

## Beacon Pointe Advisors, LLC - Form CRS

October 12, 2021

Beacon Pointe Advisors, LLC (“we,” “our,” or “us”) is registered with the Securities and Exchange Commission as an investment adviser. Brokerage and investment advisory services and fees differ, and it is important for you to understand these differences. Free and simple tools are available to research firms and financial professionals at [Investor.gov/CRS](https://investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers, and investing.

### What investment services and advice can you provide me?

We offer advisory services to retail investors such as you through the management of your separate account. We monitor each account on an ongoing basis and make adjustments consistent with your investment objectives and goals. Through our Managed Account Program (“MAP”), we recommend unaffiliated third-party investment managers (“Independent Managers”) to manage all or a portion of your assets. We monitor/review each Independent Manager on an ongoing basis. In some cases, we allocate a portion of your assets among mutual funds, exchange traded funds, real estate investment trusts, or private funds. We offer MAP on a discretionary basis, meaning that you authorize us to hire/fire Independent Managers and choose the securities to be bought or sold, subject to your stated investment objectives and restrictions you place on the account. Upon request, we will provide financial planning advice to clients participating in MAP. Generally, MAP’s minimum account size is \$1 million, but we reserve the right to reduce or waive account minimums at our discretion. Through our Automated Investment Program (“AIP”), we invest your assets in exchange traded funds and mutual funds, subject to your right to exclude up to three of such funds. We offer the AIP on a discretionary basis, using an online software program provided by Charles Schwab & Co., Inc., or its affiliate (“Schwab”). Schwab is also the custodian for all accounts in the AIP. We may also offer advisory services through our Unified Managed Account (“UMA”) structure on a discretionary basis, which may consist of any combination of separately managed accounts, mutual funds, exchange traded funds, and/or third-party strategies in a single account.

Additional Information: Please also see Items 4, 5, 7 and 13 of Form ADV, Part 2A.

**Conversation Starters - Ask your financial professional: Given my financial situation, should I choose an investment advisory service? Why or why not? How will you choose investments to recommend to me? What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean?**

### What fees will I pay?

We charge a fee based on the total assets in your account. This fee is generally payable quarterly in advance. The more assets in your account, the more you will pay in fees, and we may have an incentive to encourage you to increase the assets in your account. Our fee does not include management fees charged by Independent Managers, or any applicable charges imposed by custodians, brokers or other third parties such as brokerage commissions, transaction fees, custodial fees, wire transfer/electronic fund fees, or other fees/taxes in connection with securities transactions in your account. The Independent Manager fees may be greater than our fees. Money market funds, mutual funds, and ETFs also charge their own internal management fees. For AIP clients, we charge a fee of 0.50%. Schwab charges no brokerage commissions or other fees for AIP accounts.

Additional Information: You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. *Please also see Item 5 of Form ADV, Part 2A.*

**Conversation Starter - Ask your financial professional: Help me understand how these fees and costs might**

**affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?**

**What are your legal obligations to me when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?**

**When we act as your investment adviser**, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the investment advice we provide you. Here are some examples to help you understand what this means.

- We offer our own real estate and credit-oriented investment funds (“Funds”) to clients. While clients do not pay additional fees for investing in the Funds, we have an incentive to grow the assets in the Funds.
- We may also recommend that clients invest in mutual funds managed by a related adviser (“Related Funds”). We have an incentive to recommend the Related Funds because our related adviser receives fees based on their total assets.
- Some of our employees are licensed insurance agents of a related insurance agency and receive commissions for the recommend insurance products which creates a financial incentive. Some of our employees may receive brokerage commissions on investment products sold to clients. While clients are not charged both advisory fees and brokerage commissions for such products, these employees have an incentive to recommend brokerage sales for the commissions received. Client will not pay both a management fee and commission for such products.
- We participate in referral programs in which we pay custodians a portion of our fee collected from clients they refer to us. We have an incentive to recommend that clients maintain their accounts with such custodians in order to continue receiving their products/services and participating in their referral programs.

**Additional Information:** Please also see Items 10-12, 14 of Form ADV, Part 2A.

**Conversation Starter - Ask your financial professional: How might your conflicts of interest affect me, and how will you address them?**

**How do your financial professionals make money?**

Our financial professionals earn salaries and, when applicable, merit bonuses for performing advisory functions. Some of our financial professionals may receive compensation that is based, at least in part, on the number or amount of client referrals or new accounts brought to the firm. Some of our financial professionals earn additional compensation from insurance or brokerage commissions. For more information regarding these activities, refer to Item 10 of Form ADV, Part 2A and your financial professional’s Form ADV, Part 2B Supplement.

**Do you or your financial professionals have legal or disciplinary history?**

No, we do not. You may visit [Investor.gov/CRS](http://Investor.gov/CRS) for a free and simple search tool to research us and our financial professionals.

**Conversation Starter - Ask your financial professional: As a financial professional, do you have any disciplinary history? For what type of conduct?**

**For additional information about us, [www.beaconpointe.com](http://www.beaconpointe.com). If you would like additional, up-to-date information or a copy of this relationship summary disclosure, please call (949) 718-1600.**

**Conversation Starter - Ask your financial professional: Who is my primary contact person? Is he or she a**

**representative of an investment adviser or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?**

We updated our Client Relationship Summary on October 12, 2021. Below you will find a summary of the changes made to since our previous summary dated March 31, 2021.

<b>Section Heading</b>	<b>Summary of Change</b>
What Investment Services and Advice Can You Provide Me?	Added language on the UMA structure.
What Fees Will I Pay?	Updated the language on fee billing procedures.

# Form ADV, Part 2A Brochure



March 30, 2022

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This brochure provides information about the qualifications and business practices of Beacon Pointe Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 949-718-1600. 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. Any reference to or use of the terms "registered investment adviser" or "registered," does not imply that Beacon Pointe Advisors, LLC or any person associated with Beacon Pointe Advisors, LLC has achieved a certain level of skill or training.

Additional information about Beacon Pointe Advisors, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **ITEM 2 - MATERIAL CHANGES**

**March 30, 2022**

The purpose of this page is to inform you, when amending our brochure for the annual update, of material changes since the previous annual update to this brochure. Below is a summary of material changes since our last filing:

There have been no material changes since the last filing on February 3, 2022.

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## ITEM 4 - ADVISORY BUSINESS

### Description of Advisory Firm

Beacon Pointe Advisors, LLC (“Beacon Pointe,” “we,” “our,” or “us”) is an independently owned limited liability company headquartered in Newport Beach, California. In February 2002, Beacon Pointe Advisors, LLC started operating as an investment advisor registered with the U.S. Securities and Exchange Commission. KKR Polyphony Aggregator L.P. (“**KKR Stockholder**”), an investment vehicle beneficially owned by investment funds and entities managed or sponsored by Kohlberg Kravis Roberts & Co. L.P. owns a stake in Beacon Pointe.

Beacon Pointe’s principal business includes providing consulting services and investment advisory services. We focus on asset preservation and growth through the implementation of investment strategies and the selection of third-party investment managers, for which we have developed our own proprietary process.

### Advisory Services Offered

Beacon Pointe’s service offerings include (1) consulting services on investment and non-investment related matters, (2) participation in the Managed Account Program, and (3) participation in the Automated Investment Program.

#### *Consulting Services*

Beacon Pointe offers the following consulting services, usually on a non-discretionary basis. We offer one or more of these services to a client depending on the client’s needs at the time of the initial consultation.

#### *Financial Planning Services*

Beacon Pointe provides a client with a broad range of comprehensive financial analysis including non-investment related matters. This comprehensive financial planning service includes gathering of information regarding the client’s current and historical status in the areas of net worth, income, expenses, taxes, investments, retirement plans and insurance, as well as future goals and objectives. We then develop a written personalized plan, which includes specific recommendations in applicable areas. Areas of focus may include retirement planning, education funding, survivor needs analysis, risk management or wealth transfers planning. Our financial planning services do not include preparation of any kind of income tax, gift, or estate tax returns or preparation of any legal documents, including wills or trusts.

In some instances, Beacon Pointe provides a client with a limited-scope financial planning service that is limited to specific planning topics such as assessing whether a client is on track to meet a defined goal such as funding retirement, college education or to sufficiently provide for survivor’s needs.

#### *Investment Policy Development*

Beacon Pointe works with clients to develop an investment policy and corresponding guidelines that are consistent with the client’s goals and objectives.

#### *Asset Allocation*

Beacon Pointe assists clients in making asset allocation decisions for their investment portfolios. The goal of asset allocation is to assist clients in finding the asset mix that is most likely to achieve their investment objective within acceptable risk parameters. Clients receive a report illustrating historical



data of portfolio combinations compared against the client's existing mix, including, but not limited to, recommendations on a prospective asset allocation combination.

### *Manager and/or Mutual Fund Search*

Beacon Pointe may recommend multiple investment management firms or mutual funds to individual and/or institutional clients. We segregate and classify managers and/or mutual funds by investment style or class. Beacon Pointe will present the client with a report showing firm ownership, key employees, assets under management, investment process description, portfolio characteristics, portfolio returns, attribution analysis, and fees. Additional factors such as minimum and maximum account size, location of firm, stability of performance, dispersion among published returns, investment philosophy, accounts gained or lost, and other such factors are considered when recommending investment managers and/or mutual funds. We describe our process for selecting managers under **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**, below.

### *Ongoing Monitoring of Managers*

Beacon Pointe will monitor, on an ongoing basis, each manager that we select to manage client's assets and provide periodic reports and/or recommendations to the client.

### *Performance Evaluation*

We offer performance measurement services to clients on a quarterly basis depending upon the client's preference. Performance reporting varies depending upon client needs, but usually includes time-weighted returns for each portfolio shown against an appropriate benchmark, asset allocation of the client's total account, percentage of the client's assets allocated among various investment managers or securities, cash flow summary, and the standard deviation of returns versus an appropriate benchmark.

### *Custodial Search*

Beacon Pointe offers to provide clients with recommendations, comparisons, and analysis of various custodial facilities.

Under this service, Beacon Pointe will perform a custodial search – similar to a manager search – and present a group of custodial candidates to our client for review and selection. Beacon Pointe's professionals have extensive experience conducting custodial searches for our clients. Custodial searches typically include the following information:

- History (Ownership of Firm)
- Key Personnel
- System utilized
- Size of Firm
- Average Client Size
- Fees
- Master Trust Capabilities
- Accrual Account Methods
- Conversion Process
- Technology Plans (5 Years)
- On-line Capabilities

### *Retirement Plan Consulting Services:*

#### *401(k) Bundled Provider Search*

Beacon Pointe offers to conduct searches for providers of bundled 401(k) services, including plan administration, trustee, fund management and employee education.

At the client's direction, clients may elect to have their assets managed by either Beacon Pointe or an investment manager separate from Beacon Pointe.

#### *401(k) Consulting*

Beacon Pointe offers investment management services to 401(k) and 403(b) plans, in addition to other services, including fiduciary oversight, plan consulting, fee benchmarking and vendor reviews, participant financial wellness and ERISA plan consulting.

#### *Education Services*

We offer investment-related seminars. The seminars are intended to be educational in nature and to provide seminar participants with information regarding certain investment-related topics. The information contained in the seminar materials is not intended as specific investment advice regarding the individualized needs of particular individuals or accounts.

#### *Outsourced Chief Investment Officer Services (OCIO)*

Beacon Pointe offers OCIO services on a discretionary basis, primarily to institutional clients that seek to delegate the implementation of investment management services. The scope of services Beacon Pointe offers to OCIO clients may include, but is not limited to:

- Investment Policy Development and Review
- Asset Allocation Modeling
- Investment Manager Selection and Monitoring
- Performance Measurement and Portfolio Oversight

We describe the fees charged for our consulting services below under ***Item 5 - Fees and Compensation***.

#### *Managed Account Program*

A client can engage Beacon Pointe to implement investment recommendations on a fee basis with Beacon Pointe actively managing client assets under our Managed Account Program. Under the Managed Account Program, Beacon Pointe will:

1. Recommend to clients certain unaffiliated third-party investment managers ("Independent Managers") to manage a portion or all of the assets designated by the client in accordance with the terms and conditions of the Managed Account Program
2. Provide ongoing monitoring and reviewing of each Independent Manager
3. In some cases, manage a portion of the client's assets by primarily allocating the assets among various classes of shares of no-load mutual funds, Exchange Traded Funds (ETFs), real estate investment trusts (REITs), direct equities/bonds or private funds. From time to time Beacon Pointe invests our clients' assets in a mutual fund advised by a related investment adviser. See ***Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*** for our policies surrounding this practice.
4. Provide financial planning services for certain clients under the Managed Account Program, subject to certain conditions as noted below.

We offer these services under the Managed Account Program on a discretionary basis, including the hiring and/or firing of Independent Managers, and in accordance with the client's investment objectives and any reasonable restrictions the client wishes to place on the account. Beacon Pointe reserves the right to not accept and/or terminate management of a client's account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client's investment strategy. Clients should notify us promptly in writing if there are any changes in their financial situation, investment objectives, or if they wish to impose or change any restriction(s) on their account.

Under the Managed Account Program, Beacon Pointe primarily invests client accounts by utilizing Independent Managers to manage the various asset classes determined in the client's asset allocation. Generally, client portfolios are managed by the Independent Managers through separate accounts or through mutual funds, depending on the vehicles offered by the Independent Managers and account size or other considerations specific to each client. Beacon Pointe may also directly manage the client's account utilizing mutual funds, ETFs, REITs, and private funds. In addition, client portfolios at times utilize other strategies or contain securities not included on the recommended list in the course of an acquisition or at the direction of the client; typically, these assets will be transitioned over time to the Independent Managers or securities that are recommended by Beacon Pointe. Clients may place reasonable restrictions on the management of their account with the Independent Managers. We describe our process for selecting managers and the material investment risks for our strategies under **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**, below.

Beacon Pointe may offer investment advice on any investment held by the client at the start of the advisory relationship. Beacon Pointe occasionally offers advice regarding additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry.

We discuss our discretionary authority below under **Item 16 - Investment Discretion**.

Private clients participating in the Managed Account Program will be provided with comprehensive financial planning advice, upon client request and subject to the minimum account size or minimum annual Managed Account Program fee in accordance with the managed account program agreement. In order to provide this comprehensive financial planning advice, we gather information regarding the client's current and historical status in the areas of net worth, income, expenses, taxes, investments, retirement plans and insurance, as well as future goals and objectives. We then develop a written personalized plan, which includes specific recommendations in applicable areas. Areas of focus may include retirement planning, education funding, survivor needs analysis, risk management or wealth transfers planning. These financial planning services do not include preparation of any kind of income tax, gift, or estate tax returns nor preparation of any legal documents, including wills or trusts.

We describe the fees charged for the Managed Account Program below under **Item 5 - Fees and Compensation**.

## **Investnet UMA**

Beacon Pointe works with a third-party service provider, Investnet, Inc., to help support the operational needs of managing and servicing our Advisory Accounts. Investnet performs operational functions including but not limited to fee billing, portfolio reporting, account rebalancing, and trade execution, based on instructions provided by Beacon Pointe and/or the Independent Manager(s). When providing these services, Investnet is acting as an agent of Beacon Pointe. Investnet charges a tiered platform fee based on assets under management. As assets on the Investnet platform increase, the fee decreases.

There is a minimum annual fee of \$50 per account. The Envestnet fees are separate from, and in addition to, custodial fees and Independent Manager fees.

Additional services are available on the UMA platform for an additional fee at the client's request. Additional services include but are not limited to tax overlay and impact overlay.

We describe the fees charged for the UMA Program below under ***Item 5 - Fees and Compensation***.

### Wrap Fee Program

Certain existing clients of Beacon Pointe participate in the Wrap Fee Program. The Wrap Fee Program is not offered to any new or prospective clients of Beacon Pointe and is managed in the same way as the Managed Account Program.

### Automated Investment Program

We offer an Automated Investment Program to individuals, individual retirement accounts, and revocable living trusts. Through the Automated Investment Program, clients are invested in a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds and mutual funds ("Funds") and a cash allocation. The client may instruct us to exclude up to three Funds from the portfolio. The client's portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. ("Schwab"). We use a software platform provided by an affiliate of Schwab to operate the Automated Investment Program. This platform enables us to make the Automated Investment Program available to clients online and includes a system that automates key parts of our investment process, including trading and account management.

We offer the Automated Investment Program on a discretionary basis. Based on information the client provides to us, we select a portfolio and implement an automated investment engine through which we manage the client's portfolio on an ongoing basis.

We describe the fees charged for the Automated Investment Program below under ***Item 5 - Fees and Compensation***.

## **Proprietary Private Funds**

Beacon Pointe GP, LLC acts as the general partner of two proprietary private funds (the BP Real Estate Opportunities Fund, L.P. and the BP Credit Opportunities Fund, L.P.), and the BP GIM Opportunities Fund, L.P., organized to invest in real estate, credit-oriented, and Environmental, Social, Governance ("ESG") vehicles respectively (the "Private Funds"). The Private Funds are available only to "Accredited Investors," as the term is defined by Rule 501 of the Securities Act of 1933, and only by a private offering memorandum. Additional information on these standards is provided in the offering documents for the Private Funds.

## **Wrap Fee Programs**

In addition to the Wrap Fee Program described above, which is limited to certain existing clients, Beacon Pointe has a small number of clients in a wrap program. The wrap program is not open to new clients.

## **Family Office Services**

Family office client engagements are broader in scope than traditional investment management and financial planning engagements. Family office clients typically require additional services that may or may not be directly related to their investable assets. These services include, but are not limited to investment management, financial planning, estate planning, tax planning, insurance reviews,

administrative support, bookkeeping, and other services. There is typically a minimum of \$10 million in investable assets or an equivalent fee for family office engagements.

## Assets Under Management

Beacon Pointe manages client assets on a continuous and regular basis. As of 12/31/2021, the total amount of assets under our management was:

Discretionary Assets	\$ 20,263,142,349
<u>Non-Discretionary Assets</u>	<u>\$ 3,411,399,839</u>
Total Assets	\$ 23,674,542,188

## ITEM 5 - FEES AND COMPENSATION

### Fee Schedule

#### *Consulting Services*

Beacon Pointe charges either an annual retainer fee, project fee, or hourly fee, depending on which types of consulting services are being provided. For ongoing consulting services, Beacon Pointe charges an annual retainer fee. A tiered fee schedule is charged to each client based on a percentage of the client's assets under supervision.

For discretionary portfolios, the annual retainer fee generally ranges from 0.20% to 0.50% of assets under supervision.

For non-discretionary portfolios, the annual retainer fee generally ranges from 0.08% to 0.50% of plan assets or assets under supervision.

Generally, we will charge clients who have assets over \$500 million a fixed fee, which we base on the scope of work. All retainer fees are subject to negotiation and could vary depending on the client's specific circumstances.

Beacon Pointe may enter into an agreement with a client to perform services on a project or one-time basis. In these instances, Beacon Pointe charges a project fee. The minimum project fee per client is generally \$25,000, and consulting project components are also subject to minimum fee and/or minimum term commitments. All fees are subject to negotiation and could vary depending on the client's specific circumstances.

Hourly fees will typically range between \$350 and \$500 per hour, depending on the expertise of the persons providing the services and the nature and complexity of each client's circumstances. The hourly fee and payment terms are negotiable and at our discretion waived. The terms will be stated in the consulting services agreement. Generally, we offer educational seminars on a fixed fee basis. We will quote clients a fixed fee that is based on the estimate of time to complete the seminar multiplied by our hourly rate. This fee may be negotiable depending on the nature and complexity of the seminar.

#### *Financial Planning Services*

Financial planning services are generally paid on a project fee or hourly basis. Fees are determined based on the nature and complexity of the planning services to be provided. Fees are subject to negotiation and could vary depending on the client's specific circumstances. The project fee includes the development and delivery of the plan. Beacon Pointe will also periodically review plans upon request of the client on an hourly basis.

### *Retirement Plan Consulting Services*

Beacon Pointe charges advisory fees for retirement plan consulting services. The advisory fees are negotiable and are charged based on a percentage of plan assets under the management, per a tiered fee schedule. Our current advisory fee generally ranges from 0.05% to 0.50% of the plan assets or assets under management.

### *Outsourced Chief Investment Officer Services (OCIO)*

For OCIO services, the annual retainer fee generally ranges from 0.20% to 0.50% of assets under supervision.

### Managed Account Program

Beacon Pointe charges advisory fees to clients who are in the Managed Account Program. The advisory fees are negotiable and are charged based on a percentage of the market value of the portfolio under management, per a tiered fee schedule set forth in the managed account program agreement between Beacon Pointe and the client.

The Managed Account Program Fee for institutional clients ranges from 0.30% to a maximum of 1.00% of assets under management.

The Managed Account Program Fee for private clients ranges from 0.50% to a maximum of 1.25% of assets under management.

Generally, Beacon Pointe requires clients to maintain a minimum account size of \$1 million but reserves the right to reduce or waive the account minimum requirements at our discretion. Some accounts are under different fee schedules; the maximum fee rate is 2.00%. The advisory fees noted above do not include the investment management fees charged by Independent Managers. In some cases, the fees charged by the Independent Manager may be greater than those charged by Beacon Pointe. Solely with respect to certain private fund investments made in the past, clients have negotiated to pay a percentage of profits from such investments in lieu of a management fee.

### **Investnet UMA**

Beacon Pointe charges advisory fees to clients who are in the Investnet UMA program. The advisory fees are negotiable and charged based on a percentage of the market value of the portfolio under management, per a tiered fee schedule set forth in the agreement between Beacon Pointe and the client.

Investnet charges a tiered platform fee ranging from 0.02% to a maximum of 0.04% per account per year. As assets on the Investnet platform increase, the program fee decreases. However, there is a minimum annual fee of \$50 per account.

The Investnet fees noted above do not include the investment management fees charged by Independent Managers.

### Wrap Fee Program

Beacon Pointe charges advisory fees to clients who are in the Wrap Fee Program. The advisory fees are negotiable and are charged based on a percentage of the market value of the portfolio under management, per a tiered fee schedule set forth in the agreement between Beacon Pointe and the client. The Wrap Fee Program fee ranges from 0.50% to a maximum of 1.15% of assets under

management.

Client participation in the Wrap Fee Program will generally cost less than the same services would for an account participating in the Managed Account Program outside of the Wrap Fee Program, although the amount of savings will depend on the volume of trading in the client's account, advisory fees for unbundled services, and the custodian transaction and execution fees charged for a non-wrap fee program account. Under the terms of the Wrap Fee Program, Beacon Pointe will pay trading and execution costs imposed by the custodian for transactions in the client's account directly managed by Beacon Pointe. This arrangement may present a potential conflict of interest for us, as we have a financial disincentive to engage in active trading. However, transaction fees are not a material consideration for Beacon Pointe in deciding whether to engage in any trading or the level of trading activity through the custodian.

Generally, Beacon Pointe requires Wrap Fee Program clients to maintain a minimum account size of \$1 million but reserves the right to reduce or waive the account minimum requirements at our discretion. Some accounts are under different fee schedules; the maximum fee rate is 1.65%.

### *Automated Investment Program*

Beacon Pointe charges advisory fees to clients who are in the Automated Investment Program at a rate of 0.50%. Clients do not pay brokerage commissions or other fees to Schwab as part of the Automated Investment Program. Schwab does receive other revenues, however, including interest earned on the cash allocation in the client's portfolio, management fees received by Schwab affiliates from Schwab Funds selected for investment in the client's portfolio, and market remuneration Schwab earns when routing Fund trade orders for execution.

### *Proprietary Private Funds*

The general partner for each of the Private Funds is Beacon Pointe GP, LLC. The general partner is entitled to receive a 1.00% annual management fee from each of the Private Funds; however, this fee is waived for limited partners who are also clients of Beacon Pointe. Management fees are based on the sum of the uncalled capital plus the invested capital of the limited partners. Fees are assessed quarterly in advance and prorated, as applicable. Each of the Private Funds will pay for all ordinary and extraordinary fees, costs and expenses incurred by it or on its behalf. Additional information regarding fund fees and expenses are further outlined in the offering documents for the Private Funds.

## **Billing Method**

### *Consulting Services*

Clients with project-based consulting services under a retainer will generally be billed quarterly in advance based on one fourth of the annual fee. Project fees are payable upon submission of the final bill once the project is completed. The fee and payment terms for hourly engagements are negotiable.

### *Financial Planning Services*

Financial planning services are generally paid on an hourly or fixed fee basis. Total hourly fees or stated fixed fee are due and payable at the time of execution of the consulting agreement. All consultations/plans shall be rendered within six months of the execution of the consulting agreement.

### *Retirement Plan Consulting Services*

Retirement plan services are generally paid in equal quarterly installments, payable in arrears on the 15<sup>th</sup> business day of each calendar quarter during the term of the agreement.

### Managed Account Program, Envestnet UMA Program, Wrap Fee Program, and Automated Investment Program

Beacon Pointe's advisory fees are generally payable quarterly in advance or in arrears, depending on the client agreement. We charge one fourth of the annual fee each quarter based on the market value of the client's portfolio as of the last day of the calendar quarter. Some custodians we work with, such as SEI, fees are paid quarterly in arrears based on the average daily balances in a client's account.

If a client contributes capital to the account, including the initial capital, on a date other than the last day of a calendar quarter, we will charge the account a prorated portion of the fees for that calendar quarter for that contribution based on the number of days remaining in that calendar quarter. Similarly, if a client withdraws a portion of the assets from the account on any date other than the last day of a calendar quarter, we will prorate the fees previously paid for that calendar quarter based on the number of days elapsed in that quarter before the withdrawal and we will refund the unearned portion to the client's account. Fees for the initial quarter under management are pro-rated and charged in arrears with the next quarter's advance payment.

Beacon Pointe aggregates related client accounts for purposes of calculating the advisory fees applicable to each client. Beacon Pointe also reserves the right to reduce or waive our fees for employee or family accounts and certain client accounts.

With client authorization, Beacon Pointe will automatically withdraw Beacon Pointe's advisory fee from the client's account held by an independent custodian. Typically, the custodian withdraws advisory fees from the client's account during the first month of each quarter based on Beacon Pointe's instruction. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee. We will make rare exceptions to this policy and bill clients directly. In these rare cases, Beacon Pointe will send an invoice to the client who chooses not to have advisory fees withdrawn directly from their custodian account. The invoice is payable upon receipt and will include the fee calculation and amount due.

### **Other Fees and Expenses**

Beacon Pointe's fees do not include custodian fees, or the fees charged by Independent Managers. Clients should review the Independent Manager's ADV 2 Brochure regarding fee schedules, other fees charged by Independent Managers and applicable billing methods. Except for the Wrap Fee Program and Automated Investment Program (as described above), clients pay all brokerage commissions, stock transfer fees, and/or other similar charges incurred in connection with transactions in the accounts managed by Beacon Pointe from the assets in the account, which are in addition to the fees the client pays to Beacon Pointe. See **Item 12 - Brokerage Practices** below for more information. Clients in the Managed Account Program, Envestnet UMA Program, and Wrap Fee Program also pay management fees of Independent Managers, as well as all brokerage commissions, stock transfer fees, and/or other similar charges incurred in connection with transactions in the accounts managed by the Independent Managers.

In addition, any mutual fund shares held in a client's account may be subject to deferred sales charges, 12b-1 fees, and other fund-related expenses. The fund's prospectus fully describes the fees and expenses. All fees paid to Beacon Pointe for advisory services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares. Consequently, clients with mutual funds in their portfolios are effectively paying both Beacon Pointe and the mutual fund manager for the management of their assets.

### **Termination**



### Consulting Services

Either party may terminate the consulting agreement upon thirty (30) days written notice to the other party, however the 30-day notice may be waived at Beacon Pointe's sole discretion.

Upon notice of termination, Beacon Pointe will calculate fees due for services provided through the date of termination. Any fees that we have earned for the services provided will be due upon termination. If the client paid fees in advance that were more than the amount due for services, Beacon Pointe will refund any unearned fees to the client. We will prorate the refund based on the effective date of termination.

### Managed Account Program, Envestnet UMA Program, Wrap Fee Program, and Automated Investment Program

Either party may terminate the managed account program agreement upon thirty (30) days written notice to the other party.

Beacon Pointe will refund any prepaid, unearned advisory fees based on the effective date of termination. Upon termination of the agreement, we will send the client a prorated refund of unearned advisory fees using the following formula:  $(Fees\ Paid) \times (Days\ Remaining\ in\ Quarter) / (Total\ Number\ of\ Days\ in\ Quarter)$ .

### **Other Compensation**

Beacon Pointe does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

Beacon Pointe may recommend that clients invest in mutual funds managed by a related adviser. While Beacon Pointe does not directly receive additional compensation resulting from the use of products managed by related firms, our related adviser receives management fees from the mutual fund. Additionally, Beacon Pointe receives fees through its affiliated general partner of the Private Funds, even though the fee is waived for clients of Beacon Pointe, Beacon Pointe has an interest in recommending the Private Funds for reasons of larger size, better deals, costs savings, etc. We describe our policies in recommending related products in **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**. For more information on our relationships with related advisers, see **Item 10 – Other Financial Industry Activities and Affiliations**, below.

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

Solely with respect to certain private fund investments made in the past, clients have negotiated to pay a percentage of profits from such investments in lieu of a management fee. Beacon Pointe does not otherwise charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## ITEM 7 - TYPES OF CLIENTS

Beacon Pointe offers discretionary and non-discretionary investment and non-investment related consulting services and investment advisory services to institutional and individual clients. Institutional clients include trusts, estates, charitable organizations, corporations, pension and profit-sharing plans, state or municipal organizations, other business entities, and the Private Funds.

### Account Requirements

Generally, Beacon Pointe requires clients in the Managed Account Program to maintain a minimum account size of \$1 million. Significant fund withdrawals will result in a request for additional fund deposits, if necessary, to continue with management of accounts. We generally combine family accounts to meet the account size minimum. Beacon Pointe reserves the right to reduce or waive the account minimum requirements at our discretion.

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

The descriptions in this *Item 8* pertain only to the Managed Account Program, Investnet UMA Program, and Wrap Fee Program. Beacon Pointe uses similar methods of analysis and investment strategies in designing and updating the Automated Investment Program, but these are strictly limited to the Funds available on, and the algorithm used by, the Automated Investment Program.

### Methods of Analysis

In beginning a new client relationship, Beacon Pointe seeks to fully understand each client's needs, circumstances, priorities, and goals. For institutional clients, we work with clients to articulate an investment policy that reflects the client's current objectives and levels of risk tolerance and incorporates any restrictions the client wishes to impose on the account.

With the approved investment policy in place, Beacon Pointe utilizes modeling techniques to determine an optimal target allocation for the client's assets. For this process, Beacon Pointe uses both asset allocation-modeling programs as well as our own analysis to develop what we believe is a meaningful plan for our clients, including target asset class mixes.

The "core" asset classes we follow and typically include in our recommended investment portfolios include the following:

- US Equity
- Non-US Equity (Developed Markets)
- Non-US Equity (Emerging Markets)
- US Fixed Income
- Global Fixed Income
- Private Real Estate
- Private Equity
- Private Credit
- Hedge Funds
- Hedged Equity
- Real Assets

We track different categories and investment styles within each category (i.e., value, growth, small versus large, etc.)

Based on each client's customized asset allocation plan, we search what we believe are the most talented investment managers in each asset class to implement the investment strategy, based on Beacon Pointe's due diligence. The client's investments will draw from our Focus List, which comprises of a select group of firms that meet or exceed our strict performance and qualitative criteria (see our ***Manager Selection Process***, below).

## **Investment Strategies**

Beacon Pointe is a firm believer in risk control through proper portfolio diversification. Diversification, or allocating client portfolios across a broad range of asset classes and investment managers, is generally considered an essential component of the effective success of an investment portfolio. Proper diversification minimizes or reduces the volatility and risk associated with a client's investments. The key is to shape a balanced portfolio of managers under the overall strategy, in line with specified targets and goals of the assets, rather than considering investments individually. We at Beacon Pointe are strong advocates of multiple asset class investing and adhering to investment policies and strategies. Proper asset allocation diversification produces a portfolio with more appealing risk/return characteristics than investing in one single asset class or with one investment manager.

Beacon Pointe utilizes both active and passive management. For active management our research process seeks managers who can outperform their respective (index) benchmarks on a risk-adjusted basis, net of fees, over long periods of time.

### **Manager Selection Process**

Beacon Pointe has a "Focus List" and for us to select a manager for this list, they must successfully complete Beacon Pointe's proprietary due diligence process.

- **Manager Sourcing** – from referrals, industry contacts, manager databases, and directed outreach. We gather basic information from public databases and incorporate data into our internal database of investment manager information.
- **Quantitative Analysis** – we assess manager performance with an emphasis on long-term consistency, risk-adjusted returns, up and down-market capture and peer group ranks. Beacon Pointe requires firms to adhere to the Global Investment Performance Standards and undergo third party verification.
- **Qualitative Analysis** – we meet with members of the investment team, conduct interviews with analysts, and review the firm's ownership and compensation structure, investment philosophy, portfolio construction process, risk controls, research and back-office resources, and trading capabilities.
- **Portfolio Analysis** – we conduct holdings-based style analysis and historical attribution analysis. Our assessment includes discussions regarding specific portfolio holdings, and in some cases on-site visits where we may request full access to the investment manager firm's records, valuation models, personnel, and research reports. Most due diligence is conducted virtually with video and phone conferences.

- **Product Evaluation** – we review the manager’s ADV 2 Brochure, negotiate management fees and account minimums, and perform final scoring and research.
- **Beacon Pointe Investment Committee Decision** – a careful review by key investment personnel determines if the manager qualifies for our Focus List or is moved to our ‘Manager Bench’ for later consideration.

## **Investing Involves Risk**

All Beacon Pointe clients should understand that investing in securities involves the risk of loss, and clients should be prepared to bear that risk. Prior to entering into an agreement with Beacon Pointe, the client should carefully consider all the following:

- The clients should commit to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis, usually a minimum of five to seven years,
- That volatility from investing in the stock market can occur, and
- Over time the value of the client’s assets will fluctuate and at any time may be worth more or less than the amount invested.

## **Specific Security Risks**

### *General Risks of Owning Securities*

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

### *Independent Manager Strategies and Risks*

The Independent Managers Beacon Pointe recommends utilize their own investment process and methods of analysis. The strategies and securities these managers invest in may have different or additional risks than those described in this brochure. For example, while Beacon Pointe does not implement investment advice using margin transactions, some Independent Managers appointed for the client utilize margin transactions in the discretionary management of client cash and securities. Use of margin can increase volatility and magnify any investment losses in a client’s account. Similarly, options are utilized in certain strategies. Options are complex financial instruments and not suitable for all investors. Investing in options carries unique risks that can result in the loss of all invested principal. Clients can find more information about the strategies and related risks of the Independent Managers in **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss** in each manager’s Form ADV disclosure brochure.

### *Alternative Asset Classes*

Beacon Pointe believes that alternatives play an integral part in portfolios. Adding alternatives can enhance an overall portfolio’s risk and return characteristics. Alternatives, however, are not appropriate for all clients and portfolios. Time horizon, risk objectives, liquidity, and taxes are all factors that need to be considered.

For those clients and portfolios, we have deemed appropriate to include alternatives, we recommend the following alternative asset classes – real-assets, private real estate, private equity, private credit, hedged equity, and hedge funds.

Hedge funds and private equities can appear opaque as there are no high-quality established databases in existence like the public sector. This makes it more difficult to assess who is doing well and, more importantly, who is doing poorly. This obscurity makes it more essential to understand the firms with whom you are doing business and affirms the importance of a solid qualitative as well as quantitative assessment.

Unlike other alternative investments, the majority of hedge funds do not invest in private securities. Instead, they apply alternative strategies to the traditional public equity and fixed income markets. The benefits hedge funds can add to a portfolio include their return potential, their lower volatility, and their relatively low correlation with equities and other market-driven investments.

Our approach to utilizing hedge funds in client portfolios begins with sufficient client disclosure to determine an investor's suitability for hedge funds. We conduct a detailed inquiry into a client's hedge fund investment experience, risk parameters and return objectives, together with an understanding of the client's non-hedge fund investments. We designed this process to develop a realistic assessment of objectives and create a customized investment plan.

For traditional asset classes like stocks and bonds, an abundance of historical data is available to analyze the risk and return tradeoffs of different portfolio mixes. With this data, most fund sponsors set asset allocation policies using efficient frontier analyses. However, in the alternative investment area, historical information is very limited. While longer return series exist for some alternative strategies (such as venture capital), we feel that the data is of questionable usefulness. Using venture capital as an example, performance is very dependent on the timing of specific investments. In addition, since most venture capital investments are accounted for at cost, the asset category has an artificially low volatility of returns. A common failing of asset allocation models is their inability to distinguish if low volatility is inherent to the asset class, or if it is because the asset is infrequently valued (e.g., not exchange traded).

Historical data on specific hedge funds is also limited. Not only do very few funds have historical track records longer than five years, but most databases view hedge funds as a homogeneous group rather than being separated according to investment strategy. This is similar to lumping all mutual funds together regardless of investment approach, creating a data series called "mutual funds," and using it to set asset allocation policies. For these reasons, we believe modeling alternative investments the same way as traditional asset classes can be misleading.

There are also unique manager selection issues in the alternative investment area. Although there is no shortage of managers from which to choose, few have historical track records longer than a few years. Even among more seasoned managers, it is difficult to compare performance on an "apples to apples" basis. Since the investment vehicles are generally unregulated partnerships, the methodologies used to calculate performance vary from manager to manager. Common performance reporting problems include:

- Calculating "creative" internal rates of return (IRR);
- Presenting results before the deduction of substantial fees;
- Carrying "unrealized" investments at cost for long periods;
- Ignoring the opportunity cost of holding cash while waiting for the managers to call for capital.

Because of the lack of standards in reporting performance, a meaningful comparison of managers may only be possible if returns are recalculated using consistent assumptions and practices.

Our research professionals ask the following questions, among others, when evaluating alternative

managers:

- Illiquidity – How often and under what circumstances can the client withdraw invested capital?
- Lack of transparency – Is the client comfortable investing with a manager who does not reveal their holdings or activities?
- Incentives – Are there incentives for the manager to take undue risk given the performance-based fee structure?

Beacon Pointe may from time to time recommend the use of structured notes issued by unaffiliated domestic and international banks. Structured notes are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency. The terms and risks of each structured note vary materially depending on the nature and volatility of the referenced asset, the creditworthiness of the issuer, and the maturity of the instrument, among other factors. The general risks associated with this type of investment include, but are not limited to, *non-payment risk* (payment of interest and return of principal may be reduced, in whole or in part, due to underperformance of the referenced asset); *counter-party risk* (for reasons such as bankruptcy, the issuer of the structured note may fail to pay all or a portion of the principal and interest due on the structured note); and *underperformance risk* (depending on market conditions, the structured note may underperform alternative allocations to traditional bonds, the referenced asset, or a combination of such investments). Structured notes are significantly riskier than conventional debt instruments. There is a risk of loss of some or all of the principal at maturity.

Alternative investments cover a broad array of investments with different risks and potential returns. We have found that these strategies afford our clients the benefits of improved diversification and risk versus reward.

### Mutual Funds (Open-end Investment Company)

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads).

The benefits of investing through mutual funds include professional management, diversification, affordability, and liquidity. Mutual funds also have features that some investors might view as disadvantages:

#### Costs Despite Negative Returns

Mutual funds pay operating and other expenses from fund assets regardless of how the fund performs, which are indirectly charged to all holders of the mutual fund shares. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

#### Lack of Control

Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

#### Price Uncertainty

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on

the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

### Exchange-Traded Funds (ETFs)

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) containing a basket of stocks. Typically, the objective of an ETF is to achieve returns similar to a particular market index, including sector indexes. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, the prices of the underlying securities and the overall market can affect ETF prices. Similarly, factors affecting a particular industry segment can affect ETF prices that track that particular sector.

### Real Estate Investment Trusts (REIT)

Securities issued by real estate investment trusts (REITs) primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development and/or long-term mortgage loans. Changes in the value of the underlying property of the trusts, the creditworthiness of the issuer, property taxes, interest rates, tax laws, and regulatory requirements, such as those relating to the environment all can affect the values and liquidity of REITs. Both types of REITs are dependent upon management skill, the cash flows generated by their holdings, the real estate market in general, and the possibility of failing to qualify for any applicable pass-through tax treatment or failing to maintain any applicable exemptive status afforded under relevant laws.

### Private Funds

A private fund is an investment vehicle that pools capital from a number of investors and invests in securities and other instruments. In almost all cases, a private fund is a private investment vehicle that is typically not registered under federal or state securities laws. So that private funds do not have to register under these laws, issuers make the funds available only to certain sophisticated or accredited investors and cannot be offered or sold to the general public. Private funds are generally smaller than mutual funds because they are often limited to a small number of investors and have a more limited number of eligible investors. Many but not all private funds use leverage as part of their investment strategies. Private funds management fees typically include a base management fee along with a performance component. In many cases, the fund's managers become "partners" with their clients by making personal investments of their own assets in the fund. Most private funds offer their securities by providing an offering memorandum or private placement memorandum, known as "PPM" for short. The PPM covers important information for investors and investors should review this document carefully and should consider conducting additional due diligence before investing in the private fund. The primary risks of private funds include the following:

1. Private funds do not sell publicly and are therefore illiquid. An investor may not be able to exit a private fund or sell its interests in the fund before the fund closes.
2. Private funds are subject to various other risks, including risks associated with the types of securities in which the private fund invests.

### Real Estate Private Fund

A real estate private fund is a professionally managed portfolio of one or more real estate holdings. During periods of inflation and economic growth, real estate will usually post strong returns, while the opposite occurs in periods of recession. The real estate sector goes through periods of expansion and contraction, like all other sectors of the economy. Although real estate funds are usually either growth

or income oriented, investors can generally expect to receive both periodic cash distributions and capital gains from the sale of appreciated properties within the portfolio. Investments in individual properties may also be able to defer capital gains through special rules.

As with all other sector funds, real estate funds tend to be more volatile than broader-based growth or income funds. As with any other sector, investors can generally expect losses in these funds when the real estate market collapses and should keep a long-term perspective when allocating funds to this sector.

Real estate funds face several kinds of risk that are inherent in this sector of the market. Liquidity risk, market risk, and interest rate risk are just some of the factors that can influence possible gain or loss that passes on to the investor. Liquidity and market risk will tend to have a greater effect on funds that are more growth-oriented, as the sale of appreciated properties depends upon market demand. Conversely, interest rate risk impacts the value of cash distributions that income-oriented funds pay out.

Real estate funds allow small investors to participate in the profits from large-scale commercial real estate enterprises, such as corporate office parks and skyscrapers. They also provide the usual benefits of mutual funds, such as professional management and diversification. This last characteristic is important for these funds, as most investors do not have a sufficient asset base to participate in commercial real estate in any direct sense, unlike stocks, which investors can purchase as individual shares at a more reasonable cost.

A real estate fund pools resources to invest in real estate properties. The fund generally seeks returns in two ways: net cash flow from renting the properties, and appreciation of the property's market value. Investments held by a real estate investment fund are illiquid. The investor's ability to sell or dispose of its interest in a real estate fund prior to the fund's termination will likely be very limited. Unlike exchange-traded stocks and bonds, the valuation of a real estate fund's portfolio will generally be far more subjective.

The ongoing costs of managing real estate investments, as well as the costs in acquiring and disposing of portfolio positions, will likely be higher than for other asset classes. The manager of a real estate fund typically seeks capital commitments up front and makes capital calls during the life of the fund. The average life span of a real estate fund generally ranges between 5 and 10 years.

Investment styles and objectives of private real estate funds include the following:

1. Property specific vs. Pools – Some real estate funds invest in a pre-determined slate of properties described in the offering memorandum, which permits for little divergence over the life of the fund. Other real estate funds leave significant discretion to the manager to identify, and invest the fund's assets in, a number of properties that fit the fund's disclosed investment guidelines.
2. Sector-Specific vs. Diversified – Some real estate funds focus on certain sectors, such as residential, industrial/office, retail, or lodging/resort, while others invest in a diversified portfolio including several sectors.
3. Geographic Focused or Diversified – Some real estate funds focus on certain geographic areas and other funds diversify across geographic regions. Like stock funds, real estate funds can invest domestically, overseas or both.

Investment Objective – Some funds focus on operating properties already generating income; appreciation potential for such funds is typically modest. Some funds seek returns from both income and capital appreciation and may seek to acquire underdeveloped or undervalued properties. Some



funds seek superior returns through capital appreciation and involve greater risk. They may engage in more aggressive strategies, which may involve international or emerging market real estate, non-traditional properties, and higher leverage.

### Derivatives

Derivatives, including forward currency contracts, futures, options and commodity-linked derivatives and swaps, may be riskier than other types of investments because they may be more sensitive to changes in economic and market conditions, and could result in losses that significantly exceed the investor's original investment in the derivative. Many derivatives create leverage thereby causing a portfolio to be more volatile than it would have been if it had not been exposed to such derivatives. Derivatives also expose a portfolio to counterparty risk (the risk that the derivative counterparty will not fulfill its contractual obligations), including the credit risk of the derivative counterparty.

## **Allocation and Planning Tools**

The modeling tools Beacon Pointe uses to create financial plans and asset allocations for clients rely on various assumptions, such as estimates of inflation, risk, economic conditions, and rates of return on security asset classes. All return assumptions use asset class returns, not returns of actual investments, and do not include fees or expenses that clients would pay if they invested in specific products.

Modeling software is only a tool used to help guide Beacon Pointe and the client in developing an appropriate plan, and we cannot guarantee that clients will achieve the results shown in the plan. Results will vary based on the information provided by the client regarding the client's assets, risk tolerance, and personal information. Changes to the program's underlying assumptions or differences in actual personal, economic, or market outcomes may result in materially different results for the client. Clients should carefully consider the assumptions and limitations of the software as disclosed on the analysis reports and should discuss the results of the plan with a qualified investment professional before making any changes in their investment or allocation program.

## **ITEM 9 - DISCIPLINARY INFORMATION**

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

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Related Insurance Agency**

Beacon Pointe is a related person of Beacon Pointe Insurance Services, LLC ("BPIS"), a California licensed insurance agency. Beacon Pointe and BPIS are under joint ownership and control. Certain personnel of Beacon Pointe are also licensed insurance agents of BPIS and sell insurance products to advisory clients and then receive commissions on the sale of insurance products. The insurance commissions are separate from and in addition to any advisory fees that a client pays to Beacon Pointe for investment advisory services. A conflict of interest may arise as potential BPIS insurance sales might create an incentive to recommend products based on compensation our personnel may earn. Clients are under no obligation to act on our personnel's insurance recommendations or to effect the transactions through BPIS or our personnel if they decide to follow the recommendations. In all cases, we fully disclose insurance commissions to the client.

### **Related Investment Adviser**

#### Port Street Investments LLC

Beacon Pointe is a related person of Port Street Investments, LLC (“PSI”), an SEC registered investment adviser that acts as investment adviser to a registered investment company (mutual fund). Beacon Pointe Holdings, LLC is the majority shareholder of PSI. In some cases, Beacon Pointe recommends that our clients invest in a fund advised by PSI. PSI receives investment management fees from the funds it manages. Due to the common ownership between Beacon Pointe and PSI, we have a conflict of interest in recommending mutual funds managed by this related firm. See **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading** for our policies addressing these conflicts of interest.

A Partner/Managing Director of Beacon Pointe serves as a trustee for the Managed Portfolio Series Trust (the “Trust”), of which Port Street Investments, LLC is a mutual within the trust. This employee is recused from voting on any Port Street related items under his duties as a trustee for the Trust.

## **Other Related Businesses**

Beacon Pointe has a related entity, Beacon Pointe GP, LLC, which acts as the general partner of the Private Funds. The Private Funds are not publicly offered or traded and are only available to “Accredited Investors” as the term is defined by Rule 501 of the Securities Act of 1933. The confidential offering memorandum and subscription agreement (the “Offering Documents”) provide additional information on these standards. Prospective investors in the Private Funds receive the Offering Documents. Beacon Pointe or its related entity receives fees in connection with management services rendered to the Private Funds and therefore has an interest in recommending the Private Funds to Beacon Pointe’s clients.

Some offices of Beacon Pointe provide tax preparation and accounting services. These offices may recommend these services to advisory clients when appropriate. Accounting and tax preparation services are separate and distinct from the advisory services offered and are provided for separate and typical compensation. Clients are under no obligation to use our firm for accounting and/or tax preparation services.

Other entities related to Beacon Pointe through common ownership: Beacon Pointe Captive Insurance and Beacon Pointe Investment Holdings, LLC. These entities do not currently offer products or services to Beacon Pointe’s clients.

## **Limited Use Broker-Dealer**

Beacon Pointe controls an affiliated registered broker-dealer, BPA LUBD, LLC. Currently the broker-dealer has no assets or clients.

## **Agents of Unaffiliated Broker-Dealer**

Certain of Beacon Pointe’s personnel are also licensed as registered representatives with Purshe Kaplan Sterling Investments (“PKS”), a broker-dealer member of FINRA/SIPC. Beacon Pointe is not affiliated with PKS. In their individual capacity as registered representatives, these individuals receive trailing compensation from prior sales of securities and may also receive usual and customary commissions for sales of securities through PKS. Receipt of commissions for securities sales is a conflict of interest as it gives these registered representatives an incentive to recommend investment products based on the additional compensation received. Beacon Pointe’s advisory clients are not charged both advisory fees and transaction related fees on investment products that these registered representatives recommend. When client portfolios hold securities for which related registered representatives receive commissions and/or trailing 12b-1 fees Beacon Pointe does not charge advisory fees on those securities.

Certain representatives of Beacon Pointe Advisors, LLC are also Registered Representatives offering securities through APW Capital, Inc. a broker-dealer member of FINRA/SIPC. Beacon Pointe is not

affiliated with APW Capital. In their individual capacity as registered representatives, these individuals receive trailing compensation from prior sales of securities and may also receive usual and customary commissions for sales of securities through APW Capital. Receipt of commissions for securities sales is a conflict of interest as it gives these registered representatives an incentive to recommend investment products based on the additional compensation received. Beacon Pointe's advisory clients are not charged both advisory fees and transaction related fees on investment products that these registered representatives recommend.

## **Investment by the KKR Stockholder**

The KKR Stockholder has purchased a stake in Beacon Pointe. The KKR Stockholder, which is owned by investment funds and other entities managed or sponsored by Kohlberg Kravis Roberts & Co. L.P. for the benefit of its third-party investors, holds its stake in Beacon Pointe for investment purposes. Beacon Pointe is not a direct or indirect subsidiary of KKR & Co. Inc. or of Kohlberg Kravis Roberts & Co. L.P. (together with their affiliates, including the KKR Stockholder and the funds and other entities that own it, the "KKR Group"). The KKR Group does not participate in or manage the day-to-day management or operations of Beacon Pointe. Beacon Pointe acts autonomously and separately from the KKR Group, subject to and in compliance with its own separate compliance policies and procedures (including an information barrier that separates the investment activities of the KKR Group and Beacon Pointe), and Beacon Pointe has agreed to indemnify the KKR Group for certain matters arising from its business and operations.

Moreover, no member of the KKR Group: (i) is directly or indirectly a sponsor of or investment adviser to any Beacon Pointe client (including any Beacon Pointe sponsored private funds); and (ii) has or will have any obligations (contractual, fiduciary or otherwise) to Beacon Pointe's clients, operations or investments. The KKR Group expressly disclaims any and all liability for or obligations with respect to Beacon Pointe's clients, operations or investments.

KKR & Co. Inc. and its subsidiaries (the "KKR Corporate Group") sponsors investment funds that invest in private equity, credit and real assets and has strategic partners that manage hedge funds. The KKR Corporate Group also sponsors and manages investment funds and other vehicles that facilitate co-investment along-side proprietary investments or in specific or multiple portfolio companies and other assets invested in by investment funds managed by KKR. The KKR Corporate Group also includes KKR Capital Markets LLC and MCS Capital Markets LLC, each of which is a U.S. registered broker-dealer, and certain non-US entities authorized to conduct broker-dealer activities.

Although Beacon Pointe and the KKR Group operate independently, their affiliation may in certain circumstances create conflicts of interest or the appearance of conflicts of interest. The KKR Corporate Group will continue to engage in its other investment and financial activities (for its own account and the account of others) and is permitted from time to time to enter into transactions with, or otherwise deal with, Beacon Pointe, its clients or with companies in which Beacon Pointe clients invest, and take actions (or omit to take actions) in connection with any such transactions or other dealings that are contrary to (or otherwise conflict with) a Beacon Pointe client's interests. The KKR Corporate Group is also permitted from time to time to provide services to Beacon Pointe, its clients and companies in which Beacon Pointe clients invest, and in such cases generally will be paid fees (which may include warrants or other securities) for such services, and no Beacon Pointe client will receive the benefit of such fees. In addition, Beacon Pointe clients may make investments in companies in which the KKR Group has also invested (and such investments by the KKR Group may be in the same or different levels of the capital structure) and in connection with such investments, the KKR Group may take actions (or omit to take actions) that are contrary to (otherwise conflict with) Beacon Pointe clients' interests. The KKR Group is expected to pursue a broad range of investment strategies and invest in a broad range of securities and instruments and other assets globally. From time to time, investment opportunities

pursued by KKR Group may overlap or compete with the investment opportunities pursued by Beacon Pointe. As noted above, because the businesses of the KKR Group and Beacon Pointe will be operated separately and independently from each other, the KKR Group will not be prohibited from pursuing its own investment opportunities and may do so without regard to considerations for Beacon Pointe's clients.

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

### **Code of Ethics**

Beacon Pointe believes that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. Beacon Pointe's personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

Beacon Pointe's Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. Beacon Pointe's personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, and adherence to applicable federal securities laws. Additionally, individuals who make securities recommendations to clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities, are subject to personal trading policies governed by the Code of Ethics (see below).

Beacon Pointe will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

### *Personal Trading Practices*

Beacon Pointe and our personnel can purchase or sell securities for ourselves, regardless of whether the transaction would be appropriate for the client account. Beacon Pointe and our personnel can purchase or sell securities for ourselves that we also recommend to clients. This includes related securities (e.g., warrants, options, or futures). This presents a conflict of interest as we may have an incentive to take investment opportunities from clients for our own benefit, favor our personal trades over client transactions when allocating trades, or use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients.

Our policies to address these conflicts include the following:

- Personal securities transactions will never adversely affect clients. Beacon Pointe will monitor trading activity of our personnel to confirm that the interests of clients come first, and that the trading activity complies with applicable securities laws. All securities transactions and holdings in any account of our personnel, including accounts for which the individual is considered a beneficial owner, are subject to review by Beacon Pointe.
- Day trading (buying and selling in the same security on the same business day) of any security is strictly prohibited.
- Conflicts of interest also can arise when Beacon Pointe's personnel become aware of Limited Offerings or IPOs, including private placements or offerings of interests in limited partnerships or any thinly traded securities, whether public or private. Given the inherent potential for conflict, Limited Offerings and IPOs demand extreme care. Beacon Pointe's personnel are

required to obtain pre-approval from the Chief Compliance Officer before trading in these types of securities.

- For the clients for which Beacon Pointe assigns a sub-adviser, Beacon Pointe's personnel does not have access to the transactions in client accounts until after the trades have been placed. Therefore, we cannot take advantage of client trades in accounts managed by sub-advisers.

## **Participation or Interest in Client Transactions**

Beacon Pointe may recommend the Private Funds, which are managed by Beacon Pointe GP, LLC, a related entity, to clients for whom Beacon Pointe believes the investment is suitable. Beacon Pointe only recommends a Private Fund to clients who satisfy the requisite income and/or net worth requirements and for whom Beacon Pointe believes the investment is appropriate based on the client's ability to accept the risk. Clients will receive the confidential offering memorandum and disclosure of known risks before investing. A conflict exists because Beacon Pointe stands to benefit from additional investments in the Private Funds. To address this conflict, when Beacon Pointe recommends a Private Fund to an advisory client and such client invests in the Private Fund, that client's Private Fund management fees will be waived.

Additionally, Beacon Pointe may recommend that its clients invest in a mutual fund advised by PSI, a related investment adviser. Due to the common ownership between Beacon Pointe and PSI, Beacon Pointe has a conflict of interest in recommending mutual funds managed by this related firm. In the event that Beacon Pointe utilizes mutual funds or investment products managed by related firms, clients will not be charged Beacon Pointe's investment management asset-based fees on the portion of the client's assets invested in the fund.

## **ITEM 12 - BROKERAGE PRACTICES**

For client accounts in the Managed Account Program, we generally recommend that clients maintain their assets through either Charles Schwab & Co., Inc. ("Schwab"), member FINRA/SIPC, TD Ameritrade Institutional ("TDA Institutional"), a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC, Fidelity Investments Institutional Operations Company, Inc. ("Fidelity"), member FINRA/SIPC, or SEI Private Trust Company ("SEI"). Schwab, TD Ameritrade, Fidelity and SEI are unaffiliated SEC-registered broker-dealers and FINRA (Financial Industry Regulatory Authority) member firms and are qualified custodians. They offer services to independently registered investment advisors, which include custody of securities, trade execution, and clearance and settlement of transactions. We are independently owned and operated, and unaffiliated with Schwab, TD Ameritrade, Fidelity, or SEI.

Client accounts enrolled in the Wrap Fee Program and Automated Investment Program are maintained through Schwab, Fidelity or TD Ameritrade.

Under certain rare circumstances, Beacon Pointe will make exceptions to the recommended custodians and broker dealers and permit clients to select their own.

## **Factors Considered in Selecting Broker-Dealers for Client Transactions**

We seek to recommend a custodian/broker who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, their respective financial strength, reputation, execution, pricing, commissions for transactions, research, and service. Prior to engaging Beacon Pointe to provide asset management services under either the Managed Account Program, Envestnet UMA Program, Wrap Fee Program, or the Automated Investment Program, the client will be required to enter into a formal agreement with Beacon Pointe setting forth the terms and

conditions under which Beacon Pointe shall manage the client's assets. The client will also execute a brokerage/custodial/clearing agreement between the client and custodian.

Under certain circumstances for Managed Account Program clients, Beacon Pointe will have discretionary authority to determine the securities to buy and/or sell and the amount of such securities. In those circumstances, such securities will primarily be limited to various classes of shares of no-load mutual funds, and Exchange Traded Funds (ETFs). Beacon Pointe will generally execute such purchases or sales with Schwab, TD Ameritrade, or Fidelity. For Wrap Fee Program clients, Beacon Pointe will also have discretionary authority, but all purchases and sales will be executed with Schwab, Fidelity, and TD Ameritrade. For Automated Investment Program clients, Beacon Pointe will also have discretionary authority, but such authority will be limited to the Funds available under the Automated Investment Program, and all purchases and sales will be executed with Schwab.

### Research and Other Benefits

Beacon Pointe participates in the TDA Institutional and Schwab Advisor Services™ (formerly called Schwab Institutional®) programs. TD Ameritrade and Schwab both offer services to independent investment advisors that include custody of securities, trade execution, clearance, and settlement of transactions. Beacon Pointe receives some benefits from TD Ameritrade and Schwab through its participation in these programs. The additional economic benefits ("Additional Services") received by Beacon Pointe or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to Schwab or TD Ameritrade.

The Additional Services that we receive from Schwab and/ or TD Ameritrade may or may not be offered to any other independent investment Advisors participating in the program. The Additional Services provided allow us to better monitor and service client accounts maintained at the respective broker-dealer/custodian. Beacon Pointe does not consider this a primary factor when determining whether to recommend that a client utilize or select the services of a certain broker-dealer/custodian. There is no direct link between our participation in these programs 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 and/or TD Ameritrade retail investors. Schwab and/ or TD Ameritrade provide the Additional Services to Beacon Pointe in their sole discretion and at their own expense, and Beacon Pointe does not pay any fees to Schwab and/ or TD Ameritrade for the Additional Services.

Beacon Pointe's receipt of Additional Services raises conflicts of interest. Schwab's offer of assistance toward our technology related expenses is based on the expectation that Beacon Pointe will maintain a certain level of client assets under custody at Schwab. Schwab has offered to pay \$125,000 annually towards our technology related expenses, for the length of our relationship with Schwab, as long as we maintain a minimum of \$3 billion of client assets in accounts with Schwab in perpetuity. Schwab's offer is not limited to a specific time frame, and Schwab may modify or terminate the agreement in its sole discretion. Beacon Pointe's receipt of Additional Services does not diminish our duty to act in the best interests of our clients, including seeking best execution of trades for client accounts.

Beacon Pointe recommends TD Ameritrade or Schwab (collectively "Custodial Brokers") to clients for custody and brokerage services. The Custodial Broker's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

The Custodial Brokers also make available various support services. Some of those services help us manage or administer our clients' accounts; others help us manage and grow our business.

Custodial Brokers generally do not charge separately for custody services. However, the Custodial Brokers do receive compensation by charging commissions or other fees on trades that they execute or that settle into clients' Custodial Brokers accounts. With respect to Schwab, these services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of Beacon Pointe's clients' assets are maintained in accounts at Schwab. This commitment benefits our clients because the overall commission rates clients pay are lower than they would be otherwise. The services and benefits received from TD Ameritrade are not contingent upon Beacon Pointe committing to TD Ameritrade any specific amount of business (assets in custody or trading commissions).

We do not pay a licensing fee to Schwab for use of the Automated Investment Program software platform so long as we maintain at least \$100 million of Beacon Pointe's clients' assets in the program. If we do not meet this condition, then Beacon Pointe must pay Schwab an annual licensing fee of 0.10% on the value of client assets in the program. This fee arrangement gives us an incentive to recommend that clients invest in the Automated Investment Program. Beacon Pointe does not consider this fee arrangement to be a factor, however, when determining whether to recommend that a client enroll in the Automated Investment Program.

In addition to commissions, Custodial Brokers charge a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a client's brokerage account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize trading costs, we have Custodial Brokers execute most trades for client accounts.

Custodial Brokers also make available to us other products and services that benefit us but may not directly benefit our clients or their accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research, both the Custodial Broker's own research and that of third parties. We use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at the Custodial Brokers. In addition to investment research, Custodial Brokers also make available software and other technology that:

1. Provide access to client account data (such as duplicate trade confirmations and account statements);
2. Access to an electronic communications network for client order entry and account information;
3. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
4. Provide pricing and other market data;
5. Facilitate payment of our fees from our clients' accounts; and
6. Assist with back-office functions, recordkeeping, and client reporting.

The Custodial Brokers also offers other services intended to help us manage and further develop our business enterprise. These services may include:

1. Educational conferences and events;
2. Consulting on technology, compliance, legal, and business needs;
3. Publications and conferences on practice management and business succession; and
4. Access to employee benefits providers, human capital consultants, and insurance providers.

Custodial Brokers provide some of these services themselves. In other cases, they will arrange for third-party vendors to provide the services to us. The Custodial Brokers also discount or waive their fees for

some of these services or pay all or a part of a third party's fees. The Custodial Brokers also provide us with other benefits, such as occasional business entertainment of our personnel. By receiving additional services, Beacon Pointe will receive certain additional economic benefits, which may or may not be offered to any other independent advisor. In evaluating whether to recommend that clients custody their assets at a specific Custodial Broker, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely the nature, cost or quality of custody and brokerage services provided by Custodial Brokers, which creates a conflict of interest.

Clients should refer to the Independent Manager's ADV 2 Brochure for information regarding soft dollar benefits that Independent Managers may receive.

### *Brokerage for Client Referrals*

#### *Schwab Advisor Network*

Beacon Pointe receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through our participation in the Schwab Advisor Network® ("the Service"). Schwab designed the Service to help investors find an independent investment advisor. Schwab is a broker-dealer independent of, and unaffiliated with, Beacon Pointe. Schwab does not supervise us and has no responsibility for our management of clients' portfolios or other advice or services we provide. Beacon Pointe pays Schwab fees to receive client referrals through the Service. Our participation in the Service raises conflicts of interest, as described below.

#### Participation Fee

Beacon Pointe pays Schwab a Participation Fee on all referred clients' accounts custodied at Schwab and a Non-Schwab Custody Fee on all accounts maintained at, or transferred to, another custodian. The Participation Fee we pay is a percentage of the fees the client pays to us, or a percentage of the value of the assets in the client's account subject to a minimum Participation Fee. Beacon Pointe pays Schwab the Participation Fee as long as the referred client's account remains in custody at Schwab. Schwab bills us the Participation Fee quarterly and Schwab may increase, decrease, or waive the fee from time to time. Beacon Pointe pays the Participation Fee and not the client. We have agreed not to charge clients referred through the Service fees or costs greater than the fees or costs we normally charge to clients with similar portfolios who were not referred through the Service.

#### Non-Schwab Custody Fee

Beacon Pointe generally pays Schwab a Non-Schwab Custody Fee if Schwab does not maintain custody of a referred client's account, or if we transfer assets in the account away from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees we would generally pay in a single year. This means we have an incentive to recommend that referred clients maintain custody of their accounts at Schwab.

Schwab bases the Participation Fee and Non-Schwab Custody Fee on assets in accounts of our clients referred by Schwab and those referred clients' family members living in the same household. This means that we have incentive to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit our fees directly from their accounts.



### *TD Ameritrade AdvisorDirect*

Beacon Pointe receives client referrals from TD Ameritrade, Inc. ("TD Ameritrade") through its participation in TD Ameritrade AdvisorDirect program. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Beacon Pointe 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, Beacon Pointe and there is no employee or agency relationship between them. TD Ameritrade has established the referral program 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 Beacon Pointe and has no responsibility for Beacon Pointe's management of client portfolios or Beacon Pointe's other advice or services. Beacon Pointe pays TD Ameritrade an ongoing fee ("Referral Fee") for each successful client referral. For referrals initiated prior to April 10, 2017, this fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Beacon Pointe. For referrals initiated on or after April 10, 2017, this fee is a percentage of the referred client assets (not to exceed 0.25%). Beacon Pointe will also pay TD Ameritrade the Referral Fee on any advisory fees received by Beacon Pointe from any of a referred client's immediate family members, including a spouse, child or any other family member who resides with the referred client and hires Beacon Pointe on the recommendation of such referred client. Beacon Pointe will not charge clients referred through AdvisorDirect any fees or costs higher than our standard fee schedule offered to its clients or otherwise pass Referral Fees paid to TD Ameritrade to our 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.

Beacon Pointe's participation in AdvisorDirect raises conflicts of interest. TD Ameritrade will 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, Beacon Pointe has an incentive to recommend to clients that the assets under management by Beacon Pointe be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Beacon Pointe has agreed not to solicit clients referred through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when fiduciary duties require doing so. Beacon Pointe's participation in AdvisorDirect does not diminish our duty to act in the best interests of our clients and seek best execution of trades for client accounts.

### *Fidelity Wealth Advisor Solutions®*

Beacon Pointe participates in the Fidelity Wealth Advisor Solutions Program (the "WAS Program"), through which Beacon Pointe receives referrals from Fidelity Personal and Workplace Advisors, LLC ("FPWA"), a registered investment adviser and Fidelity Investments company. Beacon Pointe is independent and not affiliated with FPWA or any Fidelity Investments company. FPWA does not supervise or control Beacon Pointe, and FPWA has no responsibility or oversight for Beacon Pointe's provision of investment management or other advisory services.

Under the WAS Program, FPWA acts as a solicitor for Beacon Pointe, and Beacon Pointe pays referral fees to FPWA for each referral received based on Beacon Pointe's assets under management attributable to each client referred by FPWA or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from FPWA to Beacon Pointe does not constitute a recommendation or endorsement by FPWA of Beacon Pointe's particular investment management services or strategies. More specifically, Beacon Pointe pays the following amounts to FPWA for referrals: for referrals made prior to April 1, 2017, an annual percentage

of 0.20% of any and all assets in client accounts; for referrals made after April 1, 2017, the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as “fixed income” assets by FPWA and (ii) an annual percentage of 0.25% of all other assets held in client accounts. For referrals made prior to April 1, 2017, these fees are payable for a maximum of seven years. Fees with respect to referrals made after that date are not subject to the seven-year limitation. In addition, Beacon Pointe has agreed to pay FPWA a minimum annual fee amount in connection with our participation in the WAS Program. These referral fees are paid by Beacon Pointe and not the client.

To receive referrals from the WAS Program, Beacon Pointe must meet certain minimum participation criteria, but we may have been selected for participation in the WAS Program as a result of our other business relationships with FPWA and its affiliates, including Fidelity Brokerage Services, LLC (“FBS”). As a result of our participation in the WAS Program, Beacon Pointe has a conflict of interest with respect to our decision to use certain affiliates of FPWA, including FBS, for execution, custody and clearing for certain client accounts, and Beacon Pointe has an incentive to suggest the use of FBS and its affiliates to our advisory clients, whether or not those clients were referred to Beacon Pointe as part of the WAS Program. Under an agreement with FPWA, Beacon Pointe has agreed that we will not charge clients more than the standard range of advisory fees disclosed in our Form ADV 2A Brochure to cover solicitation fees paid to FPWA as part of the WAS Program. Pursuant to these arrangements, Beacon Pointe has agreed not to solicit clients to transfer their brokerage accounts from affiliates of FPWA or establish brokerage accounts at other custodians for referred clients other than when our fiduciary duties would so require, and Beacon Pointe has agreed to pay FPWA a one-time fee equal to 0.75% of the assets in a client account that is transferred from FPWA’s affiliates to another custodian; therefore, Beacon Pointe has an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of FPWA. However, participation in the WAS Program does not limit Beacon Pointe’s duty to select brokers on the basis of best execution.

## **Directed Brokerage**

Beacon Pointe generally recommends that Schwab, TD Ameritrade, Fidelity, or SEI serve as the broker-dealer/custodian for fee-based clients’ accounts under the Managed Account Program. Schwab, TD Ameritrade, and Fidelity serve as the broker-dealer/custodian for accounts under the Wrap Fee Program. Under limited circumstances, Beacon Pointe will permit clients to appoint which broker-dealer to execute securities transactions for client accounts in which Beacon Pointe has discretionary authority (“Directed Brokerage”). If the client elects to direct brokerage transactions to a particular broker-dealer, Beacon Pointe will not negotiate specific brokerage commission rates with the broker on the client’s behalf, and Beacon Pointe may not be able to obtain the best execution for that client. Further, a client that directs brokerage may pay higher commissions than otherwise charged by another broker or dealer.

When clients elect to have their assets managed by an investment manager separate from Beacon Pointe, clients may instruct the investment manager to direct trades through third party commission recapture programs.

Beacon Pointe does not recommend initial public offerings (“IPOs”) to clients. However, Beacon Pointe may, when consistent with a client’s investment objectives and restrictions, and when specifically requested by a client, seek to purchase on behalf of the client the requested security in an IPO for the client’s account. We require that the client initiate such requests. Beacon Pointe will not seek to obtain shares for clients who do not initiate such a request. If a client seeks to purchase an IPO Beacon Pointe will not give advice on that purchase and if a client purchases an IPO Beacon Pointe will not manage that security.

## **Aggregation and Allocation of Transactions**

When Beacon Pointe enters transactions for each client with unique trading/investment strategies, the trades are not aggregate (combine) client orders. Aggregating trades may benefit clients by purchasing or selling in larger blocks to take advantage of better pricing or lower trading costs. We do not feel that clients are at a disadvantage because we do not aggregate client orders. Beacon Pointe primarily uses mutual funds to manage client accounts. Mutual funds are priced once daily. As the daily price is the same for each investor, we have no opportunity to obtain better pricing through aggregating even if we place trades of the same fund for multiple clients within a single order. Additionally, the broker-dealer/custodians charge each account an individual transaction fee regardless of whether we aggregate or not. This prevents us from lowering trading costs through aggregation. Beacon Pointe will aggregate trades to the best of its ability whenever possible with clients in the same or similar strategies. In these situations, client will be aggregated and traded as a block, or a single trade. Trades will be allocated on a pro-rata basis.

## **Trading Practices of Independent Managers**

Accounts managed within the Managed Account Program and Wrap Fee Program will be managed by independent managers who may have different policies than those adopted by Beacon Pointe when managing client accounts. Beacon Pointe recommends that clients in the program review the independent managers' ADV 2 Brochures.

## **ITEM 13 - REVIEW OF ACCOUNTS**

### **Account Reviews**

For accounts under the Managed Account Program and Wrap Fee Program, and for consulting accounts where Beacon Pointe provides ongoing investment supervision, the primary consultant/advisor assigned to the account reviews accounts quarterly. Account reviews typically consider account performance, asset allocation, and overall portfolio construction.

Clients are encouraged to meet with Beacon Pointe on at least an annual basis to review any changes to investment objectives, account performance, and financial planning issues.

### **Account Reporting**

All Managed Account Program and Wrap Fee Program clients receive monthly reports from their custodian(s) regarding their assets showing the portfolio inventory and transactions during that period. Typically, Beacon Pointe will provide or otherwise make available quarterly reports to clients showing investment results, including time-weighted returns and performance against the applicable benchmarks. Consulting clients where Beacon Pointe provides ongoing investment supervision generally receive quarterly reports that contain at least the same information as Managed Account Program reports.

### **Financial Plan Reviews**

A Managing Director, Financial Planner or the primary consultant/advisor assigned to the account is responsible for creating and reviewing clients' financial plans, as applicable. Beacon Pointe reviews financial plans on an as needed basis upon request of the client.

## ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

### Benefits We Receive from Custodial Brokers

We receive an economic benefit from Schwab and TD Ameritrade in the form of the support products and services they make available to us and other independent investment advisors whose clients maintain their accounts in their custody. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability of custodial brokers' products and services to use is not based on us giving particular investment advice, such as buying particular securities for our clients.

### Payment for Client Referrals

If an unaffiliated or an affiliated solicitor introduces a client to Beacon Pointe, we generally pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. If an unaffiliated solicitor introduces a client to Beacon Pointe, that solicitor will disclose the nature of the solicitor relationship with Beacon Pointe at the time of the solicitation. In addition, the solicitor will provide each prospective client with a copy of this brochure, and a copy of the written disclosure statement from the solicitor to the client disclosing the terms and conditions of the arrangement between Beacon Pointe and the solicitor, including the compensation that Beacon Pointe pays the solicitor and whether or not the client is paying higher fees to Beacon Pointe as a result of the solicitation. Any affiliated solicitor of Beacon Pointe will disclose the nature of the relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of this brochure.

For more information on client referrals and specific solicitation arrangements, see disclosure above under *Brokerage for Client Referrals* under *Item 12 – Brokerage Practices* section.

## ITEM 15 - CUSTODY

Beacon Pointe is deemed to have custody of a client's funds or securities when the client has a standing written authorization with its custodian to move money from the client's account to designated third parties ("SLOA"), and under that SLOA authorizes Beacon Pointe to designate the amount or timing of such transfers to those third parties with the custodian. The SEC staff has published a set of standards intended to protect client assets in such situations, which Beacon Pointe follows.

Additionally, Beacon Pointe has limited custody of some of our clients' funds or securities when the clients authorize us to deduct our management fees directly from the client's account. A qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds the clients' funds and securities. Clients will receive statements directly from the qualified custodian at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of Beacon Pointe's fee. Clients should carefully review the account statements they receive from your qualified custodian. When clients receive statements from Beacon Pointe as well as from their qualified custodian, clients should compare these two reports carefully. Clients with any questions about their statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive their statement from their qualified custodian at least quarterly should also notify us.

Beacon Pointe GP, LLC has custody of the assets in the Private Funds as the general partner of the Private Funds and has the ability to request funds from the custodians out of the Private Funds' accounts. Beacon Pointe has put controls in place, in compliance with federal rules, to protect investors'

assets in the Private Funds. Independent qualified custodians hold the assets in the Private Funds. In addition, investors receive annual audited financials prepared by an independent accountant.

For family office clients, Beacon Pointe may be deemed to have custody due to bill pay abilities. In these instances, Beacon Pointe obtains a surprise exam annually by an independent accountant for these accounts/clients.

## **ITEM 16 - INVESTMENT DISCRETION**

For most clients under Managed Account Program, Envestnet UMA Program, and Wrap Fee Program agreements, Beacon Pointe has full discretion to select, change, and remove Independent Managers for the client's account. When Beacon Pointe manages accounts directly using mutual funds or other securities, we have discretion to decide the specific security to trade, the quantity, and the timing of transactions for client accounts. Beacon Pointe is not required to contact clients before making changes to the Independent Managers or placing trades in their account. Certain securities, including private funds, require the client's written agreement to participate in the investment. Independent Managers investing client assets will also have full discretionary authority over the portion of the client's account they manage.

Clients will receive confirmations directly from the broker for any trades placed. Clients grant us discretionary authority in the contracts they sign with us. Clients also give us or the Independent Managers trading authority over their accounts when they sign the custodian paperwork.

However, certain client-imposed conditions limit Beacon Pointe's discretionary authority, such as where the client places restrictions on the account investments or directs Beacon Pointe to execute transactions through specific broker-dealers. See also **Item 4 - Tailored Services and Client Imposed Restrictions** and **Item – 12 Brokerage Practices**, above.

In rare circumstances, for clients under Managed Account Program or Wrap Fee Program agreements, Beacon Pointe will recommend Independent Managers and investments in mutual funds or other securities on a non-discretionary basis. Beacon Pointe is required to get client approval before selecting or making changes to the Independent Managers or placing trades in their account. When the client approves the recommended Independent Manager, the client gives the Independent Manager trading authority over their accounts when they sign the custodian paperwork.

For clients under consulting arrangements, Beacon Pointe will recommend managers for portions of the client's account on a non-discretionary basis. It is up to the client to approve these recommendations.

## **ITEM 17 - VOTING CLIENT SECURITIES**

### **Proxy Voting**

Unless otherwise requested by a client, Beacon Pointe is responsible for voting proxies for securities held in certain clients' accounts where Beacon Pointe was responsible for selecting the investment. The appointed Independent Manager is responsible for voting proxies for securities selected by the Independent Manager that are held in clients' accounts.

For the proxies that Beacon Pointe is responsible to vote, Beacon Pointe has retained, at its expense, Egan-Jones Proxy Services to handle the voting of proxies. Egan-Jones provides written vote recommendations and guidelines. Egan-Jones is not affiliated with Beacon Pointe. Beacon Pointe has adopted Egan-Jones's policy guidelines ("Proxy Comply"), and client proxies will be voted according to

Proxy Comply. Beacon Pointe believes that Egan-Jones has developed policies and procedures that ensure that client proxies are voted in the best interest of our clients. Beacon Pointe reviews Proxy Comply yearly. Clients may retain the authority to vote all proxies in their account, but a client may not otherwise direct Beacon Pointe's vote for particular solicitations.

In cases where proxy voting authority for an ERISA Plan's holdings rests with Beacon Pointe, such proxies will be voted in accordance with Proxy Comply unless outlined otherwise in the plan's governing documents and subject to the fiduciary responsibility standards of ERISA.

If Beacon Pointe becomes aware of any type of potential or actual conflict of interest relating to a particular proxy proposal, Beacon Pointe's Chief Compliance Officer will be responsible for resolving the conflict. Beacon Pointe can resolve the conflict in a number of ways depending on the type and materiality. The method selected by Beacon Pointe will depend upon the facts and circumstances of each situation and the requirements of applicable laws.

A complete copy of Beacon Pointe's current proxy voting policies and procedures is available upon request. Clients can obtain information on how their proxies were voted by contacting Beacon Pointe at the principal office and place of business indicated on page 1 of this form. In their request, clients should include their name and the account and security for which they are making the request.

For information regarding proxies voted by Independent Managers, clients should refer to the Independent Manager's ADV 2 Brochure.

## **Class Actions**

A securities "class action" lawsuit is a civil suit brought by one or more individuals ("Plaintiffs") on behalf of themselves and others who have the same grievance against the issuer of a certain security. When a class action is filed, a written notice of filing and/or settlement is prepared (the "Notice"), which outlines the reasons for the lawsuit, the parameters for qualification as a member of the class and certain legal rights that need to be considered before becoming a member of the class (i.e. participating in the settlement). In addition, the Notice will contain instructions issued by the court or broker/dealers and/or other nominees (e.g. custodians) who receive the Notice and who hold the security on behalf of the owner/beneficiary, to either (1) provide the Claims Administrator (usually the attorney for the Plaintiffs) with the name and address of each such owner/beneficiary so the Claims Administrator can send the Notice directly to such owner/beneficiary, or (2) request additional copies of the Notice and send the Notice directly to the owner/beneficiary.

In cases where Beacon Pointe is responsible for filing class actions on behalf of clients, we have selected Chicago Clearing Corporation ("CCC"), an unaffiliated third-party vendor, to provide class action litigation monitoring and securities claim filing services on behalf of our clients. CCC will monitor for class actions for which our clients may be eligible. Upon learning of any such class actions, CCC will collect the applicable documentation, interpret the terms of each settlement, file the appropriate claim form, interact with the administrators and distribute the award to applicable clients. CCC charges clients a contingency fee which is subtracted from the award at the time of payment. Clients can opt-out entirely or list specific companies against which claims should not be filed on their behalf. Clients may change their opt-out election at any time by notifying Beacon Pointe in writing. Because Beacon Pointe provides this service to our clients through a third-party vendor, we will not monitor class action suits or process any claim forms on clients' behalf, *whether or not they opt-out* of this service. *If a client chooses to opt-out*, the vendor also will *not monitor* any class action suits from which the client may be entitled to awards, and the vendor will *not process* any claim forms on the client's behalf. Clients who opt-out are entitled to pursue securities claims themselves.

## **ITEM 18 - FINANCIAL INFORMATION**

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



## Form ADV Part 2B Brochure Supplement

June 23, 2022

### Individuals covered by this supplement include:

David M. Emmes II  
Heidi H. Benavidez

#### **Office Location:**

610 Newport Center Drive, Suite 830  
Newport Beach, CA, 92660  
(949) 718-4527

#### **Corporate Office:**

24 Corporate Plaza Drive, Suite 150  
Newport Beach, CA 92660  
(949) 718-1600

This brochure supplement provides information about the above listed individuals that supplements the Beacon Pointe Advisors, LLC brochure. You should have already received a copy of that brochure. Please contact us at 949-718-1600 if you did not receive our brochure or if you have any questions about the contents of this supplement.

Additional information about the above listed individuals is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)



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# DAVID M. EMMES II

## ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

**David M. Emmes II**, Partner, Managing Director, b. 1960

*Education:*

MBA, Master of Business Administration, California State University, Long Beach  
BS, Business Administration & Finance, California State University, Long Beach

*Business Background:*

Partner, Managing Director, Beacon Pointe Advisors, LLC, 2021-Present  
Managing Partner & Investment Advisor, Pacific Edge Advisors, LLC, 2016-2021  
U.S. Markets President, BNY Mellon, 2000-2016

## ITEM 3 - DISCIPLINARY INFORMATION

David Emmes has no disciplinary history to disclose.

## ITEM 4 - OTHER BUSINESS ACTIVITIES

David Emmes is not engaged in any investment-related business or occupation other than providing advisory services through Beacon Pointe Advisors, LLC.

In addition to David Emmes' role with Beacon Pointe Advisors, LLC, he serves as a trustee for the Orange County Museum of Art ("OCMA"). In his capacity as a trustee, he attends regularly scheduled Board meetings, chairs or participates in Board committees, and provides oversight and guidance to museum staff.

## ITEM 5 - ADDITIONAL COMPENSATION

David Emmes' compensation comes from his regular salary and ownership of Beacon Pointe Advisors, LLC. He does not receive economic benefits from any person or entity other than Beacon Pointe in connection with the provision of investment advice to clients.

## ITEM 6 - SUPERVISION

As a Partner, Managing Director at Beacon Pointe Advisors, LLC, David Emmes oversees the investment advice provided from Beacon Pointe Advisors' Newport Beach, CA, office. His advice is not monitored by any other individual. He is however bound by Beacon Pointe's Code of Ethics.

Shannon Eusey, Chief Executive Officer and Chief Compliance Officer is the supervisor of David Emmes. She can be reached by calling 949-718-1600.

# HEIDI H. BENAVIDEZ, CFA

## ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Heidi H. Benavidez, CFA, Partner, Managing Director, b. 1982

*Education:*

BS, Business Administration: Finance, Real Estate & Law, California State University, Long Beach

*Business Background:*

Partner, Managing Director, Beacon Pointe Advisors, LLC, 2021-Present

Managing Partner, Chief Compliance Officer & Investment Advisor, Pacific Edge Advisors, LLC, 2016-2021

Senior Wealth Manager, BNY Mellon, 2006-2016

Personal Financial Representative, Washington Mutual Investments, 2005-2006

### Professional Designations

Heidi Benavidez holds the following professional designation:

*Chartered Financial Analyst*

The Chartered Financial Analyst (“CFA”) designation is sponsored by CFA Institute. To earn a CFA charter, candidates must have four years of qualified investment work experience, become a member of the CFA Institute, pledge to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct on an annual basis, apply for membership to a local CFA member society, and complete the CFA Program.

The CFA Program is organized into three levels, each culminating in a six-hour exam. The three proctored course exams correspond to three 250-hour self-study levels. Completing the Program takes most candidates between two and five years. More information regarding the CFA is available at

<https://www.cfainstitute.org/>

## ITEM 3 - DISCIPLINARY INFORMATION

Heidi Benavidez has no disciplinary history to disclose.

## ITEM 4 - OTHER BUSINESS ACTIVITIES

Heidi Benavidez is not engaged in any investment-related business or occupation other than providing advisory services through Beacon Pointe Advisors, LLC.

In addition to Heidi Benavidez’s role with Beacon Pointe Advisors, LLC, she serves as a trustee for the Friends of the Girls Scouts Trust (“FOGST”). In her capacity as a trustee, she is responsible for overseeing and insuring compliance with the IPS; however, she does not implement any investment recommendations. In order to mitigate the conflict of Ms. Benavidez serving as a trustee for a firm client, Ms. Benavidez does not have access to FOGST information in her role as a Beacon Pointe employee. Ms. Benavidez is not compensated for her role as a trustee, and she spends less than 10% of her time in this capacity. The Firm has put certain controls in place to mitigate this conflict including use of disclosures, internal policies, and procedures to monitor Ms. Benavidez’s activities.

## **ITEM 5 - ADDITIONAL COMPENSATION**

Heidi Benavidez's compensation comes from her regular salary and ownership of Beacon Pointe Advisors, LLC. She does not receive economic benefits from any person or entity other than Beacon Pointe in connection with the provision of investment advice to clients.

## **ITEM 6 - SUPERVISION**

As a Partner, Managing Director at Beacon Pointe Advisors, LLC, Heidi Benavidez oversees the investment advice provided from Beacon Pointe Advisors' Newport Beach, CA, office. Her advice is not monitored by any other individual. She is however bound by Beacon Pointe's Code of Ethics.

Shannon Eusey, Chief Executive Officer and Chief Compliance Officer is the supervisor of Heidi Benavidez. She can be reached by calling 949-718-1600.



## **Privacy Notice**

(as required by SEC Regulation S-P)

At Beacon Pointe Advisors, LLC, we understand that privacy is an important concern of our customers. The nature of our business requires that we collect nonpublic personal information about you. Nonpublic personal information is personally identifiable financial information including, for example, your social security number, date of birth, income, account number and balance, account transaction history, and other financial information. We collect nonpublic personal information from the following sources:

- Information we receive about you in various agreements, applications, account opening documentation, and other forms and paperwork that pertains to your relationship with us,
- Information about your transactions with us and our service providers, or others,
- Information that you give us orally.

All financial companies need to share customers' personal information to run their everyday business. We disclose nonpublic personal information to our affiliated firms and to nonaffiliated third parties (including, but not limited to, our consultants, custodians, money managers, brokers, customer relationship management and financial planning software providers) as required or permitted by law and as needed to fulfill our compliance obligations and/or for us to best provide those products and services that we have agreed to provide to you.

We restrict access to your personal and account information to those employees who need to know that information in order to provide products and services to you. We maintain physical, electronic, and procedural safeguards to protect your nonpublic information.

The privacy policies and practices described in this notice will be maintained in the event you become an inactive customer or decide to close your account.

If, at any time in the future, it is necessary to disclose any of your personal information in a way that differs with this policy, we will give you advance notice of the proposed change and an opportunity to decline such disclosure.

Beacon Pointe Advisors is committed to protecting the confidentiality of your personal information. Let us know if you have any questions by contacting us at (949) 718-1600.