



# Form ADV 2A Firm Brochure

CRD #: 226606

## Sanctuary Advisors, LLC

250 West 96th Street, Suite 300  
Indianapolis, Indiana 46260

[Sanctuarywealth.com](https://www.sanctuarywealth.com)

**July 2022**

This brochure provides information about the qualifications and business practices of Sanctuary Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at [compliance@sanctuarywealth.com](mailto:compliance@sanctuarywealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration may not imply a certain level of skill or training. Additional information about Sanctuary Advisors, LLC is also available on the SEC's website at <https://adviserinfo.sec.gov/firm/summary/226606>.

**ITEM 2: MATERIAL CHANGES**

This Firm Brochure is Sanctuary Advisors' disclosure document prepared according to regulatory requirements and rules. Consistent with those rules, Sanctuary Advisors will provide a summary of any material changes to this and subsequent Brochures within one hundred twenty (120) days of the close of its fiscal year. Furthermore, Sanctuary Advisors will provide other interim disclosures regarding material changes, as necessary. Material changes that have been made to this Firm Brochure since its annual amendment dated March 2022 are described below:

- Items 4 and 5: Details with respect to services and fees have been revised.
- Item 8: Additional risk factors have been added.
- Item 10: Since the last annual update of the Firm Brochure, an affiliate of Kennedy Lewis Management LP (together with its affiliates, "**Kennedy Lewis**") acquired a controlling interest in the parent company of Sanctuary Advisors, such that Sanctuary Advisors is now affiliated with Kennedy Lewis and Azimut US Holdings Inc. (together with its affiliates, "**Azimut**"). Descriptions of Sanctuary Advisors' relationships with Kennedy Lewis, Azimut, and other affiliates, and certain conflicts of interest related to investment products sponsored or managed by or services provided by Kennedy Lewis, Azimut, and other affiliates, have been added.
- Item 12: Details regarding: (i) relationships with brokers and benefits provided to Sanctuary Advisors from brokerage platforms; (ii) soft dollar benefits; and (iii) directed brokerage have been revised.
- Item 14: Details regarding solicitation arrangements and economic benefits for providing investment advice to clients have been added.

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### ITEM 4: ADVISORY BUSINESS

#### 4.A. DESCRIPTION OF ADVISORY FIRM

Sanctuary Advisors, LLC, an Indiana limited liability company ("Sanctuary Advisors"), was formed in 2015 and is a registered investment advisor firm with the United States Securities and Exchange Commission (the "SEC"). Sanctuary Advisors is a wholly owned subsidiary of Sanctuary Wealth Group, LLC ("Sanctuary Wealth"). Sanctuary Advisors' principal business is offering investment advisory services to entities, institutions and individuals.

Sanctuary Advisors offers its services through its network of investment advisor representatives ("IARs"). IARs may organize their own business entity ("IAR Business Entities") to provide certain support services to the IAR and their team as they perform investment advisory services for clients and such entity may provide services other than investment advisory services. However, all investment advisory services are provided through Sanctuary Advisors.

IARs may also conduct advisory services under a trade name ("DBA"). The name and logo of the IAR Business Entities and/or DBAs may appear on marketing materials, as approved by Sanctuary Advisors, or client statements, as approved by the custodian. For a full a list of DBAs under Sanctuary Advisors, please refer to Sanctuary Advisor's ADV Part 1A.

The following information in this brochure is meant to provide a detailed description of Sanctuary Advisors, its various services, associated fees and compensation, important customer disclosures, as well as conflicts of interest disclosures. Clients should carefully review information regarding conflicts of interest as these conflicts can have an effect on services, costs, and investment advice provided by Sanctuary Advisors and its IARs. Sanctuary Advisors has policies and procedures in place to ensure that recommendations are made in the best interest of the client and, when possible, to eliminate conflicts altogether.

#### 4.B. DESCRIPTION OF ADVISORY SERVICES OFFERED

Sanctuary Advisors' menu of advisory services is designed to address many different types of investors and their particular styles, needs, and preferences. Through Sanctuary Advisors, clients will have access to a variety of services, which include financial planning services, portfolio management for individuals and businesses, portfolio management for institutional clients other than investment companies, and selection of other advisors.

Sanctuary Advisors may render discretionary and non-discretionary investment advisory services to clients relative to brokerage/qualified accounts, variable life/annuity products, and/or individual employer-sponsored retirement plans. Client accounts are managed pursuant to the client's agreement with Sanctuary Advisors.

Advisory services may include but are not limited to: (i) an allocation to traditional investments such as stocks, bonds, mutual funds, and separately managed accounts; and (ii) an allocation to alternative investments such as private equity, real estate trusts, hedge funds, and precious metals. Sanctuary Advisors' investment recommendations are not limited to any specific product or service offered by a broker-dealer and will generally include advice regarding the securities and transactions further described in Item 8.A. Methods of Analysis and Material Risks.

Sanctuary Advisors requires clients to participate in the formation of the investment plan, investment advice, and recommendations by discussing, among other things, the client's investment experience, financial circumstances, investment objectives, tolerance for risk, and identifying goals. However, clients are obligated to immediately inform Sanctuary Advisors in writing of any changes in the foregoing.

##### 4.B.1. DISCRETIONARY ASSET MANAGEMENT SERVICES

Sanctuary Advisors provides a discretionary advice option that allows Sanctuary Advisors to buy and sell investments in your advisory account without asking you in advance (a "discretionary advisory account").

##### 4.B.2. NON-DISCRETIONARY ASSET MANAGEMENT SERVICES

Sanctuary Advisors provides a non-discretionary advice option where Sanctuary Advisors provides recommendations, you decide whether to implement the recommendation, and, if approved and requested by the client, Sanctuary Advisors implements the recommendation. This may result in a delay in executing recommended trades, which could adversely affect the performance of your account. This delay also normally means the affected account(s) will not be able to participate in block trades, a practice designed to enhance the execution quality, timing and/or cost for all accounts included in the block. In a non-discretionary arrangement, the client retains the responsibility for the final decision on all actions taken with respect to client's account.

##### 4.B.3. CLIENT-TAILORED SERVICES AND CLIENT-IMPOSED RESTRICTIONS



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As outlined above, Sanctuary Advisors will develop an investment portfolio plan with asset allocations to meet the client's specific investment needs and goals. Additionally, clients may, with written notice to Sanctuary Advisors, request reasonable restrictions on the management of their accounts, such as prohibiting investing in certain securities or types of securities. Clients must promptly notify Sanctuary Advisors in writing of any changes in such restrictions. Each client should note, however, that restrictions, if accepted by Sanctuary Advisors, may adversely affect the composition and performance of the client's investment portfolio.

### **4.C. FINANCIAL PLANNING SERVICES**

Sanctuary Advisors makes available financial planning services for wealth accumulation, wealth distribution, cash flow analysis, higher education planning, retirement planning, estate planning, and legacy planning.

### **4.D. SUB-ADVISERS**

Sanctuary Advisors may delegate some or all of its investment advisory functions over a particular client account or accounts to another investment advisor ("Sub-Advisor"). Prior to delegating advisory functions, Sanctuary Advisors will perform due diligence on the Sub-Advisor, enter into a sub-advisory contract with the Sub-Advisor, and supervise the advisory and other services provided by the Sub-Advisor. Although Sanctuary Advisors retains authority to engage or terminate Sub-Advisors, Sanctuary Advisors typically informs clients prior to engagement or termination of the Sub-Advisor to which it delegates investment advisory functions and what portion of the client's account is being given over to the Sub-Advisor to manage when it is practicable to do so.

Having access to various Sub-Advisors offers a wide variety of manager styles and provides the opportunity to utilize more than one adviser for the account. Factors that Sanctuary Advisors considers in recommending/selecting Sub-Advisors generally include, without limitation, the client's stated investment objective(s), management style, performance, risk level, reputation, financial strength, reporting, pricing, and research.

With respect to assets managed by Sub-Advisors, Sanctuary Advisors' role will be to monitor the overall financial situation of the client, monitor the investment approach and performance of the Sub-Advisor, and to assist the client in understanding the investments in the client's account.

Clients will be provided each Sub-Advisors Form ADV Part 2A Brochure, which contains important information regarding the strategies, fees and risks of the Sub-Advisor, upon request.

### **4.E. MANAGED ACCOUNT PLATFORMS**

Sanctuary has contracted with Lockwood Advisors, Inc. ("Lockwood"), an affiliate of Pershing ("Pershing"), for access to a managed account platform ("Platform"). The Platform is a program sponsored by Lockwood that provides access to a variety of model portfolios created and managed by various investment advisers, including Sanctuary Advisors and Lockwood. The model providers and portfolios available to clients are reviewed and selected by Lockwood and ultimately reviewed and selected by Sanctuary Advisors. The strategies of the model portfolios are not tailored to the particular needs or circumstances of a client. Instead, the strategies are provided by advisers to the Platform as impersonal, generalized, non-discretionary advice that the applicable adviser will implement as such adviser deems appropriate pursuant to the authority granted to them. When Sanctuary Advisors uses the Platform for a client account, Sanctuary Advisors will allocate all or a portion of the client's account to one or more strategies selected for the client. The applicable adviser of the strategy will then monitor the account and implement the strategy through the Platform.

Sanctuary Advisors' role will be to monitor the overall financial situation of the client, to monitor the investment approach and performance of the advisers, and to assist the client in understanding the investment of the model portfolio.

If a model portfolio is created by another adviser, such as Lockwood, then Lockwood will act as sub-adviser to the account. Clients will be provided the applicable advisers Form ADV Part 2A Brochure, which contains important information regarding the strategies, fees and risks of the adviser, upon request.

### **4.F. CLIENT ASSETS UNDER MANAGEMENT**

As of December 31, 2021, total client assets under management are approximately \$12,064,200,00.00, of which approximately \$11,499,600,000.00 is managed on a discretionary basis and \$564,600,000.00 is managed on a non-discretionary basis.

## **ITEM 5: FEES AND COMPENSATION**

### **5.A. ADVISORY SERVICES FEES**

#### **5.A.1 MANAGEMENT SERVICES**



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Fees for advisory services are generally calculated as a percentage of the total market value of the managed assets. Sanctuary Advisors offers its investment advisory services through a network of IARs that each create a fee schedule for accounts primarily serviced by such IAR, which will be provided to clients upon request. In no event shall the maximum fee exceed 2.75% for the total portfolio assets committed to the IAR. Fees are negotiated on an individual basis at the time of the engagement for such services. Factors considered in determining the fees charged generally include, without limitation, complexity of the portfolio, amount of assets to be placed under management, related accounts, or other special requirements. The specific fee schedule will be identified in the advisory agreement between the client and Sanctuary Advisors. Assets in each of your account(s) are included in the fee assessment unless specifically identified in writing for exclusion.

Clients may participate in Sanctuary Advisors' wrap fee program sponsored by Sanctuary Advisors. The wrap fee program is an all-inclusive billing alternative. The fee paid to Sanctuary Advisors includes fees for the management, brokerage (e.g., commissions, ticket charges, etc.), custodial fees, and other related costs and expenses collectively. Sanctuary Advisors generally receives the total fee charged less the amounts paid by Sanctuary Advisors for all transaction and execution expenses. Inasmuch as Sanctuary Advisors pays to the applicable broker-dealer the transaction and execution costs associated with client accounts, this may create a disincentive for Sanctuary Advisors to trade securities in accounts. Clients participating in the program will receive a copy of Sanctuary Advisors' Wrap Fee Brochure.

### **5.A.2 SUB-ADVISERS**

When one or more Sub-Advisors are utilized, the sub-advisory fees are generally incorporated into Sanctuary Advisors advisory services fee. Sanctuary typically deducts its advisory services fee from the client account and pays the Sub-Advisors fee.

### **5.A.3 MANAGED ACCOUNT PLATFORM**

Fees for services through the Platform are generally calculated as a percentage of the total market value of all managed assets, but excluding margin debit balance (if applicable). There may, however, be additional charges such as wire transfer fees or commissions for trades not executed through Pershing. The Platform services may cost you more or less than purchasing similar services separately, assuming the services could be purchased directly from the various providers thereof. In evaluating a model portfolio program, clients should consider several factors. A client may be able to obtain some or all the services available through a particular program on an "unbundled" basis through Sanctuary Advisors or through other firms and, depending on the circumstances, the aggregate of any separately paid fees may be lower (or higher) than the fee charged in the model portfolio program. Payment of an asset-based fee may produce accounting, bookkeeping, or income tax results that differ from those resulting from the separate payment of (i) securities commissions and other execution costs on a trade-by-trade basis and (ii) advisory fees.

Revenues received by Sanctuary Advisors vary between the various model portfolio programs offered on the Platform. This presents a conflict of interest in that Sanctuary Advisors receives higher fee revenues from some programs than from others and, because IAR compensation is based, in part, on production (i.e., the amount of the net fee revenues and other revenues received by Sanctuary Advisors by client accounts) Sanctuary Advisors and IARs may have an incentive to recommend a higher-priced program when a comparable lower priced alternative is available. Sanctuary Advisors' policies require IARs to only recommend those programs and services that are in the best interest of each client.

### **5.A.4 PAYMENT**

Generally, Sanctuary Advisors requires clients to authorize the direct debit of advisory service fees from their accounts. However, certain exceptions may be granted, subject to Sanctuary Advisors' written consent, to permit clients to be billed directly for advisory service fees. The client may withdraw this authorization for direct debit of the advisory service fee at any time by notifying Sanctuary Advisors or the custodian in writing. If the cash portion of an account is insufficient to pay the advisory service fee, Sanctuary Advisors may direct the custodian to liquidate assets selected by Sanctuary Advisors to pay such fees.

The advisory service fee is paid in advance and is due and payable on the first day of each calendar month or quarter, as specified in the client's advisory agreement. The advisory service fee for the first calendar month or quarter in which an account is opened will be due and payable in the month or quarter immediately following account funding. For the calendar month or quarter in which an advisory agreement is terminated, any paid but unearned fees will be promptly refunded to the client based on the number of days that the account was managed, and any fees due to us from the client will be invoiced or deducted from the client's account prior to termination. Upon termination of a client's advisory agreement, the client will be charged all usual fees for transactions and services provided with respect to the client's account.

### **5.A.5. ADDITIONAL CLIENT FEES CHARGED**



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All fees paid for advisory services, including fees in the wrap fee program, are in addition to and separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, private placement, and other pooled investment vehicles. Such fees and expenses are described, respectively, in each exchange-traded fund and mutual fund's prospectus, or similar disclosure statement, and each private placement or pooled investment vehicle's confidential offering memoranda.

Unless the client participates in a wrap fee program, fees paid for advisory services are in addition to and separate and distinct from the fees and expenses charged by broker-dealers, custodians, and separate account managers, including, without limitation, brokerage commissions, transaction fees, account fees, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, costs associated with exchanging currencies, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. Such fees and expenses are described, respectively, in each agreement with applicable broker, custodian, or separate account manager.

The client should review all fees charged by pooled investment vehicles, brokers, custodians, separate account managers, Sanctuary Advisors and others to fully understand the total amount of fees paid by the client for investment and financial-related services.

### **5.B. FINANCIAL PLANNING SERVICES**

Sanctuary Advisors offers either hourly or fixed fee arrangements to all clients for its financial planning services. Fixed fees are computed based upon a good faith estimate of the hours required to perform services. Sanctuary Advisors attempts to maintain parity with hourly and fixed charges while allowing some flexibility in estimation, considering case complexity and client-specific circumstances. Financial planning fees are negotiated on an individual basis at the time of the engagement for such services. Factors considered in determining the fees charged generally include, without limitation, include the type of financial planning services provided such as retirement planning, legacy planning, tax planning, insurance and special needs planning.

A portion of the financial planning fees will be paid upon the commencement of the financial planning services, and the remainder will be paid as soon as the financial plan has been delivered to the client. However, some may enter into alternative billing arrangements.

Generally, Sanctuary Advisors requires clients to authorize the direct debit of financial planning fees from their accounts. However, certain exceptions may be granted, subject to Sanctuary Advisors' written consent, to permit clients to be billed directly for financial planning fees. The client may withdraw this authorization for direct debit of the financial planning fee at any time by notifying Sanctuary Advisors or the custodian in writing.

### **5.C. CONFLICTS OF INTEREST**

IAR compensation, in part, is based on the amount of fee revenue generated by the clients serviced by the IAR; therefore, a conflict of interest exists because IARs have an incentive to recommend investment products based on the compensation received, rather than on the client's needs. Sanctuary Advisors has implemented a Code of Ethics and internal policies and procedures to ensure that the interests of its clients are given priority to the interests of its IARs. See Item 11: Code of Ethics, Participation or Interests in Client Transactions and Personal Trading for details regarding the Code of Ethics and Sanctuary Advisors internal policies and procedures.

We have an incentive to advise you to invest in certain investments, such as fixed income products, alternative investments, structured notes, or sub-managed portfolios, because the manager or sponsor of those investments may share distribution fees, underwriting fees, manager fees, or a portion of their revenue with affiliates. To address any conflict of interest, Sanctuary Advisors has implemented a Code of Ethics and specific policies and procedures to ensure any transaction is in the client's best interest.

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

Sanctuary Advisors does not currently charge any performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client). Sanctuary Advisors does not participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

## **ITEM 7: TYPES OF CLIENTS**

We offer investment advisory services to the following types of clients:

- Individuals;

- Corporations and other businesses;
- Trusts;
- Estates;
- Charitable organizations;
- Pension and Profit-Sharing Plans;
- Employee Benefits Plans.

Sanctuary Wealth does not impose minimum account sizes or a minimum investment amount, however, IARs may have minimum relationship standards.

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

### **8.A. METHODS OF ANALYSIS**

Sanctuary Advisors develops a customized investment strategy for each client. In selecting investments for a client's account in accordance with the client's advisory agreement, Sanctuary Advisors may use any of the following types of analysis or a blend of these types of analysis.

#### **8.A.1. FUNDAMENTAL ANALYSIS**

The attempt to measure the intrinsic value of a security by examining economic, financial, and other qualitative and quantitative factors. Fundamental analysis looks at revenues, earnings, profit margins, return on equity, and other data to determine a company's potential for growth. It also considers the overall economy and industry conditions. Risk of fundamental analysis lies in that it does not attempt to predict or anticipate market movements.

#### **8.A.2. QUANTITATIVE ANALYSIS**

The use of mathematical and statistical modeling to obtain more accurate measurements of a company's quantifiable data, such as historical price and volume statistics, performance data, standard deviation and related risk metrics, and a security's performance relative to the overall market. Quantitative analysis runs the risk of not taking into account qualitative factors that may affect the investment. Additionally, quantitative analysis heavily relies on the accuracy of underlying data.

#### **8.A.3. TECHNICAL ANALYSIS**

The charting of price and volume data, as reported by the exchange on which the security is traded. Technical analysis focuses on price trends and sector movements to recognize undervalued or oversold securities. Technical analysis does not consider the underlying financial condition of the company, so it runs the risk that a poorly- managed or financially unstable company may appear as a suitable investment for the client.

#### **8.A.4. MUTUAL FUND, ETFs, AND/OR MANAGER EVALUATION**

The review of qualitative and quantitative information available on the mutual fund or manager to determine the appropriateness of the selection. The quantitative analysis includes consideration of performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks; analysis of risk-adjusted returns; analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector, and style analysis; fund, sub-advisor, or manager's fee structure; and portfolio manager's tenure. Sanctuary Advisors will also consider qualitative factors including investment objectives and/or management style and philosophy of a mutual fund or manager, mutual fund, or manager's consistency of investment style, and employee turnover, efficiency, and capacity. The Investment Adviser Representative will discuss relevant quantitative and qualitative factors pertaining to their recommendations with clients prior to a client's determination to retain or discharge a mutual fund or manager.

### **8.B. INVESTMENT STRATEGIES AND MATERIAL RISKS**

Sanctuary Advisors typically invests in the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange-traded funds ("ETFs")
- Fixed income securities

- Corporate debt securities, commercial paper, and certificates of deposit
- Corporate debt obligations
- Options
- Alternatives (including, without limitation, private equity, private credit, real estate, and venture capital)

However, Sanctuary Advisors does not restrict itself in the types of securities it may utilize, if appropriate for the client.

### **Inherent Risks of Investing**

All investments are subject to risks. Clients should be cognizant of the potential and inherent risks of investing in securities, including loss of capital. There is no assurance that Sanctuary Advisors will be able to attain your objectives, that any investment recommendation will be profitable, or a particular rate of return will be achieved.

### **Market Risks**

Market risk is the risk that the value of securities in a portfolio may decline due to daily fluctuations in the securities markets that are generally beyond Sanctuary Advisors' control. In a declining stock market, stock prices for all companies may decline, regardless of their long-term prospects.

### **Long-Term Purchases**

Sanctuary Advisors' investment strategy is generally long term in nature and predicated on a diversified portfolio of securities custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances. A risk in a long-term investment strategy is that by holding the security for a year or longer, the client may not take advantage of short-term gains that could be profitable. Additionally, if predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

### **Short-Term Trading**

Although Sanctuary Advisors, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. Short-term trading involves the purchase of securities with the intent of selling them within a relatively short time (typically a year or less). There is an inherent risk for clients who utilize short-term trading, in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **Management Risks**

While Sanctuary Advisors manages client investment portfolios, the value of client investment portfolios will change daily based on the performance of the underlying securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that Sanctuary Advisors allocates assets to asset classes that are adversely affected by unanticipated market movements, and the risk that Sanctuary Advisors' specific investment choices could underperform their relevant indexes. Sanctuary Advisors makes no guarantee regarding the investment performance of any client portfolio. Clients should understand that the investment performance and asset value of the client's portfolio can and will fluctuate and that the portfolio may lose money.

### **Economic Conditions**

Changes in economic conditions, including, for example, interest rates, inflation rates, employment conditions, competition, technological developments, political and diplomatic events and trends, and tax laws may adversely affect the business prospects or perceived prospects of companies. While Sanctuary Advisors performs due diligence on the companies in whose securities it invests, economic conditions are not within the control of Sanctuary Advisors and no assurances can be given that Sanctuary Advisors will anticipate adverse developments.

### **Risks of Investments in ETFs, Mutual Funds, and Other Investment Pools**

As described above, Sanctuary Advisors may invest client portfolios in ETFs, mutual funds, and other investment pools ("Funds"). Investments in Funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, Funds' success will be related to the skills of their particular managers and their performance in managing their Funds. Registered Funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940, as amended.



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### **Risks Related to ETF NAV and Market Price**

The market value of an ETF's shares may differ from its net asset value ("NAV"). This difference in price may be due to the fact that the supply and demand in the market for ETF shares at any point in time is not always identical to the supply and demand in the market for the underlying basket of securities. Accordingly, there may be times when an ETF trades at a premium (creating the risk that a portfolio pays more than NAV for an ETF when making a purchase) or discount (creating the risks that the portfolio's value is reduced for undervalued ETFs it holds and that the portfolio receives less than NAV when selling an ETF).

### **Large-Capitalization Company Risk**

Sanctuary Advisors may invest a portion of a client's portfolio in large-capitalization companies. Large-capitalization companies are generally more mature and may be unable to respond as quickly as smaller companies to new competitive challenges, such as changes in technology and consumer tastes, and also may not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion.

### **Small-Capitalization Company Risk**

Sanctuary Advisors may invest a portion of a client's portfolio in small-capitalization companies. Investing in small-capitalization companies involves greater risk than is customarily associated with larger, more established companies. Small-capitalization companies frequently have less management depth and experience, narrower market penetrations, less diverse product lines, less competitive strengths, and fewer resources than larger companies. Due to these and other factors, stocks of small-capitalization companies may be more susceptible to market downturns and other events, and their prices may be more volatile than larger capitalization companies. In addition, in many instances, the securities of small-capitalization companies typically are traded only over the counter or on a regional securities exchange, and the frequency and volume of their trading is substantially less than is typical of larger companies. Because small-capitalization companies normally have fewer shares outstanding than larger companies, it may be more difficult to buy or sell significant amounts of such shares without an unfavorable impact on prevailing prices. Therefore, the securities of small-capitalization companies may be subject to greater price fluctuations. Small-capitalization companies are typically subject to greater changes in earnings and business prospects than larger, more established companies and also may not be widely followed by investors, which can lower the demand for their stock.

### **Equity Market Risks**

Sanctuary Advisors will generally invest portions of client assets directly into equity investments, primarily stocks, or into Funds that invest in the stock market. As noted above, while Funds have diversified portfolios that may make them less risky than investments in individual securities, Funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

### **Fixed Income Risks**

Sanctuary Advisors may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in Funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through Funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity). Sanctuary Advisors may invest portions of client assets into securities that are rated below investment grade (commonly known as "high yield" or "junk bonds"). Securities which are in the lower-grade categories generally offer a higher current yield than is offered by higher-grade securities of similar maturities, but they also generally involve greater risks, such as greater credit risk, greater market risk and volatility, and greater liquidity concerns. These investments are generally considered to be speculative based on the issuer's capacity or incapacity to pay interest and repay principal.

### **Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities.

Investments in options involve risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. These risks include (i) the risk that the counterparty to a transaction may not fulfill its contractual obligations; (ii) risk of mispricing or improper valuation; and (iii) the risk that changes in the value of the option

may not correlate perfectly with the underlying asset, rate or index. Option prices are highly volatile and may fluctuate substantially during a short period of time. Such prices are influenced by numerous factors that affect the markets, including, but not limited to: changing supply and demand relationships; government programs and policies; national and international political and economic events, changes in interest rates, inflation and deflation and changes in supply and demand relationships. It is possible that certain options might be difficult to purchase or sell, possibly preventing a Manager from executing positions at an advantageous time or price, or possibly requiring them to dispose of other investments at unfavorable times or prices in order to satisfy a portfolio's other obligations. In addition, options allow investors to hedge security positions held in the portfolio.

Option strategies that Sanctuary Advisors may typically employ as part of its investment strategy include, but are not limited to:

- Covered call writing

Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

- Long call options purchases

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

- Long put options purchases

Long put option purchases allow the option holder to sell or "put" the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long-put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

### **Lack of Diversification**

Client accounts may not have a diversified portfolio of investments at any given time, and a substantial loss with respect to any particular investment in an undiversified portfolio will have a substantial negative impact on the aggregate value of the portfolio.

### **Financial Planning Risks**

Financial planning is inherently speculative, and Sanctuary Advisors makes no guarantee regarding the success or feasibility of any financial plan. The information forming the basis of any financial plan will be derived from sources that Sanctuary Advisors believes are reliable, including information provided by the client, and the accuracy of such information is not guaranteed or independently verified by Sanctuary Advisors. Certain financial planning services may include educational information regarding the effect of taxes or recommendations with respect to insurance coverage types and amounts. Clients should understand that this tax and insurance information is general in nature. Nothing recommended or outlined by Sanctuary Advisors should be used by a client as a substitute for competent legal, accounting, or tax counsel provided by the client's personal attorney, accountant, and/or tax advisor. Additionally, Sanctuary Advisors strongly recommends that each client review each area of potential and/or actual insurance coverage need with the client's insurance agent to ensure that adequate coverage exists.

### **Margin Leverage**

Although Sanctuary Advisors, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, Sanctuary Advisors will utilize leverage. The use of margin leverage entails borrowing which results in additional interest costs to the investor.

Sanctuary Advisors offers securities-based lines of credit through third parties which allow borrowers to access cash without liquidating their investment portfolios. The portfolio serves as collateral—qualified equities, bonds or funds that are already

owned. Principal can be re-paid at any time during the life of the loan—only interest is due monthly. Securities based loans may not be suitable for all loan parties (e.g., borrowers, pledgors, and guarantors) and carry a number of risks, including but not limited to the risk of a market downturn, tax implications if pledged securities are liquidated, and the potential increase in interest rates. If the value of pledged securities drops below certain levels, loan parties may be required to pay down the loan and/or pledge additional securities. The risks are described in the disclosures available through the third-party providers upon request. You should consider these risks and whether a securities-based loan is suitable before proceeding.

Sanctuary Advisors and its IARs do not give legal or tax advice. An attorney or tax advisor should be consulted for answers to specific questions. The purpose of a securities-backed line of credit must be for personal, family or household purposes and not for securities, investments or to purchase or carry margin securities, which include (1) stocks that are registered on a national securities exchange, or any over-the-counter security designated for trading in the national market system; (2) debt securities (bonds) that are convertible into margin stock; and (3) shares of most mutual funds.

### **Short Selling**

Sanctuary Advisors generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is affected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be affected at a significantly lower price. The primary risks of effecting short sales are the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

### **Information Risk**

All investment professionals rely on research in order to make conclusions about investment options and select investments. This research is generally a mix of both internal (proprietary) and external (provided by third parties) data and analyses. Particular third-party data, or outside research, is utilized, in part, because of its perceived reliability, but there is no guarantee that the data or research will be completely accurate and Sanctuary Advisors will not seek to independently verify its accuracy. Failure in data accuracy or research may cause Sanctuary Advisors to select investments that perform poorly and fail to help clients meet investment objectives and goals.

### **Cybersecurity Risk**

As technology becomes more integrated into Sanctuary Advisors' operations, Sanctuary Advisors will face greater operational risks through breaches in cybersecurity. A breach in cybersecurity refers to both intentional and unintentional events that may cause Sanctuary Advisors to lose proprietary information, suffer data corruption, or lose operational capacity. This in turn could cause Sanctuary Advisors to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Cybersecurity threats may result from unauthorized access to Sanctuary Advisors' digital information systems (e.g., through "hacking" or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users). In addition, because Sanctuary Advisors works closely with third-party service providers (e.g., administrators, transfer agents, and custodians), cybersecurity breaches at such third-party service providers may subject Sanctuary Advisors to many of the same risks associated with direct cybersecurity breaches. The same is true for cybersecurity breaches at any of the issuers in which Sanctuary Advisors may invest. While Sanctuary Advisors and their third-party service providers have established information technology and data security programs and have in place business continuity plans and other systems designed to prevent losses and mitigate cybersecurity risk, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified or that cyber-attacks may be highly sophisticated.

### **Quantitative Model Risk**

Certain strategies may rely heavily on quantitative models and the analysis of specific metrics to construct a client's portfolio. The impact of these metrics on a stock's performance can be difficult to predict, and stocks that previously possessed certain desirable quantitative characteristics may not continue to demonstrate those same characteristics in the future. In addition, relying on quantitative models entails the risk that the models themselves may be limited or incorrect, that the data on which the models rely may be incorrect or incomplete, and that Sanctuary Advisors may not be successful in selecting companies for investment or determining the weighting of particular stocks. Any of these factors could cause a client's portfolio to underperform other portfolios with similar strategies that do not select stocks based on quantitative analysis.

## **ITEM 9: DISCIPLINARY INFORMATION**

Sanctuary Advisors has no disciplinary events that it is required by SEC rules to disclose.



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Clients can refer to the investment advisor public disclosure located at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or FINRA Broker Check at [www.finra.org](http://www.finra.org).

### ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITY AND AFFILIATIONS AND OTHER CONFLICTS OF INTEREST

#### ***Sanctuary Securities and Registered Representative***

Sanctuary Securities, Inc. ("Sanctuary Securities") is a related person of Sanctuary Advisors through common control. Management persons of Sanctuary Advisors may also be management persons of Sanctuary Securities. These relationships and any compensation received by Sanctuary Advisors, Sanctuary Securities, or their parent, create a conflict of interest in the event Sanctuary Securities acts as a broker-dealer for a client of Sanctuary Advisors. To address any conflict of interest, Sanctuary Advisors has implemented a Code of Ethics and specific policies and procedures to ensure any transaction is in the client's best interest. See Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading for further details on addressing conflicts of interests in these situations. Any services provided by Sanctuary Securities are separate and distinct from Sanctuary Advisors' services and are provided pursuant to separate client agreements.

Many IARs of Sanctuary Advisors are dually registered as investment advisors representatives of Sanctuary Advisors and registered representatives of Sanctuary Securities. As such, these dually registered persons are entitled to receive brokerage commissions in their capacity as a registered representative. In order to protect client interests, Sanctuary Advisors' policy is to fully disclose all forms of compensation before any such transaction is executed.

#### ***Insurance Agents***

Certain IARs may be licensed insurance agents and may recommend or assist in the recommendation of an insurance-related product to a client. The recommendation by IARs that a client purchase an insurance-related product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions received, rather than on a particular client's need. To address any conflict of interest, Sanctuary Advisors has implemented a Code of Ethics and specific policies and procedures to ensure any transaction is in the client's best interest. The client is not under any obligation to purchase an insurance product from or through Sanctuary. Clients are reminded that they may purchase insurance products through other, non-affiliated insurance agencies and/or agents.

#### ***Other Financial Industry Affiliations***

Sanctuary Wealth, which is the sole owner of Sanctuary Advisors, is affiliated with the following entities:

- **KL SWG AIV LLC** (the "KL Fund"), a pooled investment vehicle, as a result of the KL Fund holding a convertible loan entitling the KL Fund and certain of its affiliates to certain consent and board appointment rights with respect to Sanctuary Wealth both prior to and following conversion of the loan. As a result of the KL Fund's convertible loan, Sanctuary Advisors is also affiliated with the KL Fund, as well as the following:
  - Kennedy Lewis Management LP ("KLM" and together with its affiliates, "Kennedy Lewis"), a registered investment adviser, because KLM is, or is affiliated with, the manager of the KL Fund; and
  - Generate Advisors, LLC ("Generate Advisors" and together with the KL Fund, KLM, and their affiliates, "Kennedy Lewis"), a registered investment adviser that manages collateralized loan obligation assets, because Generate Advisors is under common control with KLM.
- **Azimut US Holdings Inc.** ("AZ US Holdings"), a holding company, as a result of AZ US Holdings holding equity interests in Sanctuary Wealth that entitle AZ US Holdings to certain consent and board appointment rights with respect to Sanctuary Wealth. As a result of AZ US Holdings' equity interests in Sanctuary Wealth, Sanctuary Advisors is also affiliated with AZ US Holdings, as well as the following:
  - Azimut Group, a European investment manager, because AZ US Holdings is a subsidiary of Azimut Group;
  - Azimut Genesis Advisors, LLC ("Azimut Genesis"), a registered investment adviser, because AZ US Holdings holds a majority ownership interest in Azimut Genesis; and
  - AZG Capital LLC ("AZG Capital" and together with AZ US Holdings, Azimut Group, Azimut Genesis, and their affiliates, "Azimut"), a registered investment adviser, because AZ US Holdings holds a majority ownership interest in AZG Capital.
- **Sanctuary Insurance Solutions, LLC** provides IARs with wealth and succession plans for high-net worth clients.
- **Sanctuary Global, LLC** provides services, solutions, and resources for IARs conducting business globally.

- **Sanctuary Asset Management Solutions, LLC** is an integrated asset management solution, which provides IARs the opportunity to create scale and efficiency within their investment process.
- **Sanctuary Global Family Office, LLC** advises on family office formation, needs assessment, and assessing governance and controls of the family office

From time to time, Sanctuary Advisors or its affiliates will make certain investment products (including, without limitation, business development companies and private funds) sponsored or managed by or services provided by Kennedy Lewis or Azimut or other Sanctuary Advisors' affiliates (such products, "Affiliate Products and Services") available to Sanctuary Advisors' clients through Sanctuary Wealth's platform, and Sanctuary Advisors may recommend that its clients invest in Affiliate Products and Services. In such instances, Sanctuary Advisors will be subject to conflicts of interest because the KL Fund's and AZ US Holdings' interests in Sanctuary Wealth create an incentive for Sanctuary Wealth and its affiliates (including Sanctuary Advisors) to increase clients' investments in products that, like the Affiliate Products, and Services financially benefit Kennedy Lewis and Azimut. Sanctuary Advisors believes that these conflicts are mitigated by the fact that investment products, including Affiliate Products and Services, are generally subject to investment committee review prior to being included on Sanctuary Wealth's platform, and because Sanctuary Advisors requires that investment recommendations be in the client's best interest.

Sanctuary Advisors may provide investment advisory services to its affiliates.

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

### **11.A. CODE OF ETHICS DESCRIPTION**

In accordance with Rule 204A-1 under the Investment Advisers Act of 1940 ("Advisers Act"), Sanctuary Advisors has adopted a Code of Ethics, which includes written procedures governing the conduct of Sanctuary Advisors' IARs. The Code of Ethics' objectives are to:

- Provide standards of honest and ethical conduct;
- Promote compliance with applicable federal and state laws, rules, and regulations;
- Facilitate prompt internal reporting of violations of the Code of Ethics; and
- Deter wrongdoing.

All IARs of Sanctuary Advisors are required to sign and return an acknowledgement of the Code of Ethics, attesting that they have read and understand it. The Code of Ethics and applicable securities transactions are monitored by the Sanctuary Advisors Compliance Department.

Sanctuary Advisors will provide a copy of its Code of Ethics to any client or prospective client upon request.

### **11.B. INVESTMENT RECOMMENDATIONS INVOLVING A MATERIAL FINANCIAL INTEREST AND CONFLICTS OF INTEREST**

From time to time, Sanctuary Advisors and/or a related person may recommend to clients, or buy or sell for client accounts, securities in which it or a related person has a material financial interest. Such practices may present a conflict of interest. Sanctuary Advisors and its related persons have implemented specific policies and procedures on conducting these practices to: (i) comply with the Advisers Act; and (ii) uphold Sanctuary Advisors' fiduciary duties to its clients by prioritizing the client's interests above all others.

#### **11.B.1. PRINCIPAL TRADING**

In a principal transaction, Sanctuary Advisors or a related person purchases a security from, or sells a security to, an advisory client. Because Sanctuary Advisors' interests will conflict with the clients in such a transaction, Sanctuary Advisors shall engage in a principal trade only if:

- 1) The client authorizes the transaction and provides consent prior to completing the transaction;
- 2) The transaction is in the best interest of the client; and
- 3) The nature and terms of the transaction are disclosed to the client, including: (i) Sanctuary Advisors' original purchase price for the security it proposes to sell to the client; (ii) the price Sanctuary Advisors expects to receive on resale for securities it purchases from clients; and (iii) the price at which the security could be bought or sold elsewhere, in the event the client would have received a better price.

#### **11.B.2. PROPRIETARY TRADING**

Sanctuary Advisors may recommend securities to advisory clients in which it has some proprietary or ownership interest. When executing securities trades in proprietary firm accounts, Sanctuary Advisors will make sure that such trading activity is:

- Not favoring proprietary accounts over client accounts when allocating investment opportunities;
- Not conducted in advance of client transactions in similar securities;
- Not in opposition to recommendations made for client securities transactions;
- Not based upon inside information or research analyst report prepared by Sanctuary Advisors;
- Not otherwise in violation of applicable laws or fiduciary duties owed to clients.

### **11.B.3. AGENCY CROSS TRADING**

An agency cross trade is a securities transaction between clients, where one client buys from, or sells securities to, another client. Agency cross trading presents a conflict of interest because the advisor/broker-dealer is obligated to act in the best interest of two clients with conflicting interests. Sanctuary Advisors will only engage in an agency cross trade if such trade is in the best interest of the participating clients, and neither is disadvantaged by such trade. Additionally, in the event Sanctuary Advisors executes a cross trade, Sanctuary Advisors will also do so in compliance with Rule 206(3)-2 of the Advisers Act.

### **11.C. ADVISORY FIRM PURCHASE OF SAME SECURITIES RECOMMENDED TO CLIENTS AND CONFLICTS OF INTEREST**

From time to time, Sanctuary Advisors and its IARs may purchase the same securities that it recommends to clients. This may raise potential conflicts of interest when an IAR trades in a security that is owned by a client or considered for purchase or sale by a client. Such conflict generally refers to the practice of front-running (trading ahead of the client), which the firm specifically prohibits.

It is the policy of Sanctuary Advisors that no IAR may purchase or sell any security prior to a transaction being implemented for a client account, thereby preventing such IAR from benefiting from transactions placed on behalf of clients. Sanctuary Advisors has adopted specific policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- Require IARs and employees to act in the client's best interest;
- Prohibit front-running; and
- Provide for the review of transactions to discover and correct any trades that result in a Wealth Advisor or employee benefitting at the expense of a client.

However, IARs may purchase or sell, directly or indirectly, a security for his or her own account at the time that the same security or related security is being purchased or sold by a client. All transactions of IARs are compared to their client transactions daily. IARs will receive the same price for purchases or sales of securities as clients when an average price account is used. If there are different prices for execution, the IAR will receive the worst fill price that their clients received on the same day.

No IAR shall recommend any transaction in any securities by a client without having disclosed his or her interest, if any, in such securities or the issuer thereof, including:

- The IARs beneficial ownership of any securities of such issuer;
- Any contemplated transaction by the IAR in such securities;
- Any position the IAR has with such issuer; and
- Any present or proposed business relationship between such issuer and the IAR.

The Code of Ethics also addresses personal trading by IARs and is designed to ensure that the personal securities transactions, activities, and interests of IARs will not interfere with making decisions in the best interest of clients and implementing such decisions.

### **11.D. CLIENT SECURITIES RECOMMENDATIONS OR TRADES AND CONCURRENT ADVISORY FIRM SECURITIES TRANSACTIONS AND CONFLICTS OF INTEREST**

Sanctuary Advisors, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may affect securities transactions for their own accounts that differ from those recommended or effected for other Sanctuary Advisors clients. Sanctuary Advisors will make a reasonable attempt to trade securities in client accounts at or

prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (Please refer to Item 12.B. Aggregating Securities Transactions for Client Accounts). It is the policy of Sanctuary Advisors to place the clients' interests above those of the firm and its employees.

## ITEM 12: BROKERAGE PRACTICES

### 12.A. FACTORS USED TO SELECT BROKER-DEALERS FOR CLIENT TRANSACTIONS

Sanctuary Advisors will endeavor to seek best execution when placing trades for clients. In attempting to achieve best execution, the lowest commission is not determinative; instead, Sanctuary Advisors will seek the best overall qualitative execution. Sanctuary Advisors' review of a broker-dealer will include, one or more of the following: (i) financial stability of the broker-dealer; (ii) size and types of transactions the broker-dealer is capable of handling; (iii) ability to process challenging trades; (iv) research capabilities; (v) execution capability; (vi) ability to provide services in addition to execution services that enhance Sanctuary Advisors' portfolio management capabilities; (vii) commission rates; and (viii) responsiveness.

Sanctuary Advisors maintains an Approved List of Broker-Dealers. An IAR may execute a client trade with a particular broker-dealer only if that broker-dealer appears on the Approved List of Broker-Dealers.

Sanctuary Advisors uses the following steps to establish and update from time to time the Approved List of Broker-Dealers:

- Sanctuary Advisors will meet to evaluate the broker-dealers' trading techniques and strategies and the performance of the broker-dealers.
- Sanctuary Advisors will, at a minimum, consider input from portfolio managers, traders, and others; acceptable commission ranges for trades; information about the commissions paid over the previous quarters, including whether deviation from the pre-established acceptable range exists and the circumstances surrounding such deviation; and statistical and other information from consultants and vendors on the execution capabilities of broker-dealers.
- The Approved List of Broker-Dealers will be modified to reflect the conclusions reached.

Clients should recognize that broker-dealers have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers.

Sanctuary Advisors generally requires that clients select and establish one or more brokerage accounts with Sanctuary Securities, Fidelity, Schwab, TD Ameritrade, Pershing, or another broker-dealer on the Approved List of Broker-Dealers (each, a "Broker"). Sanctuary Advisors will effect trades for client accounts at one of the Brokers. The client will negotiate the terms and arrangement for their account with the Broker. Sanctuary Advisors is independently owned and operated and is not affiliated with any Broker except Sanctuary Securities.

When trades in client accounts are executed by a Sub-Advisor, the best execution policies of the Sub-Advisor will apply. Clients will be provided each Sub-Advisors' Form ADV Part 2A Brochure, which contains important information regarding policies and procedures regarding best execution, upon request.

Sanctuary Advisors may participate in institutional customer programs sponsored by the Brokers. Sanctuary Advisors may recommend these Brokers to clients for custody and brokerage services. There is no direct link between Sanctuary Advisors' participation in such programs and the investment advice it gives to its clients, although Sanctuary Advisors receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations,
- Research-related products and tools,
- Consulting services,
- Access to a trading desk serving Sanctuary Advisors' participants,
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts),
- The ability to have advisory fees deducted directly from client accounts,
- Access to an electronic communications network for client order entry and account information,



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- Access to mutual funds with no transaction fees and to certain institutional money managers, and/or
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to Sanctuary Advisors by third-party vendors.

The Brokers may also pay for business consulting and professional services received by Sanctuary Advisors' related persons and may pay or reimburse expenses (including transition support, travel, lodging, meals, and entertainment expenses for Sanctuary Advisors' personnel to attend conferences). Some of the products and services made available by such Broker through its institutional customer programs may benefit Sanctuary Advisors but may not benefit its client accounts or client accounts not held at the applicable Broker. These products or services may assist Sanctuary Advisors in managing and administering client accounts, including accounts not maintained at the Broker as applicable. Other services made available through the programs are intended to help Sanctuary Advisors manage and further develop its business enterprise. Finally, participation in a Broker's program provides Sanctuary Advisors with access to mutual funds which normally require significantly higher minimum initial investments or are normally available only to institutional investors.

### **Charles Schwab & Company**

For clients accounts maintained at Charles Schwab & Co., Inc. ("Schwab"), Schwab generally does not charge separately for custody services but is compensated by charging clients commissions or other fees on trades that it executes or that settle into the client's Schwab account. Certain trades (for example, mutual funds and ETFs) do not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in the client's account in Schwab's Cash Features Program. This commitment benefits clients because the overall commission rates and asset-based fees clients pay are lower than they would be otherwise. In addition to commissions and asset-based fees, Schwab charges clients a flat dollar amount as a "prime broker" or "trade away" fee for each trade that Sanctuary Advisors executes by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's Schwab account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer.

Schwab provides Sanctuary Advisors with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. 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 the advisor's clients' assets are maintained in accounts at Schwab. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, 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.

For Sanctuary Advisors' client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into accounts maintained at Schwab.

Schwab also makes available to Sanctuary Advisors other products and services that benefit Sanctuary Advisors but may not benefit its clients' accounts. These benefits may include national, regional or Sanctuary Advisors specific educational events organized and/or sponsored by Schwab. Other potential benefits may include occasional business entertainment of personnel of Sanctuary Advisors by Schwab personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist Sanctuary Advisors in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of Sanctuary Advisors fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of Sanctuary Advisors' accounts, including accounts not maintained at Schwab. Schwab also makes available to Sanctuary Advisors other services intended to help Sanctuary Advisors manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance, and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to Sanctuary Advisors by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Sanctuary Advisors. While, as a fiduciary, Sanctuary Advisors endeavors to act in its clients' best interest, Sanctuary Advisors' recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Sanctuary Advisors of the availability of some of the foregoing products and services and other arrangements and



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not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **TD Ameritrade**

Sanctuary Advisors participates in TD Ameritrade's institutional customer program and Sanctuary Advisors may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between Sanctuary Advisors' participation in the program and the investment advice it gives to clients, although Sanctuary Advisors receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Sanctuary Advisors participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Sanctuary Advisors may recommend that clients establish brokerage accounts with TD Ameritrade. Sanctuary Advisors also receives certain additional economic benefits ("Additional Benefits") that may or may not be offered to any other independent advisors participating in that program. The Additional Services include payment for services provided by vendors for transition management, marketing, technology, and trading. The payment of these services has economic value to Sanctuary Advisors. TD Ameritrade provides the Additional Services to Sanctuary Advisors in its sole discretion and at its own expense, and Sanctuary Advisors does not pay a fee to TD Ameritrade for the Additional Services. Sanctuary Advisors and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

Sanctuary Advisors' receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to Sanctuary Advisors, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with Sanctuary Advisors, in its sole discretion, provided certain conditions are met. Consequently, to continue to obtain Additional Services from TD Ameritrade, Sanctuary Advisors may have an incentive to recommend to its clients that the assets under management by Sanctuary Advisors be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. Sanctuary Advisors' receipt of Additional Services does not diminish its duty to act in the best interest of its clients, including to seek best execution of trades for client accounts.

As part of its fiduciary duties to clients, Sanctuary Advisors endeavors to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Sanctuary Advisors or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Sanctuary Advisors' recommendation of broker-dealers for custody and brokerage services.

### **Fidelity**

Sanctuary Advisors has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides Sanctuary Advisors with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like Sanctuary Advisors in conducting business and in serving the best interest of their clients, but that may also benefit Sanctuary Advisors.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions. The commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

As part of the arrangement, Fidelity makes available to Sanctuary Advisors, at no additional charge to Sanctuary Advisors, certain research, and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by Sanctuary Advisors (within specified parameters). These research and brokerage services presently include services such as reimbursing Sanctuary Advisors for expenses related to IARs and their respective clients to the Fidelity platform for custodial and other services including managing accounts for which Sanctuary Advisors has investment discretion. Without this arrangement, Sanctuary Advisors might be compelled to purchase the same or similar services at its own expense.

As a result of receiving such services for no additional cost, Sanctuary Advisors may have an incentive to continue to use or expand the use of Fidelity's services. Sanctuary Advisors examined this potential conflict of interest when it chose to enter the relationship with Fidelity and has determined that the relationship is in the best interest of Sanctuary Advisors' clients and satisfies its client obligations, including its duty to seek best execution. A client may pay a commission that is higher than

another qualified broker-dealer might charge to effect the same transaction where the Sanctuary Advisors determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. Accordingly, although Sanctuary Advisors will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by Sanctuary Advisors will generally be used to service all of Sanctuary Advisors' clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. Sanctuary Advisors and Fidelity are not affiliates, and no broker-dealer affiliated with Sanctuary Advisors is involved in the relationship between Sanctuary Advisors and Fidelity.

#### **12.A.1. SOFT DOLLAR BENEFITS**

Sanctuary Advisors does not currently have soft dollar arrangements; however, Sanctuary Advisors may enter into soft dollar arrangement. Any such soft dollar arrangement will be pursuant to the safe harbor of Section 28(e) of the Securities Exchange Act of 1934. The term "soft dollars" refers to the receipt by an investment adviser of products and services provided by brokers, without any cash payment by the investment adviser, based on the volume of revenues generated from brokerage commissions for transactions executed for clients of the investment adviser. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment).

Certain trades through certain broker dealers result in Sanctuary Advisors receiving research and/or brokerage services, including through soft dollar arrangements, and Sanctuary Advisors therefore receives a benefit, because it does not have to produce or pay for the research or services. As such, Sanctuary Advisors at times has an incentive to conduct soft dollar trades based on Sanctuary Advisors' interest in receiving the research or other services, rather than on clients' interest in receiving the lowest commission. In light of Sanctuary Advisors' fiduciary obligations to all clients, Sanctuary Advisors may use research or soft dollar benefits to service accounts that do not necessarily pay for the benefits. Sanctuary Advisors does not seek to allocate research or soft dollar benefits to client accounts proportionately to the amount of brokerage transactions soft dollar credits the accounts generate.

#### **12.A.2. BROKERAGE FOR CLIENT REFERRALS**

In selecting or recommending broker-dealers, Sanctuary Advisors does not consider whether Sanctuary Advisors or a related person receives client referrals from a broker-dealer or third party.

#### **12.A.3. DIRECTED BROKERAGE**

Sanctuary Advisors generally does not allow directed brokerage discretion from any client. In directed brokerage arrangements, the client is responsible for negotiating the commission rates and other fees to be paid to the broker. Accordingly, a client who directs brokerage should consider whether such designation may result in certain costs or disadvantages to the client, either because the client may pay higher commissions or obtain less favorable execution, or the designation limits the investment options available to the client.

When trades in client accounts are executed by a Sub-Advisor, the directed brokerage policies of the Sub-Advisor will apply. Clients will be provided each Sub-Advisor's Form ADV Part 2A Brochure, which contains important information regarding the Sub-Advisor's policies and procedures regarding directed brokerage.

#### **12.B. AGGREGATING SECURITIES TRANSACTIONS FOR CLIENT ACCOUNTS**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) to reduce transaction costs, subject to the aggregation being: (i) in the best interest of each client participating in the order; (ii) consistent with Sanctuary Advisors' duty to obtain best execution; and (iii) consistent with the terms of the advisory agreement of each participating client. Prior to aggregating a client's trades with those of other clients, Sanctuary Advisors will obtain consent from the client, either in the advisory agreement or a separate agreement. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed, and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, trades may be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interest of other accounts, then the trade will only be performed for that account. This is true even if Sanctuary Advisors believes that a larger size block trade would lead to best overall price for the security being transacted.

**ITEM 13: REVIEW OF ACCOUNTS**

IARs will monitor your accounts on an ongoing basis and will conduct account reviews with you on an annual basis or upon client request, to ensure the advisory services provided to you are consistent with your investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or
- changes in your risk/return objectives.

**ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION****14.A. SOLICITATION ARRANGEMENTS**

Sanctuary Advisors pays referral fees to independent persons or firms ("Solicitors") for introducing clients to Sanctuary Advisors. All such arrangements are consistent with the rules under the Advisers Act, including, without limitation, documenting such arrangement in a written agreements and providing certain disclosures to referral prospects.

**14.B. CLIENT REFERRALS AND OTHER CUSTODIAL COMPENSATION**

As noted above, Sanctuary Advisors receives an economic benefits from Brokers in the form of support products and services Brokers make available to Sanctuary Advisors. Please see Item 12 - Brokerage Practices for more information.

Sanctuary Advisors receives payments from certain private fund managers in connection services Sanctuary Advisors provides to clients that invest in the private fund. Under these arrangements, a portion of the management fee collected by the private fund is redirected to Sanctuary Advisors for services including, without limitation, the following: (i) initial due diligence and evaluation of the private fund; (ii) monitoring of the private fund investment on behalf of clients; and (iii) acting as a liaison between the private fund and the Sanctuary Advisors' clients. Such arrangements present a conflict of interest because Sanctuary Advisors has an incentive to recommend that clients investment in private funds with such arrangement. To mitigate these conflicts, prior to or at the time of investment, Sanctuary Advisors will disclose the nature of its relationship with the private fund manager, disclose Sanctuary Advisors will receive a portion of the fee collected by the private fund manager, and obtain the client's consent to the arrangement; provided, however, that clients may invest in any such private fund without directly or through other firms and, depending on the circumstances the aggregate fees may be lower (or higher) than the fees paid by Sanctuary Advisor clients. Private fund investments are typically not included in calculating a client's advisory services fee and Sanctuary Advisors has implemented a Code of Ethics and specific policies and procedures to ensure investment recommendations are in the client's best interest.

**14.C. EVENT SPONSORSHIP**

Periodically Sanctuary holds advisor meetings or industry conferences which may be firm-only or include external attendees. These meetings provide sponsorship opportunities for vendors and other third-party providers. Sponsorship fees allow these companies access to Sanctuary Advisors' IARs and employees to discuss ideas, products, or services. The sponsorship fees also supplement the payment of the meeting or future meetings. This presents a potential conflict of interest, as Sanctuary Advisors may refer business to a certain vendor following their attendance and sponsorship. To mitigate the potential conflict of interest, sponsorship fees are not dependent on assets placed with any specific provider, or the revenue generated by asset placement.

**ITEM 15: CUSTODY**

Pursuant to Rule 206(4)-2, we are deemed to have custody of client account's funds and securities because: (i) we may debit fees directly from the accounts of such clients; and (ii) certain clients have executed a letter or instruction or similar asset transfer authorization arrangement with a qualified custodian whereby we are authorized to withdraw client funds or securities maintained with a qualified custodian upon our instruction to the qualified custodian (each, an "SLOA").

All client assets will be held by a qualified custodian. Clients have access to their portfolio holdings and activity through their custodian's platform, which generally permit clients to log into their custodial account via secure login and password. In addition, qualified custodians will send, or make available, on a quarterly basis or more frequently, account statements directly to each client. We urge clients to carefully review these account statements from their qualified custodians and



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## Form ADV Firm Brochure

compare the information therein with any financial statements or information received or made available to clients through Sanctuary Advisors or any other outside vendor. Clients should contact Sanctuary Advisors and/or their custodian if there are any discrepancies regarding the reports/statements.

Qualified custodians will also provide clients with confirmations of trading activity and tax forms.

### **ITEM 16: INVESTMENT DISCRETION**

As described in Item 4 - Advisory Business, Sanctuary Advisors will accept clients on either a discretionary or non-discretionary basis. If required by the custodian, the client will execute a limited power of attorney ("LPOA") which allows Sanctuary Advisors to carry out trade recommendations and approved actions in, and give instructions to the custodian related to, the client's account.

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

### **ITEM 17: VOTING CLIENT SECURITIES**

#### **AUTHORITY TO VOTE**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, Sanctuary Advisors has adopted and implemented written policies and procedures governing the voting of client securities. Clients may elect to have Sanctuary Advisors vote proxies on their behalf or they may keep authority to vote their proxies.

Where Sanctuary Advisors votes proxies, Sanctuary Advisors seeks to vote in the best interest of the client. Sanctuary Advisors supplements its evaluation of client proxies with guidance from an independent corporate governance consulting firm.

There may be instances where issues or conflicts exist that prevent Sanctuary Advisors from voting client proxies. In cases where Sanctuary Advisors is aware of a proxy voting conflict between the interests of a client and the interests of Sanctuary Advisors or an affiliated person of Sanctuary Advisors, Sanctuary Advisors will either abstain from voting or vote the applicable shares in a way that seeks to mitigate such conflicts.

A copy of Sanctuary Advisors' proxy voting policies and procedures, as well as specific information about how Sanctuary Advisors has voted in the past for your account, is available upon request. Upon written request, clients can also take responsibility for voting their own proxies or can give Sanctuary Advisors instructions about how to vote their respective shares.

### **ITEM 18: FINANCIAL INFORMATION**

Sanctuary Advisors has not been the subject of a bankruptcy petition. Sanctuary Advisors does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and currently does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients, and therefore has no disclosure with respect to this item.