used to compensate Symmetry for model portfolio management services.

The costs associated with Administrative and Model Portfolio Management Services are a sub-set of the Apella asset-based fee and are not an additional fee.

## **B. Fees Calculation and Process**

**Billing in Advance** - Certain Apella clients are billed quarterly in advance, based on the quarter-end values of a client's account on the last trading day of the previous quarter. Advance billed clients will be charged a partial fee for the first quarter calculated in arrears. The first quarter fee will be based on the client's initial assets under management (discretionary) or advisement (non-discretionary) and pro-rated from the later to occur of 1) the date the assets are transferred into the custodial account or 2) the date of the Investment Advisory Agreement. In the event non-discretionary assets are not held with an Apella-approved custodian, such pro-rated billing will begin on the date of the Investment Advisory Agreement. Accounts closed mid-quarter will receive a pro-rated rebate. For clients billed based on prior period-end account values, there is no adjustment made to Apella's fee as a result of increases or decreases in account values during a billing period. Fees payable upon establishment or termination of the account will be prorated for the portion of the billing period during which the account is managed. A prorated refund will be given to the client if the relationship is terminated after fee payment and prior to the end of the billing period. Investments in commingled funds made in client accounts, whether in mutual funds, exchange traded funds, limited partnerships or other structures, will include their own fees and expenses, including management and fund administration fees, among others (as more fully described below). A complete explanation of all fees and expenses charged by commingled funds is contained in each fund's offering documents, which should be read carefully.

**Billing in Arrears** - Certain other Apella clients are billed quarterly in arrears, based on the quarter-end values of a client's account on the last trading day of the quarter. The first quarter's fee will be based on the client's initial assets under management and pro-rated from the date the assets are traded in the account. Should an account be terminated the fee will be calculated based on the ending value of the previous day market value. Per the advisory contract, the client directs the firm to direct the custodian to deduct fees from the account.

**Billing Based on Average Daily Balance** - Certain Apella clients are billed based on average daily balance. An account's "average daily balance" is determined by combining each day's account balance for the prior billing period and then dividing that total by the number of days in the period. For purposes of billing, the average daily balance is used as the account value on which the advisory fee is based. Whether billed in advance or arrears, the average daily balance is calculated over the period preceding the billing date.

Apella's fees may be amended at its discretion.

The client, depending on the custodian, may request that related accounts be combined in order to meet fee breakpoints and reduce the advisory fee charged. Apella will evaluate such requests on a case-by-case basis. Apella reserves the right to waive the advisory fee for certain accounts, such as but not limited to, employee accounts. The standard fee schedules and minimum account sizes indicated for the investment management services are negotiable and as a result, clients with similar assets may have differing fee schedules and pay different fees. Clients who negotiate a flat fee schedule may or may not pay a higher fee than those who pay under a tiered schedule, depending on asset levels. Clients will be charged a fee on all assets (securities, cash and cash equivalents), in the account unless otherwise agreed upon between parties.

In the event multiple related accounts are managed by Apella, the Firm may designate specific account(s) to deduct advisory fees for the client relationship.

### **C. Custodian Fees and Other Expenses**

#### *Pooled Investment Fees/Expenses*

Fees paid to Apella for investment advisory services are separate and distinct from the fees and expenses charged by underlying pooled investments such as mutual funds and exchange traded funds. In the case of mutual funds, these fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expense, and possible distribution fee. As a general rule, Apella does not use mutual funds that charge sales charges or distribution fees. Expenses of a fund, including management fees payable to the mutual fund manager and other expenses, will not appear as transaction fees on a client's Apella statement, as they are deducted from the value of the fund shares by the mutual fund service provider.

**Shareholder fees** are fees charged directly to mutual fund investors in connection with transactions such as buying, selling, or exchanging shares, or on a periodic basis with respect to account fees. An investor can find these fees and charges listed in the "Fee Table" section of a mutual fund's prospectus or summary prospectus under the heading "Shareholder Fees." ETFs don't charge these fees directly to investors, but they may have several types of transaction fees and costs.

**Operating expenses** are ongoing mutual fund and ETF costs such as investment advisory fees for managing the fund's holdings, marketing and distribution expenses, as well as custodial, transfer agency, legal and accountant's fees. Operating expenses are regular and recurring fund-wide expenses that are typically paid out of fund assets, which means that investors indirectly pay these costs. These expenses are identified in the "Fee Table" section of a mutual fund's or ETF's prospectus or summary prospectus under the heading "Annual Fund Operating Expenses."

Certain mutual funds charge an **early redemption fee** if fund shares are sold prior the particular fund's required holding period. Clients should refer to each fund's prospectus for specific

information regarding early redemption fees.

#### *Custodial and Transaction Fees and Expenses*

Clients will incur certain charges imposed by financial institutions and other third parties such as custodial fees, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to the Apella asset-based fee. For information relating to custodial fees and expenses, please refer to the applicable custodial agreement or contact the applicable custodian.

Depending on custodian, employees of Apella may benefit from lower transaction and custodial fees relative to those fees paid by clients.

#### **D. Fees in Advance**

As explained above, Apella has clients whose fees are deducted in advance. The first full quarter is calculated in advance based on the quarter-end values of a client's account on the last trading day of the previous quarter. The first quarter fee will be based on the client's initial assets under management and pro-rated from the date the assets are traded in the account. The clients will be charged a partial fee for the first quarter calculated in arrears. Accounts closed mid-quarter will receive a pro-rated rebate.

#### **E. Additional Compensation**

Except as described below, Apella does not receive any transaction-based compensation for the sale of securities or investment products, asset-based sales charges, or service fees from the sales of mutual funds that are in addition to the investment management asset-based fee described above.

Apella and certain Apella IARs are licensed insurance agents. Apella is registered as an insurance producer in various jurisdictions. In such capacity, the financial planning or investment management processes may result in recommendations to purchase insurance products (life insurance, annuities, disability insurance, among other products). On occasion, the Apella IAR will refer a client to an independent insurance agent for further analysis and insurance product purchases. In the event an Apella client purchases an insurance product as a result of an Apella IAR referral, Apella and the Apella IAR will receive a portion of the total commission. These commissions typically increase as the cost of the insurance product increases. A conflict may arise as insurance product sales could create an incentive to recommend products based on the anticipation of additional revenue. However, as always, every effort is made to ensure that all recommendations are in the client's interests. Further, clients are notified that (1) the recommended insurance products can be purchase from an insurance agent of their choosing, and (2) the are under no obligation to purchase these policies.

While Apella does not receive transaction-based compensation for client investments, please refer to Section B., Advisory Business, above, for details relating to the Symmetry Panoramic Model Portfolios and associated affiliate revenue.

***Performance-Based Fees and Side-By-Side Management***

Form ADV Part 2A, Item 6

Apella does not assess performance-based fees. Apella does not engage in side-by-side management.

## **Types of Clients**

Form ADV Part 2A, Item 7

### **A. Types of Clients**

Apella provides services to individuals, trusts, corporations, charitable organizations, pensions, profit sharing plans, and state and government entities.

### **B. Conditions for Managing Accounts**

#### *General Information on Portfolios*

There is typically a cash position in each portfolio. The cash positions will be invested in a money market fund, which will vary depending on the custodian.

Changes to portfolio holdings which comprise the portfolios may have tax consequences. If a client sells assets in a taxable account, they may have to pay tax on any gain. While Apella seeks to mitigate tax exposure when possible, clients may incur a taxable event in connection with Apella's management of their portfolios.

#### *Mutual Fund Portfolios*

Clients' investments may not match exactly the target allocations for the applicable model portfolio due to a variety of implementation factors, including but not limited to:

- the custodian or trading platform's own trading algorithm;
- any changes in price from the time the positions are calculated to the time they are actually traded;
- certain custodians may eliminate positions with small allocations; and,
- Apella may determine not to implement, for a given client, changes made to the applicable model portfolio due to client-specific factors, such as the desire to avoid realizing capital gains or otherwise.

The holdings comprising the model portfolios and the allocations to those holdings have changed over time and may change in the future.

Please be advised that a Mutual Fund Portfolio which utilizes Vanguard mutual funds would subject investors to the fund's frequent trading limitations.

#### *ETF Portfolios*

Clients' investments may not match exactly the target allocations for the applicable model portfolio due to a variety of implementation factors, including but not limited to:

- the custodian or trading platform's own trading algorithm;
- any changes in price from the time the positions are calculated to the time they are actually traded;
- and the fact that ETFs can only be purchased in whole shares:

- certain custodians may eliminate positions with small allocations entirely; and,
- Apella may also determine not to implement, for a given client, changes made to the applicable model portfolio due to client-specific factors, such as the desire to avoid realizing capital gains or otherwise.

The holdings comprising the model portfolios and the allocations to those holdings have changed over time and may change in the future.

#### *Operational Requests*

Unless otherwise noted in this brochure, trading, back office and operational requests are directed to the Apella Glastonbury, Connecticut, ("CT") office. From there, Apella may use the services of Symmetry's trading and back office operations to service the client. As such, Apella has adopted the following operational protocols which may affect the processing of a client's account and requests.

Some requests including, but not limited to, distributions and liquidations, will ordinarily be processed on the same day if received by Symmetry, in good order, by 12 noon EST. All requests received after 12 noon EST will be handled on a best-efforts basis.

Please note that Apella will use its best efforts to invest deposits and process model change requests within 5 business days of receipt. Distributions from accounts may take up to 10 business days from receipt of request due to settlement dates, administrative duties and other involved institutions' various timelines. Please note that distributions or transfers related to the closing of an account may take up to 30 business days.

Upon termination of an account, the custodian and/or firm to which the client is transferring their account to may not be able to hold the funds in which the client is currently invested.

#### *Trade Error Policy and Process*

Apella's policy and process is to reconcile all trading activity. Apella seeks to identify and resolve trade errors in a reasonable timeframe; document each trade error with appropriate supervisory approval; and, maintain a trade error file. Apella does not engage in any soft dollar arrangements to correct trades and does not correct trades by selling to or purchasing securities from other clients' accounts. Apella does not derive any economic benefit from correcting a trade error. The trade policies and procedures of the custodian may also be a factor in the correction of a trade error.

Apella will analyze the trade to determine if the client has experienced a loss resulting from an internal error. Apella will reimburse the client for any losses suffered due to an internal error. If the client benefitted from the error, the resulting gains will remain in the client account. If the same error results in both losses and gains to a client account, Apella will offset the losses with the gains and will reimburse the client in the event the losses exceed the gains. For losses suffered as a result of Apella's error, generally, Apella will issue a check to the client or applicable custodian or otherwise credit the client account for the amount of loss. In certain circumstances, Apella may credit the client the next advisory fee for the amount of the loss. Apella will notify the client of errors for which Apella is responsible that resulted in a loss of more than \$10. Errors that result in a loss of less than \$10 will be corrected in the client account without notification.

**A. Method of Analysis and Investment Strategies**

Apella IARs will assist each client in identifying the client's financial objective through the use of approved documentation and third-party software. Apella's asset allocation process involves the development of structured allocation strategies (either internally or by the "Investment Committee"), determining client specific asset-class weightings based on sought-after returns and specific risk tolerance levels, and determining the optimal mix of alternative investment strategies, if any, for each client. The Firm will review a client's current investments, discuss the client's investment objectives and risk tolerance, as well as any potential investment restrictions, and plan a transition for the client's assets from their current holdings to the Firm recommended positions. Transition plans may involve the transition of client assets to one or more model allocation strategies designed and managed by Symmetry. In the alternative, transition plans may involve the transition of client assets to a custom portfolio designed by the client's IAR in conjunction with the Investment Committee. Transition plans may also include a combination of Investment Committee designed model portfolios or other custom designed solutions.

Apella formulates investment advice based on its understanding of a client's unique financial circumstances, investment return objectives, and behavioral and economic tolerance for sustaining losses in portfolio value. Periodic face-to-face meetings and analysis of client financial assets and liabilities form the basis of the Firm's recommendations concerning how to structure an investment portfolio best suited to a client's circumstances.

The Firm generally seeks to manage portfolios with similar investment objectives, strategies, guidelines and restrictions, in a manner which, over a reasonable period of time, results in comparable asset class, market capitalization, style, and geographic weightings across such portfolios. However, at times it may be appropriate for the Firm to make recommendations and take actions that are different for otherwise similar accounts. Different actions may be taken for similar accounts because of other circumstances that affect the account, including, but not limited to the account's size, cash additions and withdrawals for the account, the account's tax status, the tax ramifications of particular trades, the timing of an account's entry into the market.

The model investment portfolios may be comprised of open-end mutual funds and / or ETFs offered by unaffiliated investment companies or they may be comprised of Symmetry Partners' proprietary line of Panoramic mutual funds. The Symmetry Panoramic mutual funds may hold substantially the same open-end mutual funds and ETFs, or substantially the same coverage of investment strategies, included in other asset allocation models. Symmetry's Panoramic mutual funds' principal investment strategies are defined by asset class and / or by geographic region.

Model portfolios incorporate multiple factors, or sources of an expected return premia, that are relevant to multiple asset classes and all geographic regions.

Apella's **equity strategies** are factor-based, broadly diversified across global markets and do not engage in market timing, or stock picking outside of what is entailed in the factor orientation of the portfolios. The firm does overweight or underweight at the asset class level in an effort to capture factor premiums that academic research has shown have historically been available.

Apella's **fixed income strategies** are primarily focused on investment grade securities. The degree of interest rate risk and inclusion of foreign bond issues (whose foreign currency risk is largely hedged back to the U.S. dollar) increases across the asset allocation spectrum as investor's risk tolerance increases. Apella's fixed income allocations for tax-sensitive investors typically include a large proportion of municipal bonds due to the largely tax-exempt nature in come from these securities.

The methods of analysis and investment strategies are based on academic research into optimal investing, with an emphasis on Modern Portfolio Theory (MPT) and Quantitative Methods of Analysis that extend from MPT. The analysis methods may include: use of MPT metrics such as return, standard deviation, and Sharpe Ratio, etc. Please see definitions of these terms below. Apella's investment strategies consist of equity and fixed income components (or one or the other) and are comprised of open-end mutual funds, exchange traded funds, and sub-advised accounts.

### **Modern Portfolio Theory**

Modern Portfolio Theory is a method for investing assets in such a way as to maximize the amount of return offered by the investment per unit of risk taken.

**MPT Metrics:** Modern Portfolio Theory metrics include return, standard deviation, and Sharpe Ratio.

**Return:** A measure of the amount the investment has earned as a percentage of the amount that was invested.

**Standard Deviation:** A measure of volatility or the dispersion of returns that the investment has experienced. A high standard deviation indicates a wide dispersion, which is considered to indicate a higher risk than an investment with a low standard deviation.

**Sharpe Ratio:** A measure that combines return and standard deviation in an attempt to show the client the amount of return the investment offered for the level of risk that was taken. Specifically, Sharpe ratio measures the return of the investment over and above the return that could have been obtained in a relatively risk free investment instrument (such as Treasury Bills), divided by the standard deviation of that additional return.

### **Quantitative Methods of Analysis**

Apella employs quantitative investment analysis techniques to both make its asset allocation decisions and to assess ex-post performance of these asset allocation models. Regression analysis and holdings-based analysis are the quantitative analysis methods used by Apella that are significant.

**Regression Analysis:** A statistical measure that attempts to determine whether there is a relationship between two or more variables. Regression analysis is often used to determine whether the behavior of one investment asset is dependent upon the behavior of one or more other assets. For example, whether the performance of a certain mutual fund is dependent upon the performance of the stock market in general.

**Holdings-Based Analysis:** An analysis of fund holdings that allocates underlying securities to various segments based on chosen characteristics and measures how different the weight of the fund's allocation to that segment is from the benchmark's weight to that segment.

## **B. Risk of Loss Involved for Investment Strategy**

As with any investment strategy, there is a possibility of loss. No current or prospective client should assume that future performance of any specific investment strategy or product made reference to directly or indirectly in this material will be profitable.

The recent outbreak of the novel coronavirus (COVID-19) and related measures to curtail its spread have had an adverse impact on market and economic conditions. Although the implications of the coronavirus on the markets and the resulting economic slowdown are uncertain, the virus presents material risk to the performance and financial results of investments.

A primary risk inherent in using Modern Portfolio Theory metrics is that these measures are necessarily based on historical returns, which may not accurately represent what can be expected going forward. Regression analysis simulations both use the same historical data as is used in the calculation of MPT metrics and are therefore open to the same issues. Apella does not make predictions about future returns and therefore generally does not use “forward-looking” forecasts as inputs for its analyses.

Apella usually uses factor, passive or “enhanced passive” type funds to implement its strategies. These investments carry inherent risks, including the risk of the manager not capturing the desired asset class, as well as the risk that the client’s return will suffer from any market risk. Passive management implies that no attempt is made to “shield” the investor from down markets by selling out of investments. Diversification is used to mitigate risk, but while spreading assets out among various equity securities can reduce the risk of overweighting any one investment, it does not protect the client from the aforementioned market risks. Apella’s decision to overweight certain asset classes entail the risk that these asset classes underperform the broader market. Apella’s investments are diversified globally, which means that they take on risks inherent in investing in international and emerging markets economies including, but not limited to, currency risk.

Underlying portfolio factor exposures may individually experience higher turnover, such as the “momentum” strategy, however, these are mixed in with very low turnover strategies, such that overall portfolio turnover is relatively low. However, the client should be aware of the following general rules when investing. Higher potential return generally involves greater risk, short term volatility is not uncommon when investing in various types of funds including, but not limited to: emerging markets, small and mid-cap funds. International investing involves special risks such as currency fluctuation, lower liquidity, political and economic uncertainties, and differences in accounting standards. Risks of foreign investing are generally intensified for investments in emerging markets, which include risks relating to the relatively smaller size and lower liquidity of these markets, high inflation rates and adverse political developments. Risks for investing in international equity include foreign currency risk, as well as, fluctuation due to economic or political actions of foreign governments and/or less regulated or liquid markets. Risks for smaller companies include business risks, significant stock price fluctuation and illiquidity. Investing in real estate entails certain risks, including changes in: the economy, supply and demand, laws, tenant turnover, interest rates (including periods of high interest rates), availability of mortgage funds, operating expenses and cost of insurance. Some real estate investments offer limited liquidity options. Investing in higher-yielding, lower-rated bonds has a greater risk of price fluctuation and loss of principal income than U.S. government securities, such as U.S. Treasury bonds and bills. Treasuries and government securities are guaranteed by the government for repayment of principal and interest if held to maturity.

Diversification is intended to reduce volatility by spreading the client’s investment dollars into various asset classes to add balance to their portfolio. Using this methodology, however, does not guarantee a profit or protection from loss in a declining market.

Other risks may include:

#### *Asset Allocation Risk*

The risk that the chosen allocation of assets will result in the underperformance of other strategies with similar investment objectives. In this regard, a strategy may also temporarily deviate from its factor exposures. In addition, strategies may be allocated to a limited number of underlying investment funds or managers, which could make those strategies dependent on the performance of those managers.

#### *Geographic and Sector Risk*

The risk that if a significant portion of a strategy's total assets are invested in certain issuers within the same geographic region or economic sector, an adverse economic, business or political development affecting that region or sector may affect the value that strategy more than if the Fund's investments were not so focused.

#### *Market Risk*

Overall capital market risk may affect the value of individual instruments in which the strategy invests. Factors such as domestic and foreign economic growth and market conditions, interest rate levels, and political events affect the securities markets.

#### *Money Market Instrument Risk*

The value of money market instruments may be affected by changing interest rates and by changes in the credit ratings of the investments. An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. It is possible to lose money by investing in a money market fund. Recently, the SEC adopted money market fund reform intended to address potential systemic risks associated with money market funds and to improve transparency for money market fund investors.

### **C. Risks of Specific Securities Utilized**

Apella primarily recommends open ended mutual funds and exchange traded funds. The following are risks involved with these investments. As stated in Item 4, when a client is transitioned to Apella, through one its branch offices, the client may remain in their legacy portfolio and is managed accordingly. As such, Apella may use other investment vehicles. The risks associated with these vehicles are also listed below.

#### *Exchange Traded Funds*

ETFs do not sell individual shares directly to investors and only issue their shares in large blocks. Exchange traded funds are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. ETF shares are bought and sold at market price (which may be higher or lower than NAV) and are not individually redeemable from the fund. Brokerage commissions will reduce returns. An investor should consider investment objectives, risks, charges and expenses before investing. A description of these risks can be found in each ETF's prospectus.

## *Mutual Funds*

Past performance does not guarantee future results. The investment return and principal value of a mutual fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Investors should consider the investment objectives, risks, and charges and expenses of the investment company carefully before investing. A description of these items can be found in each fund's prospectus.

## *Alternative Mutual Funds*

The following strategies may be employed by Alternative Mutual Funds to create performance characteristics that have low or no correlation to long-only investment options.

**Long/Short** – Long/short investment strategies utilize short selling, which involves selling a security not owned in anticipation that the security's price will decline or to offset a similar long position in an attempt to either hedge risk and/or capture a spread in return. Generally, both long and short trades are paired together in an attempt to capture a performance spread, while reducing the systematic exposure to the underlying asset class. This strategy could result in losses if the value of the securities held long decrease and the value of the securities sold short increase or if the spread in performance is other than expected.

**Commodities** – Investing in commodities is often through futures trading, where the risk of loss in these contracts can be substantial. The client and advisor should carefully consider whether such trading is suitable depending on the client's financial situation.

Investments in commodities may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity-linked derivatives creates the possibility for greater loss.

**Derivatives** - Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in the investment losses, and the cost of such strategies may reduce investment returns.

## *Options*

Transactions in options can carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the seller holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

## *Equities*

**Individual Stock Risk:** The risk that the price of a security will decline as a result of negative events

surrounding the issuer's reputation, demand and management, or will decline due to other factors impacting the issuer or industry. Any issuer of securities, such as stocks or bonds, may perform poorly, causing the value of those issued securities to decline, including complete loss of value.

### *Bonds*

Issuer and idiosyncratic risk: Bonds are generally considered less risky than equities. However, bonds are still subject to the same issuer and idiosyncratic risks as equities in that an adverse performance at the firm level can impact on the value of the bond, including complete loss of value.

Liquidity risk: Liquidity risk is the risk that thinly traded securities will not be able to be traded at a fair market value when the investor desires to make the trade. Although liquidity risk may be relatively small for large cap, highly traded, securities, it does impact the risk associated with small cap securities. Negative events surrounding smaller cap firms with already thin trading markets can decrease the ability for investors to sell their holdings at a fair market value. If an investor seeks to sell a security that suffers from high levels of liquidity risk, it is possible that he will have to accept a price significantly lower than its fair market value.

Default risk: Default risk refers to the risk that a company will be unable to repay its debts and can result in the loss of an investor's entire investment in a firm. Should a company default and go into bankruptcy, equity holders are at the highest risk as they are residual claimants and are the last in line to be repaid, with no requirements on the issuing company to, if at all, repay shareholders their investment. Uncollateralized bond holders also bear a significant likelihood of sustaining significant losses should the company fail as they also have no guaranteed claims on the company's remaining assets. Asset backed bonds are bonds that are backed by a company's assets should default occur. These bonds offer lower rates of return due to the decrease in potential losses should default occur.

***Disciplinary Information***

Form ADV Part 2A, Item 9

**Not Applicable.**

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

Form ADV Part 2A, Item 10

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Apella and members of the management personnel are not registered, nor do they have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.**

Apella and members of the management personnel are not registered, nor do they have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

### **C. Arrangements with Related Persons**

The managers and members of Apella, are also the managers and members of Symmetry.

Apella has an arrangement with Symmetry under which Symmetry makes model portfolios available to Apella for use with Apella's clients. Further, as stated in Item 4 of this Brochure, The Apella IAR may recommend and utilize managed portfolio solutions composed of Symmetry Panoramic Funds.

When Apella utilizes Symmetry Panoramic Fund Model Portfolios, Symmetry Partners (an affiliate of Apella) receives a management fee from the Panoramic Funds. The management fee is in addition to the advisory fee paid to Apella by Clients. While every mutual fund or sub-advised portfolio component used by Apella carries its own sub-advisory or investment management fee, in cases when Apella uses the Symmetry-managed Panoramic Funds, the affiliated entities receive both the advisory fee at the Client account level (paid to Apella) and the investment management fee at the fund level (paid to Symmetry).

While an Apella IAR will not receive more compensation for using Panoramic Fund Model Portfolios, Symmetry Partners will. The higher overall compensation received by the affiliated entities may create an incentive for an Apella IAR to recommend Panoramic Fund Model portfolios over another investment solution. This conflict created by higher affiliate compensation is addressed in a variety of ways, including disclosure of the conflict in this Brochure. In addition, as fiduciaries, the Apella IARs are required to consider the costs of any investment solution in conjunction with the anticipated benefits to the Client. The Apella IARs are further required to recommend only those investment solutions that are suitable for each client based on the client's investment objectives, risk tolerance and financial situation and needs.

### **D. Selection of other Advisors or Managers**

Apella may recommend or select other investment advisers (sub-advisers) for clients and pay a portion of the investment advisor fee received by Apella from the client to those advisers for their services.

Apella IARs may refer qualified plan clients to Symmetry for investment management services under Symmetry's Retirement Program. The relationship between Symmetry and Apella, the services provided, and fees are fully disclosed to the client. Please also see Items 4B. and 5A. Of this brochure.

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

Form ADV Part 2A, Item 11

### **A. Code of Ethics**

Apella, through its Code of Ethics, strives to ensure high standards of ethical conduct among its employees. In addition, the Apella Code of Ethics sets forth processes for compliance with applicable federal securities laws with respect to, for example, insider trading and personal securities transactions. The goals of the Apella Code of Ethics are to protect the firm's clients and the firm's reputation by educating employees about their fiduciary duties and the laws governing their conduct. A copy of the Apella Code of Ethics is available upon request by calling 860.785.2260.

### **B. Material Financial Interest**

Neither Apella nor its employees have any material financial interest in the securities it recommends to its clients. However, as disclosed elsewhere herein, Symmetry (an Apella affiliate) does have a financial interest in the Symmetry Panoramic Funds, which funds may be used in Apella client portfolios.

### **C. Invest in the Same Securities that are Recommended to Clients**

Apella's employees are allowed to invest in same securities that are recommended to clients. The securities recommended by Apella are primarily shares of mutual funds and ETFs. They are generally not "reportable securities," and as such the Apella Code of Ethics does not ordinarily limit the ability of Apella's employees to invest in the same open-end mutual funds and ETFs that are recommended to clients. All employees of Apella are prohibited from profiting at the expense of clients and competing with clients with respect to transactions in "reportable securities" as defined in Rule 204A-1(e) (10) under the Investment Advisers Act of 1940. Apella employees' personal transactions in reportable securities are reviewed on a quarterly basis to assure compliance with all personal security transaction policies.

### **D. Buy or Sell Securities for Client's Accounts at or about the same time it Buys the Same Securities for its Own Account.**

Apella does not participate in these types of transactions.

## Brokerage Practices

Form ADV Part 2A, Item 12

### A. Selecting or Recommending Broker-Dealers for Client Transactions

Apella primarily recommends transactions in mutual funds and ETFs. As such, Apella does not recommend broker-dealers for client transactions. Apella would seek best execution of client transactions were it to choose a broker-dealer to execute client transactions. While best execution is difficult to define and challenging to measure, there is some consensus that it does not solely mean the achievement of the best price on a given transaction but the best overall qualitative execution in the particular circumstance. Transactions in mutual fund shares are affected directly between a client's custodian and the mutual fund or its agents. Because such transactions are, pursuant to Rule 22c-1 under the Investment Company Act of 1940, required to be affected at a price based on the net asset value of such shares next computed after the order to purchase or sell such shares is received, and clients do not pay any sales loads in connection with such transactions, a price based on the net asset value of the mutual fund shares next computed after the order to purchase or sell such shares is received will be the most favorable trade execution reasonably available. At present, Apella has relationships with three primary custodians, Charles Schwab, TD Ameritrade, and E\*Trade, that are operationally set up to maintain client accounts, and each client selects his or her own custodian. In selecting its custodian, each client will be deemed to have directed Apella to affect any transactions in ETF shares and other individual securities through such broker as the client's custodian may from time to time direct. It should be noted that on occasion clients may have their assets held by Fidelity and TIAA-CREF. TIAA CREF is limited to clients that are participants in employee sponsored retirement plans who utilize TIAA-CREF's services.

Apella participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Apella receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 14 below.)

#### 1. Research and Other Soft Dollar Benefits

Apella does not in any way direct clients to a broker dealer or custodian for the exchange of products, research or services.

#### 2. Brokerage for Client Referrals

Apella does not in any way direct clients to a broker-dealer or third party for client referrals.

#### 3. Directed Trades

As noted above, each client directs its own trades with respect to ETFs and other individual securities. As a result, the client may incur higher commissions, greater spreads or less favorable net prices than if the client had chosen a different custodian and thereby directed Apella to execute ETF trades through another broker-dealer. Apella may not be able to obtain best execution for such trades.

## **B. Trade Aggregation**

Although Apella does not aggregate trades for execution, Apella's Glastonbury, CT office primarily utilizes Symmetry's back office operations support, (please item 7B. of this brochure), to transmit instructions with respect to transactions in mutual funds and ETFs to its clients' custodians at various times throughout the day, and instructions with respect to transactions on behalf of multiple clients with the same custodian may be transmitted at the same time. Client transactions in ETFs may be held for part of a trading day until the next regular transmission to their custodians, which may adversely affect the price at which they are affected. A client's custodian may aggregate such orders for execution.

Please note that trades are aggregated with each custodian separately. Depending on the number of shares traded, the custodians may participate in a trade rotation process. The trade rotation process provides objective preference to the custodian by submitting trades for each custodian in sequence starting with a different custodian on each series of block trades. The starting custodian moves down one position on the list at the start of each new trading day. The submission process for each custodian is done in an efficient timely manner. E\*Trade is not part of the trade rotation process.

Please note in the following limited situations, Apella is transmitting instructions without utilizing Symmetry's back office operations:

- The Lenox, MA office is submitting trade instructions to TD Ameritrade for those clients who utilize Apella services through that office; and,
- The Apella Glastonbury, CT office transmits trade instructions to Fidelity and TIAA-CREF platform for applicable clients whose assets are held at those custodians.

## ***Review of Accounts***

Form ADV Part 2A, Item 13

### **A. Frequency, and Responsible Parties of Periodic Reviews**

Client accounts are monitored on a periodic basis, annually and as needed. Financial plans are reviewed on an annual basis and as needed with the client. Apella investment adviser representatives conduct the reviews.

### **B. Factors that will trigger a non-periodic review**

A non-periodic review of a client's account can be triggered by a change in the client's financial circumstances such as, but not limited to, termination of employment, moving or retirement. A material market event could also trigger a review.

### **C. Reports**

Clients receive either a quarterly or monthly statement from the custodian. Apella may also provide clients with quarterly performance reports. In addition, Apella has other tools it may use in connection with the review of client accounts which may include, without limitation, research notes, white papers, and analysis on related market events.

## ***Client Referrals and Other Compensation***

Form ADV Part 2A, Item 14

### **A. Individual who is not a Client Provides an Economic Benefit in Connection with Giving Advice to Client**

With the exception of insurance revenue described above in Item 5 E., Apella does not receive any economic benefit including, but not limited to, commissions, equipment, research services, sales awards and/or prizes from any non-client in connection with giving advice to clients.

### **B. Indirect or Direct Compensation to Third Parties for Client Referrals**

#### *Indirect Compensation*

Individual Solicitor - Apella currently maintains one "individual" solicitor arrangement. For this arrangement, Apella adheres to the solicitor's rule pursuant to the Advisors Act Rule 206(4)-3. All material information describing the solicitor's activities and compensation is disclosed to the client in the Solicitor's Disclosure Statement, which is part of the Apella Investment Advisory Agreement.

Entity Solicitor Programs - Apella participates in a referral program through TD Ameritrade (AdvisorDirect Program) (collectively, the "Referral Program"), to which Apella pays a solicitation fee in connection with participation in the Referral Program (described more specifically in the respective program solicitation disclosures presented to Referral Program clients).

As disclosed under Item 12 above, Apella participates in TD Ameritrade's institutional customer program and Apella may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Apella's participation in the program and the investment advice it gives to its Clients, although Apella receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Apella by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Apella's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Apella but may not benefit its Client accounts. These products or services may assist Apella in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Apella manage and further develop its business enterprise. The benefits received by Apella or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Apella endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Apella or its related persons in and of itself creates a potential conflict of interest and may indi-

rectly influence Apella's choice of TD Ameritrade for custody and brokerage services.

Apella may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Apella may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Apella and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Apella and has no responsibility for Apella's management of client portfolios or Apella's other advice or services. Apella pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Apella ("Solicitation Fee"). Apella will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Apella from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Apella on the recommendation of such referred client. Apella will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Apella's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Apella may have an incentive to recommend to clients that the assets under management by Apella be held in custody at TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Apella has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Apella's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

The amount and level of fees charged by Apella to clients referred to it through a Referral Program will not be higher than the fees charged, and the level or quality of services provided will not be inferior to the level or quality of services provided, to a client of Apella's for which Apella does not have to pay a referral fee to a third party and which client receives comparable services for a comparably sized account.

A client's participation in a Referral Program does not reduce or eliminate Apella's fiduciary duty to obtain best execution when selecting brokers to execute securities transactions on behalf of clients. While conflicts of interest may arise through Apella's participation in the Referral Programs, as always, Apella will make every effort to ensure that all recommendations are in the client's best interests. Apella is not affiliated with any Referral Program sponsoring entity.

#### *Direct Compensation*

Apella pays a portion of its advisory fee to an affiliate, Symmetry, to assist with functions associated with the management of client accounts. Such tasks may include, but are not limited to, sub-advisory services, back office operations and trading, reporting, and investment research.

## ***Custody***

### Form ADV Part 2A, Item 15

Apella has custody of clients' assets for the following reasons. For the majority of accounts, custody is limited to the specific circumstance of fees being deducted from clients' accounts. Apella also has custody due to having standing letters of authorizations ("SLOA"). The SLOA is when a client gives an adviser authorization to send funds from the client's own account to an identified third party. For these accounts, Apella reports the assets on the ADV Part 1, but because Apella meets the required conditions the firm does not need for those accounts to undergo a surprise exam by a Certified Public Accounting firm. Apella has custody and is required to undergo the surprise exam for a minimal number of Apella advisory accounts where an Apella employee serves as a trustee. When a client opens an account with Apella, the assets are held with a qualified custodian. Clients will receive monthly or quarterly account statements, depending on the custodian. Clients should review the statements carefully for accuracy of information. In addition, Apella can provide advisers quarterly performance reports of clients' accounts to share with clients. When reviewing this report, clients should note that this report does not take the place of brokerage statements, any fund company statements, or 1099 tax forms. The client is urged to compare this report with the statement received from the custodian covering the same period.

***Investment Discretion***

Form ADV Part 2A, Item 16

Client grants Apella discretionary authority to implement all investment decisions such as, but not limited to, investment selection, asset allocation and rebalancing. This discretion is limited only by the reasonable restrictions the client may place on the account. Apella will assist the client in understanding and evaluating the possible impact of these restrictions on the account. Apella typically maintains a cash balance in each portfolio. Clients appoint Apella as client's agent and attorney-in-fact with respect to trading authorization. Apella manages the asset allocation on a continuous basis and all allocation and investment decisions are reviewed and monitored.

## ***Voting Client Securities***

Form ADV Part 2A, Item 17

### Proxy Voting Statement

Apella's standard policy regarding discretion to vote proxies is as follows: Unless Apella and client otherwise agree in writing, Apella is precluded from and the client shall be responsible for: (a) directing the manner in which proxies solicited by issuers of securities the client beneficially owns shall be voted; and (b) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other events pertaining to the securities in the account. The client authorizes and directs the custodian to forward to the client all proxies and shareholder communications relating to the assets. Should a client wish to grant Apella discretion to vote proxies, the client must do so in writing, and such voting authority will not be effective until accepted in writing by Apella.

***Financial Information***

Form ADV Part 2A, Item 18

Apella is required to disclose certain information to clients regarding financial matters of the firm.

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

B. Apella has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

C. Apella has not been subject of a bankruptcy petition at any time.