

**Part 2A of Form ADV: *Firm Brochure***

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This brochure provides information about the qualifications and business practices of Affinity Investment Group, LLC. If you have any questions about the contents of this brochure, please contact us at 603.778.6436 or [greg@affinityinvestmentgroup.com](mailto:greg@affinityinvestmentgroup.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 Affinity also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 117191.

## Item 2 Material Changes

This Firm Brochure provides you with a summary of Affinity Investment Group, LLC's advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform you of the revision(s) based on the nature of the information as follows.

1. **Annual Update:** We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
2. **Material Changes:** Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

Since the filing of our last annual updating amendment on March 22, 2023, we have no material changes to report.

Although not material, the Firm has made disclosure changes, enhancements and additions at Item 4 below.

**ANY QUESTIONS: Registrant's Chief Compliance Officer, Gregory Gagne, remains available to address any questions regarding the above changes, or any other issue pertaining to this Brochure.**

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#### **Item 4 Advisory Business**

Affinity Investment Group, LLC (hereinafter 'Affinity', the 'firm' or 'we') is a SEC-registered investment adviser with its principal place of business located in Exeter, New Hampshire. It should be noted that registration as an investment adviser does not require and should not be interpreted to imply any particular level of skill or training. Gregory B. Gagne, who founded the firm in 1998, is the sole owner, managing member and chief compliance officer (CCO).

Affinity provides personalized confidential financial planning and investment management services to our clients. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning. A written evaluation of each client's initial situation is provided to the client, often in the form of a net worth statement, current asset allocation review, or a combination of both.

Separately, the principal and certain other related persons of the firm are, in their individual capacity, licensed as independent insurance agents/brokers. When acting in this capacity, these individuals will earn commissions which are separate and distinct from fees charged for advisory services.

In addition, Gregory Gagne, James E. Ellis and Peter Willcox, Jr., a licensed investment adviser representative of Affinity, periodically present financial seminars to the public. These seminars are presented free of charge to attendees and are intended to provide general information regarding investing in the financial markets. The presentations do not purport to address the individual investment needs or objectives of any participant, nor do they include any specific recommendations regarding investments in market sectors or securities.

Affinity will manage advisory accounts on a discretionary or non-discretionary basis, as agreed with each client. The selection of a discretionary account allows us to buy and sell investments in a client's account without asking a client in advance, while the selection of a non-discretionary account will require us to ask for a client's consent prior to the implementation of any recommended transaction in an account. If a client grants us discretionary authority, we will exercise it until it is terminated in writing. We will exercise the discretionary authority a client grants us any time we decide to change the holdings in a client's account in accordance with his/her outlined investment objectives. The client always maintains asset control and is required to select the independent broker-dealer to be used for trade execution and custodial services. Clients grant Affinity a limited power of attorney enabling us to place trades on their behalf.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial consultation, which may be conducted by telephone, is free of charge and is considered an exploratory interview to determine the extent to which our financial planning and investment management may be beneficial to the client.

Affinity offers the following advisory services to our clients:

#### **PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the

individual needs of the client on a fee only basis as discussed in Item 5 below. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Assets are invested primarily utilizing no-load or load- waived mutual funds, although Affinity may also utilize exchange-traded funds, certificates of deposit and/or variable annuities when appropriate to the needs of the client. Before engaging Affinity to provide investment advisory services, clients are generally required to enter into an *Investment Advisory Agreement* with Affinity setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client. To commence the investment advisory process, Affinity will ascertain each client's investment objective(s) and then allocate the client's assets consistent with the client's designated investment objective(s). The mutual funds will be selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure. Once allocated, Affinity provides ongoing supervision of the account(s). Portfolio weighting between funds and market sectors will be determined by each client's individual needs and circumstances. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

***Exempt Asset Class Holdings:***

A client may:

- hold securities that were purchased at the request of the client or acquired prior to the client's engagement of Affinity. Generally, with potential exceptions, Affinity does not/would not recommend nor follow such securities, and absent mitigating tax consequences or client direction to the contrary, would prefer to liquidate such securities. **Please Note:** If/when liquidated, it should not be assumed that the replacement securities purchased by Affinity will outperform the liquidated positions. To the contrary, different types of investments involve varying degrees of risk, and there can be no assurance that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Affinity) will be profitable or equal any specific performance level(s). In addition, there may be other securities and/or accounts owned by the client for which Affinity does not maintain custodian access and/or trading authority; and,
- hold other securities and/or own accounts for which Affinity does not maintain custodian access and/or trading authority.

**Corresponding Services/Fees:** When agreed to by Affinity, Affinity shall: (1) remain available to discuss these securities/accounts on an ongoing basis at the request of the client; (2) monitor these

securities/accounts on a regular basis, including, where applicable, rebalancing with client consent;(3) shall generally consider these securities as part of the client's overall asset allocation; and, (4) report on such securities/accounts as part of regular reports that may be provided by Affinity; and, (5) include the market value of all such securities for purposes of calculating advisory fee.

***Reporting Services:*** Affinity can also provide account reporting services, which can incorporate client investment assets that are not part of the assets that Affinity manages (the "Excluded Assets"). Unless agreed to otherwise, **the client and/or his/her/its other advisors that maintain trading authority, and not Affinity, shall be exclusively responsible for the investment performance of the Excluded Assets.** Unless also agreed to otherwise, Affinity does not provide investment management, monitoring or implementation services for the Excluded Assets. If Affinity is asked to make a recommendation as to any Excluded Assets, the client is under absolutely no obligation to accept the recommendation, and Affinity shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. The client can engage Affinity to provide investment management services for the Excluded Assets pursuant to the terms and conditions of the *Investment Advisory Agreement* between Affinity and the client.

***Client Directed Orders:*** From time to time, certain clients may direct Affinity to purchase or sell securities on their behalf ("client directed transactions"). Affinity does not take investment advisory responsibility for such transactions. Further, we retain the discretion to include or exclude such investments from the client's portfolio managed by Affinity and our calculation of advisory fees. The amount of the fee and the billing terms will be agreed upon in advance with the client.

***ESG Investments: Socially Responsible Investing*** involves the incorporation of **Environmental, Social and Governance** ("ESG") considerations into the investment due diligence process. ESG investing incorporates a set of criteria/factors used in evaluating potential investments: Environmental (i.e., considers how a company safeguards the environment); Social (i.e., the manner in which a company manages relationships with its employees, customers, and the communities in which it operates); and Governance (i.e., company management considerations). The number of companies that maintain an acceptable ESG mandate can be limited when compared to those that do not, and could underperform broad market indices. Investors must accept these limitations, including potential for underperformance. Correspondingly, the number of ESG mutual funds and exchange-traded funds are limited when compared to those that do not maintain such a mandate. As with any type of investment (including any investment and/or investment strategies recommended and/or undertaken by Affinity), there can be no assurance that investment in ESG securities or funds will be profitable, or prove successful. Affinity does not maintain or advocate an ESG investment strategy, but will seek to employ ESG if directed by a client to do so. Affinity's ESG security selection is typically limited to select Exchange Traded Funds ("ETFs") that are managed by unaffiliated third parties. As such, Affinity has no control over the selection of investments within those ETFs and does not administer any positive or negative screens to assess the appropriateness of any individual securities bought or sold for the ETFs. Instead, Affinity relies on the representations and screening processes of the third-party advisers responsible for managing each ETF. While Affinity will conduct due diligence on each ETF's overall investment mandate and philosophy, Affinity cannot guarantee that each security held within the ETF structure will align with the ESG objectives and restrictions expressed by its clients.

***WE DON'T RECOMMEND Cryptocurrency:*** For clients who want exposure to cryptocurrencies, including Bitcoin, Affinity, will advise the client to consider a potential investment in corresponding

exchange traded securities, or an allocation to separate account managers and/or private funds that provide cryptocurrency exposure. Crypto is a digital currency that can be used to buy goods and services, but uses an online ledger with strong cryptography (i.e., a method of protecting information and communications through the use of codes) to secure online transactions. Unlike conventional currencies issued by a monetary authority, cryptocurrencies are generally not controlled or regulated and their price is determined by the supply and demand of their market. Because cryptocurrency is currently considered to be a speculative investment, Affinity will not exercise discretionary authority to purchase a cryptocurrency investment for client accounts. Rather, a client must expressly authorize the purchase of the cryptocurrency investment. **Please Note:** Affinity **does not** recommend or advocate the purchase of, or investment in, cryptocurrencies. Affinity considers such an investment to be **speculative**. **Please Also Note:** Clients who authorize the purchase of a cryptocurrency investment must be prepared for the potential for **liquidity constraints, extreme price volatility and complete loss of principal.**

## FINANCIAL PLANNING / CONSULTING

Affinity may also provide financial planning and related consulting services regarding matters such as tax and estate planning, insurance, annuities, etc. on a stand-alone basis per the terms and conditions of a separate written agreement and fee, the fee for which shall generally be based upon the individual providing the service and the scope of the services to be provided. Prior to engaging Affinity to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Affinity 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 prior to Affinity commencing services.

Financial planning and consulting recommendations are not limited to any specific product or service offered by a broker dealer or insurance company. All recommendations are of a generic nature.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. Should the client choose to implement some or all of Affinity's recommendations, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. To the extent requested by a client, we may recommend the services of other professionals for investment and non-investment implementation purpose (i.e., attorneys, accountants, insurance, etc.), including Affinity's representatives in their separate individual capacities as licensed insurance agents. The client is under no obligation to engage the services of any such recommended professional. **Please Note-Conflict of Interest:** The recommendation that a client purchase an insurance commission product from an Affinity representative in his/her individual capacity as an insurance agent, presents a *conflict of interest*, as the receipt of commissions can provide an incentive to recommend investment and/or insurance products based on commissions to be received, rather than on a particular client's need. **The fees charged and compensation derived from the sale of such insurance and/or securities products is separate from, and in addition to, Affinity's investment advisory fee.** No client is under any obligation to purchase any insurance commission products from any of Affinity's representatives. Clients are reminded that they can purchase insurance products recommended by Affinity's representatives through other, non-affiliated insurance agents. If the client engages any unaffiliated professional, and a dispute arises thereafter relative to such engagement, the engaged

professional shall remain exclusively responsible for resolving any such dispute with the client.

Implementation of financial plan and/or consulting recommendations is entirely at the client's discretion.

Typically, the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

## MISCELLANEOUS

**Non-Discretionary Service Limitations.** Clients that determine to engage Affinity on a non-discretionary investment advisory basis must be willing to accept that Affinity cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that Affinity would like to make a transaction for a client's account, and client is unavailable, Affinity will be unable to effect the account transaction (as it would for its discretionary clients) without first obtaining the client's consent.

### Retirement Rollovers – Potential for Conflict of Interest:

A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Affinity recommends that a client roll over their retirement plan assets into an account to be managed by Affinity, such a recommendation creates a conflict of interest if Affinity will earn new (or increase its current) compensation as a result of the rollover. If Affinity provides a recommendation as to whether a client should engage in a rollover or not (whether it is from an employer's plan or an existing IRA), Affinity is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. **No client is under any obligation to roll over retirement plan assets to an account managed by Affinity, whether it is from an employer's plan or an existing IRA. Affinity's Chief Compliance Officer, Gregory Gagne, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.**

**Please Note-Use of Mutual and Exchange Traded Funds:** Affinity utilizes mutual funds and exchange traded funds for its client portfolios. In addition to Affinity's investment advisory fee described below, and transaction and/or custodial fees discussed above, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

**Custodian Charges-Additional Fees.** As discussed below at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, Affinity generally recommends that *Schwab* serve as the primary broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which



transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian. While certain custodians, including *Schwab*, generally (with the potential exception for large orders) do not currently charge fees on individual equity transactions (including ETFs), others do. **Please Note:** there can be no assurance that *Schwab* will not change their transaction fee pricing in the future. **Please Also Note:** *Schwab* may also assess fees to clients who elect to receive trade confirmations and account statements by regular mail rather than electronically. **ANY QUESTIONS: Affinity's Chief Compliance Officer, Gregory Gagne, remains available to address any questions that a client or prospective client may have regarding the above.**

**Cash Positions.** Affinity continues to treat cash as an asset class. As such, unless determined to the contrary by Affinity, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Affinity's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), Affinity may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Affinity's advisory fee could exceed the interest paid by the client's money market fund. **ANY QUESTIONS: Affinity's Chief Compliance Officer, Gregory Gagne, remains available to address any questions that a client or prospective may have regarding the above fee billing practice.**

**Cash Sweep Accounts.** Account custodians generally require that cash proceeds from account transactions or cash deposits be swept into and/or initially maintained in the custodian's sweep account. The yield on the sweep account is generally lower than those available in money market accounts. To help mitigate this issue, Affinity shall generally purchase a higher yielding money market fund available on the custodian's platform with cash proceeds or deposits, unless Affinity reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to, the amount of dispersion between the sweep account and a money market fund, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account. **ANY QUESTIONS:** Affinity' Chief Compliance Officer, Gregory Gagne, remains available to address any questions that a client or prospective client may have regarding the above.

**Portfolio Activity.** Affinity has a fiduciary duty to provide services consistent with the client's best interest. Affinity 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, market conditions, 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 Affinity determines that changes to a client's portfolio are unnecessary. Clients remain subject to the fees described in Item 5 below during periods of portfolio inactivity. Of course, as indicated below, there can be no assurance that investment decisions made by Affinity will be profitable or equal any specific performance level(s).

**Reporting Services.** Affinity can also provide account reporting services, via Yodlee and Tamarac, which can incorporate client investment assets that are not part of the assets that Affinity manages (the "Excluded Assets"). Unless agreed to otherwise, **the client and/or his/her/its other advisors that**

**maintain trading authority, and not Affinity, shall be exclusively responsible for the investment performance of the Excluded Assets.** Unless also agreed to otherwise, Affinity does not provide investment management, monitoring or implementation services for the Excluded Assets. If Affinity is asked to make a recommendation as to any Excluded Assets, the client is under absolutely no obligation to accept the recommendation, and Affinity shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. The client can engage Affinity to provide investment management services for the Excluded Assets pursuant to the terms and conditions of the *Investment Advisory Agreement* between Affinity and the client.

**Cybersecurity Risk.** The information technology systems and networks that Affinity and its third-party service providers use to provide services to Affinity's clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Affinity's operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and Affinity are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Affinity has established its systems to reduce the risk of cybersecurity incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that Affinity does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

**Client Obligations.** In performing our services, Affinity shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, it remains each client's responsibility to promptly notify Affinity if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

**Please Note: Investment Risk.** 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 Affinity) will be profitable or equal any specific performance level(s).

**Disclosure Brochure.** A copy of Affinity's written Brochure as set forth on Part 2A of Form ADV and Form CRS (Client Relationship Summary) shall be provided to each client prior to, or contemporaneously with, the execution of an agreement between the client and Affinity.

## AMOUNT OF MANAGED ASSETS

As of December 31, 2023, Affinity was actively managing approximately \$444,910,598 in total assets, of which \$380,637,847 are managed on a discretionary basis and \$64,272,751 are managed on a non-discretionary basis.

## Item 5 Fees and Compensation

### PORTFOLIO MANAGEMENT FEES

The annualized fee for Portfolio Management Services is charged as a percentage of assets under management, according to the following schedule:

<u>Assets under Management</u>	<u>Annual Fee</u>
\$250,000 - \$500,000	1.25%
\$500,001 - \$1,000,000	1.00%
\$1,000,001 - \$2,000,000	0.75%
Greater than \$2,000,000	0.50%

Typically, these fees are debited directly from client accounts quarterly in arrears based upon the value (market value or fair market value in the absence of market value) of the account as of the last day of the quarter. In rare circumstances client may elect to be billed directly for portfolio management services rendered. Alternatively, and upon mutual agreement, fees may be charged as a fixed or flat fee.

A minimum of \$250,000 of assets under management and a \$3,125 minimum annual fee is required for this service. Fees for accounts under \$250,000 will be negotiated upon the needs of each individual client. Affinity may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

**Limited Negotiability of Advisory Fees:** Although Affinity has established the aforementioned fee schedule(s), Affinity shall generally price its advisory services based upon various objective and subjective factors. As a result, our clients could pay diverse fees based upon the type, amount and market value of their assets, the anticipated complexity of the engagement, the anticipated level and scope of the overall investment advisory and consulting services to be rendered. Additional factors effecting pricing can include related accounts, employee accounts, competition, and negotiations.

**Please Also Note:** As a result of these objective and subjective factors, similarly situated clients could pay diverse fees, and the services to be provided by Affinity to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

**ANY QUESTIONS:** Affinity's Chief Compliance Officer, Gregory Gagne, remains available to address any questions regarding advisory fees. The specific annual fee schedule is identified in the contract between the adviser and each client.

Affinity reserves the right to reduce or waive advisory fees for services provided to family members and friends. Such rates are not available to all our advisory clients.

#### **Cash and Margin Holdings:**

Unless agreed otherwise, any and all account asset classes, including cash positions, are included in Affinity's advisory fee calculation. At certain times our advisory fee may exceed the money market yield for cash assets.

**Margin Accounts: Risks/Conflict of Interest.** Affinity **does not** recommend the use of margin for investment purposes. A *margin account* is a brokerage *account* that allows investors to borrow money to buy securities and/or for other non-investment borrowing purposes. The broker/custodian charges the investor interest for the right to borrow money and uses the securities as collateral. By using borrowed funds, the customer is employing leverage that will magnify both account gains and losses. Should a client determine to use margin, Affinity will include the entire market value of the margined assets when computing its advisory fee. Accordingly, Affinity's fee shall be based upon a higher margined account value, resulting in Affinity earning a correspondingly higher advisory fee. As a result, the potential of conflict of interest arises since Affinity may have an economic disincentive to recommend that the client terminate the use of margin. **Please Note:** The use of margin can cause significant adverse financial consequences in the event of a market correction. **ANY QUESTIONS: Our Chief Compliance Officer, Gregory Gagne, remains available to address any questions that a client or prospective client may have regarding the use of margin.**

### FINANCIAL PLANNING / CONSULTING FEES

Affinity's Financial Planning / Consulting fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Financial Planning / Consulting fees are calculated and charged on a fixed fee basis, typically ranging from \$2,500 to \$10,000, depending on the specific arrangement reached with the client. However, under certain rare circumstances, these rates may be negotiable. We will quote the fixed fee to the client at the time the advisory agreement is executed. Affinity generally requires financial planning / consulting clients to pay a retainer (typically one half of the agreed upon fee). The balance of the fee will be billed on a quarterly basis. We will never charge more than \$1,200 more than 6 months in advance of the financial planning or consulting service having been earned.

***Fees Offset By Commissions:*** If a Financial Planning / Consulting client executes recommended transactions through associated persons of our firm in their separate capacity as a licensed insurance agent/broker, these individuals will earn commissions which are separate and distinct from fees charged for advisory services. In some instances, depending on the size of the transaction, advisory fees will be discounted, at our discretion, for commissions earned. Commissions will not be credited towards future advisory fees.

***Financial Planning / Consulting Fee Offset:*** Affinity reserves the discretion to reduce or waive the minimum fixed fee if a financial planning / consulting services client chooses to engage us for our Portfolio Management Services.

Management personnel and other related persons of our firm are licensed as insurance agents or brokers. In their separate capacity(ies), these individuals are able to implement investment recommendations for advisory clients for separate and typical compensation (i.e., commissions, or other sales-related forms of compensation). This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

### GENERAL INFORMATION

***Negotiability of Minimum Account Requirements and Advisory Fees:*** Affinity, in our sole discretion, may waive the minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

***Mutual Fund Fees:*** All fees paid to Affinity for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Additional Fees and Expenses:*** Affinity does not receive any compensation, in any form, from fund companies. Discount brokerages may charge a transaction fee for the purchase of some funds. Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. Accordingly, clients will also be responsible for all transaction, brokerage, and custodial fees incurred as part of their account management. Please refer to Item 12 of this Form ADV for additional information regarding our brokerage practices.

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

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. Although our portfolio management fees are billed in arrears, we retain the ability to request a retainer from a financial planning or consulting client. In the event that such an engagement is terminated prior to completion, any prepaid unearned fees will be promptly refunded.

***Past Due Accounts and Termination of Services:*** Affinity reserves the right to stop work on any account that is more than 30 days overdue. In addition, we reserve the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in our judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 30 days.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

Affinity's advisory fees are not based on a share of the capital gains or capital appreciation of managed securities.

Affinity is not a party to any performance or incentive-related compensation arrangements with its clients.

## **Item 7 Types of Clients**

Affinity generally provides investment advice to individuals, including high net worth individuals; trusts and estates; charitable organizations, and corporations or business entities. Our employees may serve on boards of certain client entities or undertake similar internal functions for clients and receive additional compensation for such activities. The terms of such compensation, if any, will be outlined in a separate written document.

As previously disclosed in Item 5, our firm has established certain initial and ongoing minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

Affinity shall generally price its advisory services based upon various objective and subjective factors. As a result, our clients could pay diverse fees based upon the type, amount and market value of their assets, the anticipated complexity of the engagement, the anticipated level and scope of the overall investment advisory and consulting services to be rendered. Additional factors effecting pricing can include related accounts, employee accounts, competition, and negotiations. **Please Also Note:** As a result of these objective and subjective factors, similarly situated clients could pay diverse fees, and the services to be provided by Affinity to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

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

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

***Charting.*** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

***Fundamental Analysis.*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

Affinity's primary investment strategy used on client accounts is strategic asset allocation utilizing a core and satellite approach. This means that we use passively-managed index and/or exchange-traded funds as the core, and add actively-managed funds. Portfolios are globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

In managing client accounts, we may also employ the following strategy(ies) provided that it is appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Risk of Loss.** Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal. Furthermore, all investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Broadly speaking, investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For

example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Item 9 Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no history of disciplinary events to disclose.

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

Affinity is not registered, nor does it have an application pending to register as a broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor. Furthermore, none of our management persons are registered or have pending applications to become registered as any of the foregoing entities.



As required, any affiliated investment advisers are specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1. (Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.)

Management personnel of our firm, in their individual capacities, are agents for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client. Affinity, at its sole discretion, may reduce a client's advisory fee due by full or partial amount of the commission compensation received.

Clients should be aware that the receipt of additional compensation by Affinity and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Affinity endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Affinity and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Affinity's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [greg@affinityinvestmentgroup.com](mailto:greg@affinityinvestmentgroup.com), or by calling us at 603.778.6436.

Affinity and individuals associated with our firm are prohibited from engaging in principal transactions and/or agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his designee.
6. We have established procedures for the maintenance of all required books and records.

7. All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
8. Clients can decline to implement any advice rendered.
9. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
10. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
11. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), a related person of our firm separately maintains an independent registered investment advisory firm for which he is separately licensed as an investment adviser representative. In addition, related persons are separately licensed as insurance agents/brokers of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

Pursuant to recent Department of Labor regulations, Adviser is required to acknowledge in writing its fiduciary status under Section 3(21) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”), as applicable.

When Adviser provides investment advice to you regarding your retirement plan account or individual retirement account, it is a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way Adviser makes money creates some conflicts with your interests, so Adviser operates under a special rule that requires it to act in your best interest and not put its interests ahead of yours.

## **Item 12 Brokerage Practices**

We do not have any formal or informal soft-dollar arrangements and do not receive any soft-dollar benefits.

As our firm does not have the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid, clients must direct Affinity as to the broker-dealer to be used. Affinity requests that clients direct us to place trades through Schwab. Affinity has evaluated Schwab and believes that it will provide our clients with a blend of execution services, commission costs and professionalism that will assist our firm to meet our fiduciary obligations to clients.

Factors that Affinity considers in recommending Schwab (or any other broker-dealer/custodian to clients) include historical relationship with Affinity, financial strength, reputation, execution capabilities, pricing, research, and service. Broker-dealers such as Schwab can charge transaction fees for effecting certain securities transactions (*See* Item 4 above). To the extent that a transaction fee will be payable by the client, the transaction fee shall be in addition to Affinity’s investment advisory fee referenced in Item 5 above.

To the extent that a transaction fee is payable, Affinity shall have a duty to obtain best execution for such transaction. However, that does not mean that the client will not pay a transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where Affinity determines, in good faith, that the 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, transaction rates, and responsiveness. Accordingly, although Affinity will seek competitive rates, it may not necessarily obtain the lowest possible rates for client account transactions.

**Research and Benefits:** Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Affinity can receive from Schwab (or another broker-dealer/custodian, investment manager, platform sponsor, mutual fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Affinity to better monitor and service client accounts maintained at such institutions.

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

**ANY QUESTIONS: Affinity's Chief Compliance Officer, Gregory Gagne, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflicts of interest presented by such arrangements.**

**Directed Brokerage.** Affinity recommends that its clients utilize the brokerage and custodial services provided by Schwab. Affinity generally does not accept directed brokerage arrangements (but could make exceptions). A directed brokerage arrangement arises when a client requires that account transactions be effected through a specific broker-dealer/custodian, other than one generally recommended by Affinity t (i.e., Schwab). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Affinity 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 Affinity. As a result, a 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. **Please Note:** In the event that the client directs Affinity to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Affinity. **Please Also Note:** Higher transaction costs adversely impact account performance. **Please Further Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**Order Aggregation.** Transactions for each client account generally will be effected independently unless Firm decides to purchase or sell the same securities for several clients at approximately the

same time. Affinity may (but is not obligated to) combine or “batch” such orders for individual equity transactions (including ETFs) with the intention to obtain better price execution, to negotiate more favorable commission rates, or to allocate more equitably among Affinity’s clients’ differences in prices and commissions or other transaction costs that might have occurred had such orders been placed independently. 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. In the event that Affinity becomes aware that a Firm employee seeks to trade in the same security on the same day, the employee transaction will either be included in the “batch” transaction or transacted after all discretionary client transactions have been completed. Affinity shall not receive any additional compensation or remuneration as the result of such aggregation. Because of the nature of our portfolio management services (i.e., Affinity principally utilizes mutual funds for the management of client assets), we rarely engage in block trading of client accounts.

Affinity participates in the institutional customer program offered by Schwab Advisor Services. Schwab Advisor Services is a division of Charles Schwab Corporation, (“Schwab”), an unaffiliated SEC-registered broker-dealer and FINRA/SIPC/NFA member. Schwab offers services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions. Accordingly, we recommend Schwab to our clients for custody and brokerage services. There is no direct link between our firm’s participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to Schwab retail investors.

These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser 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 Affinity by third party vendors.

Some of the products and services made available by Schwab through the program may benefit Affinity but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at Schwab. Other services made available by Schwab are intended to help us manage and further develop our business enterprise. Clients should be aware, however, that the receipt of economic benefits by Affinity or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our recommendation of Schwab for custody and brokerage services.

## **Item 13 Review of Accounts**

### **PORTFOLIO MANAGEMENT**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client’s stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client’s individual circumstances, or the market,

political or economic environment.

These accounts are reviewed by their respective account managers; either Gregory B. Gagne, Affinity's Managing Member, CCO; Peter W. Willcox, Jr., Senior Advisor, James E. Ellis, Lead Advisor, and/or Lucas D. Gagne, Associate Advisor. In certain circumstances these individuals will review accounts jointly.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, Affinity provides the Client with quarterly written statements of the assets in Client's account, the current market value, allocation, and performance data for the period. These reports are in an easy to read format that provides a view of the Client's total portfolio managed at Affinity.

### **FINANCIAL PLANNING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

**REPORTS:** Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

### **CONSULTING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Consulting Services clients unless otherwise contracted for. Such reviews will be conducted by the client's account representative.

**REPORTS:** Consulting Services clients will not typically receive reports due to the nature of the service unless otherwise contracted for at the inception of the advisory engagement.

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

Affinity has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. Affinity does not compensate referring parties for these referrals.

Affinity does not maintain promoter arrangements/pay referral fee compensation to non-employees for new client introductions.

### **OTHER COMPENSATION**

If a Client executes recommended insurance transactions through Gregory B. Gagne, Peter Willcox, Jr. James Ellis, or Lucas D. Gagne, in their individual capacities as independent insurance brokers, they will earn commissions which are separate and distinct from fees charged for advisory services. In some instances, and at Affinity's discretion, the firm can offset the amount of its advisory fee with respect to the additional compensation earned.

Our firm and/or our officers and representatives are also eligible to receive incentive awards (including prizes such as trips or bonuses) for recommending certain types of insurance policies or other investment products that we recommend.

While we endeavor at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving incentive awards creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

In addition, certain clients have established asset transfer authorizations that permit the qualified custodian to rely upon instructions from Affinity to transfer client funds or securities to third parties. These arrangements are disclosed at Item 9 of Part 1 of Form ADV. However, in accordance with the guidance provided in the SEC's February 21, 2017 *Investment Adviser Association* No-Action Letter, the affected accounts are not subject to an annual surprise CPA examination.

## **Item 16 Investment Discretion**

For clients granting us the discretionary authority to determine which investments and the size of investments to be bought or sold for their account(s), we request that such authority be granted in writing, typically in the investment advisory agreement.

Should the client wish to impose reasonable limitations on this discretionary authority, such limitations shall be included in this written authority statement. Clients may change/amend these limitations as desired. Such amendments must be submitted to us by the client in writing.

For non-discretionary accounts, we will obtain the client's approval before executing transactions in the client's account.

## **Item 17 Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall 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. Clients are responsible for instructing each custodian of the assets, to forward to the

client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

## **Item 18 Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. As previously disclosed, Affinity does not accept discretionary authority for managing client accounts nor do we accept custody of client assets.

Affinity is also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Affinity has no such financial circumstances to report. Accordingly, Affinity is not required to include a financial statement as part of this disclosure document.

Finally, Affinity has never been the subject of a bankruptcy petition.

**ANY QUESTIONS:** Affinity's Chief Compliance Officer, Gregory Gagne, remains available to address any questions regarding this Part 2A.