

Part 2A of Form ADV: *Firm Brochure*



**Affinity Wealth Management, Inc.<sup>®</sup>**

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**03/15/2017**

This brochure provides information about the qualifications and business practices of Affinity Wealth Management, Inc. If you have any questions about the contents of this brochure, please contact us at 302-254-6105 or [valexitch@affinitywealth.com](mailto:valexitch@affinitywealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Affinity Wealth Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 105840.

## Item 2 Material Changes

This Firm Brochure, dated **03/15/2017**, provides you with a summary of Affinity Wealth Management, Inc.'s advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform of the revision(s) based on the nature of the information as follows.

1. Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of **12/31**. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item. For those clients that currently use our portal system, a copy of our Annual update will be automatically sent to your portal.
2. Material Changes: Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

The following summarizes new or revised disclosures based on information previously provided in our Firm Brochure:

There are no changes of a material nature to note at this time.

### **Revised disclosures previously provided as part of material changes to our Firm**

*As of 2/1/2016, James E. Hall, Jr. took over as President for Affinity Wealth Management, Inc., Stephen Gibson took over as the Vice-President. Donald J. Kalil will continue to be the Chairman of the Board of Affinity Wealth Management, Inc.*

*As of 01/1/2015, Victoria Alexitch is now a 1% shareholder of Affinity Wealth Management. The shareholders of Affinity are as follows: Donald J. Kalil (54.5%), James E. Hall, Jr. (39.5%), Brendan J. McPoyle (5%) and Victoria Alexitch (1%).*

*As of 10/1/2014 the following changes were made to Affinity Wealth's proprietary investment models: The Ultra Conservative Portfolio will become the Conservative Portfolio and the Conservative Portfolio will become the Moderate Conservative Portfolio.*

*As it pertains to Other Financial Industry Activities and Affiliations Affinity Wealth Management, Inc. has Investment Advisory Representatives that are separately licensed as registered representatives of a broker dealer. As of September 2013, these registered representatives voluntarily terminated their registration with the Broker Dealer Centaurus Financial, Inc. As of 10/1/2013, the aforementioned representatives are now registered with the Broker Dealer Coastal Equities, Inc. Affinity Wealth Management, Inc. and Coastal Equities, Inc. are not affiliated.*

*As of 10/1/2012, Brendan J. McPoyle is now a 5% shareholder of Affinity Wealth Management. The shareholders of AWM are as follows: Donald J. Kalil (55%), James E. Hall, Jr. (40%) and Brendan J. McPoyle (5%).*

*As of July 1, 2011, James Kalil, Chairman of the Board is no longer an owner of Affinity Wealth Management, Inc.. Furthermore, James E. Hall, Jr., Vice-President is now an owner of 40% of Affinity Wealth Management, Inc., with the remaining 60% being owned by Donald J. Kalil.*

**A copy of Affinity Wealth's current brochure is available on our website at [www.affinitywealth.com](http://www.affinitywealth.com), or you may request a copy by contacting Affinity Wealth at 302-652-6767 or emailing your request to [valexitch@affinitywealth.com](mailto:valexitch@affinitywealth.com).**

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## Item 4 Advisory Business

### **Description of Firm**

Affinity Wealth Management, Inc. is a SEC-registered investment adviser with its place of business located in Wilmington, Delaware. Affinity Wealth Management is an independently owned Financial Planning firm that has been helping successful individuals, their families and businesses achieve their financial goals for over 40 years. Founded in 1974 as a value-style money manager, the company has evolved into a significant regional Wealth Management firm.

Our mission is to provide our clients with the highest quality wealth management solutions that will facilitate in achieving their long term life goals. Our Vision is for our clients to have a safe, secure future for not only themselves but their loved ones.

Affinity Wealth Management's current owners are Donald J. Kalil, Chairman of the Board (54.5%), James E. Hall, Jr, President (39.5%), Brendan J. McPoyle, Secretary (5%) and Victoria Alexitch, Treasurer (1%).

### **Advisory Services**

Affinity Wealth Management, Inc. offers the following advisory services to our clients:

#### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States governmental securities

- Non-traded Partnerships
- Non-traded preferred securities
- Hedge funds
- REITS (traded and non-traded)

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

## **INVESTMENT SUPERVISORY SERVICES ("ISS") MODEL PORTFOLIO MANAGEMENT**

Our firm provides portfolio management services to clients using model asset allocation portfolios. Each model portfolio is designed to meet a particular investment goal. For many accounts, Affinity employs risk based investment models. For large accounts, complex client goals and certain qualified investors, the firm may offer highly customized portfolios including less liquid investments and alternatives. The following is a description of each of the models used:

### **AGGRESSIVE PORTFOLIO MODEL**

**The Aggressive Portfolio offers the return potential of equities.** This portfolio is designed for investors who are not risk averse and are comfortable with 100% exposure to equities. The Aggressive Portfolio seeks to produce a return that exceeds the return of The S&P 500 index through capital appreciation. The positions are rebalanced on a quarterly basis or more frequently as needed, based upon past market performance, risk, and investment opportunities. This strategy is designed to take advantage of the growth potential of stock exposure.

### **MODERATE PORTFOLIO MODEL**

**The Moderate Portfolio offers the return potential of equities with the added stability of bonds.** This portfolio is designed for investors who are comfortable with increased exposure to equities and want to maintain some exposure to fixed income. The Moderate Portfolio seeks to produce a return that falls in between the return of The S&P 500 index and The Lehman Aggregate Bond Index. Utilizing a mixture of 80% equities and 20% fixed income; balancing the relative positions based upon past market performance, risk, and investment opportunities. This strategy is designed to combine the growth potential of stock exposure with the added stability of bonds.

### **GROWTH & INCOME PORTFOLIO MODEL**

**The Growth & Income Portfolio offers the return potential of equities with the added stability of bonds.** This portfolio is designed for investors who seek long-term capital appreciation with some exposure to fixed income. The Growth & Income Portfolio strives to produce a return that falls in between the return of The S&P 500 index and The Lehman Aggregate Bond Index. It utilizes a mix of 70% equities and 30% fixed income; balancing the relative positions based upon past market performance, risk, and investment opportunities. This strategy is designed to combine the growth potential of stock exposure with the added stability of bonds.

### **BALANCED PORTFOLIO MODEL**

**The Balanced Portfolio offers the stability of bonds with the return potential of equities.** This portfolio is designed to provide investors with the benefit of capital appreciation while limiting their exposure to market volatility. The Balanced Portfolio seeks to produce a return that falls in between the return of The Lehman Aggregate Bond Index and the S&P 500 index. It utilizes a mix of 60% equities and 40% fixed income; balancing the relative positions based upon past market performance, risk, and investment opportunities. This strategy is designed to combine the strength and stability of bonds with the growth potential of stock exposure.

## **MODERATE CONSERVATIVE PORTFOLIO MODEL**

**The Moderate Conservative Portfolio offers the stability of bonds with the added return potential of equities.** This portfolio is designed for those investors who desire some exposure to the stock market with the stability of fixed income investments. The Moderate Conservative Portfolio seeks to produce a return that falls in between the return of The Lehman Aggregate Bond Index and The S&P 500 index. It utilizes a mix of 50% equities and 50% fixed income; balancing the relative positions based upon past market performance, risk, and investment opportunities. This strategy is designed to offer the stability of bonds with the added growth potential of stock exposure.

## **CONSERVATIVE PORTFOLIO MODEL**

**The Conservative Portfolio offers the stability of bonds with the added return potential of equities.** This portfolio is designed for those investors who want minimal exposure to stock market risk while maintaining a stable income. The Conservative Portfolio seeks to produce a return that falls in between the return of The Lehman Aggregate Bond Index and The S&P 500 index. It utilizes a mix of 70% fixed income and 30% equities; balancing the relative positions based upon past market performance, risk, and investment opportunities. This strategy is designed to offer the stability of bonds while allowing minimal exposure to the volatility and growth potential of stocks.

## **Financial Planning**

We provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, and liability.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

We gather required information through in-depth personal interviews. Information gathered includes the

client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney and accountant should they have any questions. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

## **Wrap Fee Programs**

In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Affinity Wealth Management does not provide a wrap fee program.

## **Publication of Periodicals**

Affinity Wealth Management, Inc. publishes a monthly and quarterly newsletter providing general information on various financial topics including, but not limited to, estate and retirement planning, market trends, etc. No specific investment recommendations are provided in this newsletter and the information provided does not claim to meet the objectives or needs of any individual. This newsletter is distributed free of charge to our advisory clients.

## **Amount of Managed Assets**

As of 12/31/2016 we were actively managing \$328,060,940 of clients' assets on a discretionary basis plus \$2,038,250 of clients' assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT FEES**

The annualized fee for Investment Supervisory Services/Model Portfolio Services are charged as a percentage of assets under management, according to the following schedule:

#### **ANNUAL MANAGEMENT FEE SCHEDULE**

##### **PORTFOLIO MODEL MANAGEMENT**

##### **Discretionary accounts**

**Up to - \$300,000  
1.25%**

**\$300,000 - \$500,000  
1.15%**

**Greater than \$500,000  
1.00%**

##### **Non-discretionary accounts**

**Under \$5,000,000  
.5%**



**Limited Negotiability of Advisory Fees:** Although Affinity Wealth Management, Inc. has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

## **FINANCIAL PLANNING FEES**

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

Our Financial Planning fees are calculated and charged on a fixed fee basis, typically ranging from **\$500** to **\$3,500**, depending on the specific arrangement reached with the client.

We may request a deposit upon completion of our initial fact-finding session with the client; however, advance payment will never exceed \$500 for work that will not be completed within six months. The balance is due upon completion of the plan.

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

The client is billed 50% upon signing agreement with the balance due upon completion of the plan.

Management personnel and other related persons of our firm are licensed as registered representatives of a Broker-dealer and/or licensed as insurance agents or brokers. In their separate capacity(ies), these individuals are able to implement investment recommendations for advisory clients for separate and typical compensation (i.e., commissions, 12b-1 fees or other sales-related forms of compensation). This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

## **GENERAL INFORMATION**

**Termination of the Advisory Relationship:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded.

**Mutual Fund Fees:** Affinity endeavors to identify suitable lower cost mutual funds and

ETFs that are below industry average expense levels. All fees paid to Affinity Wealth Management, Inc. for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. For nearly all mutual fund and ETF investments, Affinity employs institutional or "load-waived" classes of shares that do not charge upfront commissions or subject the client to deferred sales charges. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Additional Fees and Expenses.** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**Grandfathering of Advisor Fees.** Pre-existing advisory clients are subject to Affinity Wealth Management, Inc.'s advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's advisory fees will differ among clients.

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

**Limited Prepayment of Fees.** Under no circumstances do we require or solicit payment of fees in excess of \$500 more than six months in advance of services rendered.

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

Affinity Wealth Management, Inc. does not charge performance-based fees.

## **Item 7 Types of Clients**

Affinity Wealth Management, Inc. offers advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations- foundations and endowments
- Corporations or other businesses not listed above
- State or municipal government entities

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

### **METHODS OF ANALYSIS**

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

**Fundamental Stock Analysis.** Affinity measures the value added of an ETF or Mutual Fund by

looking at performance in the context of economic, market and asset class conditions. We compare the performance history and specific management actions to peers to determine the effectiveness and value of active management. In addition to evaluating performance versus an index, we examine the return versus the risk levels employed by the management team. We prefer experienced management teams and funds that have been through an economic cycle. Affinity evaluates fund trading strategies including turnover rates, concentration and tax efficiency. Consideration is given to “style drift” or other deviations from standard investment patterns for the asset class or fund objective. Emphasis is given to “down market capture” though this may vary for certain investments with low correlations to other Affinity portfolio holdings. Affinity Wealth Management gathers and utilizes outside stock research from TD Ameritrade and Schwab, major mutual fund research units, multiple specialty research firms in technical areas like pharmaceuticals and technology, and we invest in a host of tools such as Morningstar Advisor Workstation that allow us to evaluate portfolio construction, securities overlaps and correlations of asset class holdings. We have made a significant investment in Zack’s Research databases that allow us to track nearly all significant analysts’ reports, sentiment changes and revisions. Affinity Wealth Management has also made a substantial multi-year investment in proprietary tools employing the Zack’s database. The firm daily systematically ranks and compares more than 4000 stocks daily. Securities are analyzed at the individual stock level, at a sector level and at an industry level. In 2016 the firm also entered into an agreement to obtain market research employing price momentum technical signals from Dynamic portfolio Solutions. Today, Affinity employs earnings momentum, price momentum, valuation scoring, price to growth, dividend growth and fundamental information in combination to select individual stocks. That in turn also influences our allocation to stock market sectors and industries through ETFs and Mutual Funds.

***Bond and Income Analysis.*** A majority of Affinity clients hold bonds or other income vehicles in their portfolios. This is due to the historic portfolio risk dampening impact of bonds versus stocks when both are held together. Fixed income plays a significant role in Affinity’s emphasis on capital preservation in declining markets. Affinity receives significant fixed income research from TD Ameritrade, Schwab, Morningstar, and various specialty firms. In some cases, Affinity works closely with some of the largest firms in the fixed income marketplace including recognized regional firms like Piper Jaffrey or BB&T that develop highly customized portfolio solutions and trading access in both corporate and municipal bonds. Affinity employs ETFs and in some cases mutual funds for some bond or income investments. This provides a higher level of diversification than a typical portfolio of individual bonds. Our use of regional advisory specialist firms in income investing provides our clients with the benefits of sophisticated fixed income research. Funds and ETFs can provide access to bonds with limited availability. Funds may also provide access to bank loans and unrated securities which may offer particular advantages over publicly available individual securities. Affinity Wealth Management will employ funds or ETFs when these advantages outweigh the expense levels of the fund or ETF. In many cases low correlations of bonds with other holdings provide very attractive portfolio risk reduction. Affinity can also employ preferred stocks or convertibles which may perform more like bonds than stocks while providing higher yields than other fixed income instruments.

Affinity carefully evaluates the risks in fixed income investing. In particular, bond pricing is derived from less liquid sources and do not have high volume exchanges. It is essential to understand how liquidity and price levels are impacted by changing market conditions. Bonds are often used to lower volatility and therefore Affinity Wealth Management often positions with short durations to reduce interest rate risks. In certain market conditions, the higher income from corporate bonds boosts investor returns. However, Affinity often prefers to overweight bonds, ETFs and bond funds with ratings that are above or nearly above investment grade. Credit risk and the possibility of default is a consistent consideration. Affinity benefits from its sector analysis in stock analysis. That analysis often provides early warnings regarding

bond credit risk of defaults. Affinity also considers positive opportunities for bond credit upgrades which can boost returns. Portfolios often include global holdings to target lower risks or to provide greater returns. Most portfolios will hold significant amounts of U.S. government bonds or government backed bonds because they have historically represented a “safe haven” during many negative global macro events.

For larger accounts and clients with a preference for individual bonds, Affinity builds customized income portfolios. This approach may be partial with holdings of funds, ETFs and individual bonds as well as specialized alternatives like REITS or Convertible Securities. This capability allows Affinity to engineer custom solutions or diversification strategies that match the individual needs of clients. A common strategy in volatile markets is to build a “buy and hold” ladder strategy that assures the bonds will be redeemed at par after they mature beyond an expected market decline. This avoids short term interest rate concerns since the bonds are held to maturity. Fixed income investments are often incorporated efficiently into retirement plans and tax planning strategies by placing income instruments in tax deferred accounts or through the use of municipal bonds.

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

***Alternatives and Non-traded Investments.*** Clients with higher levels of wealth may qualify for investments not available to the general investing public. These alternative investments and non-traded investments may require higher minimum investments and generally offer restricted liquidity compared to publicly traded investments. State level regulations limit such investments to suitable investors and apply limits on the levels of such investing. While such investments require considerable due diligence and may not be appropriate investments for all investors, Affinity has achieved success through selective use of these opportunities. While many advisors charge significant upfront commissions to provide such investments and there are certain internal fees charged by the provider, Affinity employs newer “RIA” versions of these offerings. These allow for the commissions to be refunded to clients. Affinity then charges only its customary annual fees. This may allow for a greater amount of investment working for the benefit of the client. In addition to partnership investments, Affinity also researches and employs non-traded offerings that limit liquidity often referred to as “interval funds.” In select cases accepting less liquidity can provide access to unique opportunities such as cumulative preferred offerings that provide specific useful investment characteristics. While alternative investing may prove successful, many such offerings (as well as hedge fund investments) are rejected by Affinity due to excessive fees, conflicts of interest or overly concentrated market risk. Affinity particularly seeks alternative investments that offer the greatest alignment of investor interests with the providers’ offerings. Investors are always cautioned to consider whether the added complexity of alternative investments is acceptable and comfortable as part of the investment plan.

### ***Investment Strategies and Risk of Loss***

Affinity Wealth Management governs its investment process through a consensus of the Investment Committee. This group made up of multiple seasoned advisors meets at least monthly to review suggested changes in portfolio risk models, allowable securities, investment processes and new proposed holdings. The committee evaluates performance reports for each client category regarding performance, risks, tax efficiency, portfolio construction and investment expense.

## **INVESTMENT STRATEGIES**

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

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

- we believe the securities to be currently undervalued compared to market conditions, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.
- or we seek an opportunity to attain capital gains treatment of the return

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell. There is a trade-off between trying to seek long term tax treatment versus avoiding a correction in the price.

**Short-term purchases.** This strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains, should they result. The reason for shorter term holdings include

1. A change in the overall valuation that impacts most securities in that asset class, sector or industry,
2. A change in macro-economic conditions likely to significantly impact particular holdings,
3. A change in interest rates that particularly impacts such areas such as utilities, dividend stocks and Real Estate, and/or
4. A change in regulatory, currency or human resources that material impacts the holding.

In such cases, Affinity may trade the holding on a short term basis despite tax considerations. Affinity Wealth Management almost always holds a large majority of investments in immediately liquid investments.

**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

### **Use of Investment Models and Portfolio Construction**

The core holdings of a majority of clients are governed by one of six risk profile portfolios. These portfolios are continuously monitored and rebalanced based on thresholds and investment committee monthly review. Model portfolios are often mixed with specific other holdings such as alternative investments, bond ladders, or individual securities. These may include large legacy positions with large capital gains held for tax purposes. Larger and more complex accounts hold customized portfolios which also are rebalanced to harvest gains, manage tax liabilities and to maintain diversification of sectors, industries, geography, and company size.

## **Overall Portfolio Construction**

Affinity generally utilizes holdings of stocks, bonds and cash matched to investor risk tolerance. Our strategies begin with a belief in reducing risk through holding multiple sectors, industries and both growth and value opportunities. The portfolios almost always hold non-U.S. investments to manage currency risk and market risks. Further, these often include faster growing emerging markets. Non-U.S. investments most frequently employ specialty mutual funds. Many foreign indexes and ETFs are “cap-weighted” requiring holdings of a large position in banks and financial institutions. Affinity believes active managers can consistently outperform internationally on an “after fee” basis by avoiding over-concentration in such holdings. Affinity also holds multiple positions to diversify the exposure to a single asset class, manager or market segment. Strong emphasis is given to low correlations among holdings.

Affinity Wealth Management emphasizes that a key definition of wealth management is to protect the accumulated assets in severe down markets. To accomplish this goal Affinity employs three primary strategies. First, multiple fixed income holdings are maintained to offset stock declines because several types of bonds often rise when stocks decline. Second, Affinity frequently selects managers and securities that have historically declined less in previous down markets. Affinity Wealth Management diversifies across as many as 15-20 holdings. In extreme stock market declines, the firm may invoke Affinity’s Bull and Bear Strategy that begins to sell stock as the market declines and begin buying as historically based indicators of a market bottom.

### ***Bull and Bear Model™***

In response to the devastating decline of the “tech bubble” 2001 bear market decline, Dr. James Kalil (Affinity’s founder) began to research a technical strategy to retreat from plunging stock markets. In addition to maintaining fixed income diversification to offset stock declines, the firm adopted the “Bull and Bear Model™”. This quantitative rule-based discipline predetermines a level of decline often associated with bear markets. The model may engage if the market decline exceeds a threshold of at least a 10% decline within a set timeframe. At that point, as the market declines, the discipline may withdraw two times the percentage amount of market declines until either the market has declined by 35% or the market has recovered to a threshold that indicates the bear has bottomed. The model is continuously enhanced as it was in 2014 to add more precision and to better match historical patterns. The Bull and Bear™ is not a guarantee to avoid losses and it simply implements the idea that if markets decline in a pattern of sharp decline, large wealth holders should withdraw to reduce stock exposure. The discipline can be whipsawed in a rapid decline that is immediately followed by a rapid rise. That has occurred twice since the model was developed and led to portfolio under performance over a quarter. The other strategies of Affinity are targeted to recover such short term impact over time. Investors should evaluate whether short term under-performance is acceptable to avoid deep stock market declines which may only occur every six to seven years historically. Bull and Bear™ is utilized by a majority of Affinity clients but is not required.

**Stock Investing Strategy.** Affinity employs multiple stock investment strategies depending on market characteristics and the response of stock markets to the economic cycle. Historically, the most successful strategy has been the disciplined inclusion of small and mid-cap stocks in periods of rising markets that generally follow a sharp decline. Historically, a small-cap and mid-cap emphasis has been a winning strategy in eight of every ten years. Late in market cycles, small and mid-capped stocks may become over-valued. During such periods, Affinity shifts to an overweighting of larger cap sectors showing earnings increase and improving sentiment while avoiding sectors with declining earnings or sentiment. In such periods, the firm may emphasize dividend paying defensive stocks.

Academic studies have proven that betting on any specific stock can be risky because the markets (particularly in the U.S.) are efficient. Historically, a better approach is to employ screening that selects a group of stocks based on historical patterns of performance. Affinity first employs a momentum orientation that emphasizes earnings and sentiment on a “bottoms up” basis. This is used to select sectors/industries for model portfolios. It is also used to build custom portfolios that select a group of stocks selected by the universe of analysts as improving in earnings and recommended based on sentiment. To select an individual stock, we then add a check on “price to sales” and “price to growth” and generally employ only profitable companies. We consider Zack’s numerical ratings and generally use only stocks ranked 1 or 2. In 2016, Affinity added new measures that consider the valuation of a stock relative to its historical patterns. The basic Zack’s score screen has produced excellent historical returns for the Zack’s portfolios. Affinity then tailors that screened list to create various portfolios such as large cap quality growth or mid-cap growth. Higher dividend portfolios are often employed but built from this same approach. Our stock strategy de-emphasizes individual stock picking in favor of disciplined diversification and risk management.

### **Common Affinity Stock Portfolio Strategies**

- High Quality Large Cap Growth
- Large and Mid-cap Value
- Mid-Cap Growth
- Small-Cap Growth
- Dividend Growth

***Non-U.S. Investing.*** Most portfolios includes significant holdings of Non-U.S. stocks. The first consideration is that holding some non-U.S stocks reduces portfolio risk. The second driver for Affinity’s strategy is the role of currency. As the dollar appreciates, it becomes more difficult for U.S. companies to compete abroad. Eventually, the dollar reaches a top and goes into a cycle of decline. During these periods foreign stocks usually outperform domestic stocks. This is a period when Affinity increases non-U.S. stocks. We often include well-established specialty mutual funds to complement any individual holdings. Particularly in emerging markets and Asia, we are biased to deep research managers that inspect the company “face-to-face.” The irregularity of accounting standards also dictates the role of proven professionals in foreign markets.

### **Item 9 Disciplinary Information**

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

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

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

Affinity Wealth Management, Inc. has Investment Advisory Representatives that are separately licensed as registered representatives of Coastal Equities, Inc. Coastal Equities, Inc. (“CEI”), a FINRA/SIPC member, and, its affiliate, Coastal Investment Advisors (“CIA”), an SEC registered investment adviser, are located in Wilmington, Delaware (collectively “Coastal”). Coastal and its representatives are in compliance with the current filing requirements imposed upon SEC registered investment advisers by those states in which Coastal maintains clients. Coastal may only transact business in those states in which it is registered, or qualifies for an exemption or exclusion from registration requirements.

For information pertaining to the registration status of Coastal, please contact the SEC or the state

securities regulators for those states in which Coastal maintains a notice filing. A copy of Coastal's current written disclosure statement discussing Coastal's business operations, services, and fees is available from Coastal upon written request. Additional information on Coastal Equities, Inc. can be accessed via the internet at [www.Coastal-One.com](http://www.Coastal-One.com).

The Advisory Representatives currently registered with Coastal Equities, Inc. are James Hall, Brendan McPoyle and Peter Gaertner. These individuals, in their separate capacity, can effect securities transactions for which they will receive separate, yet customary compensation.

Affinity Wealth Management is not an affiliate of Coastal Equities, Inc.

While Affinity Wealth Management, Inc. and these individuals endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

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

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

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Affinity Wealth Management, Inc. and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions



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

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

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [valexitch@affinitywealth.com](mailto:valexitch@affinitywealth.com), or by calling us at 302-652-6767.

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

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

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

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

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

are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.

6. We have established procedures for the maintenance of all required books and records.
7. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
8. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
9. We require delivery and acknowledgment of the Code of Ethics by each supervised person of our firm.
10. We have established policies requiring the reporting of Code of Ethics violations to our Chief Compliance Officer.
11. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as representatives of Coastal Equities, Inc. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12 Brokerage Practices**

For discretionary clients, Affinity Wealth Management, Inc. requires these clients to provide us with written authority to determine the broker dealer to use and the commission costs that will be charged to these clients for these transactions.

These clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

Affinity Wealth Management, Inc. will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help Affinity Wealth Management, Inc. in providing investment management services to clients. Affinity Wealth Management, Inc. may, therefore recommend (or use) the use of a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

Consistent with obtaining best execution for clients, Affinity Wealth Management, Inc. may direct brokerage transactions for clients' portfolios to brokers who provide research and execution services to Affinity Wealth Management, Inc. and, indirectly, to Affinity Wealth Management, Inc.'s clients. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment our own internal research and investment strategy capabilities. This may be done without prior agreement or understanding by the client (and done at our discretion). Research services obtained through the use of soft dollars may be developed by brokers to whom brokerage is directed or by third-parties which are compensated by the broker. Affinity Wealth Management, Inc. does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research we receive will help us to fulfill our overall duty to our clients. Affinity Wealth Management, Inc. may not use each particular research service, however, to

service each client. As a result, a client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Broker-dealers we select may be paid commissions for effecting transactions for our clients that exceed the amounts other broker-dealers would have charged for effecting these transactions if Affinity Wealth Management, Inc. determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to its ('brokerage') discretionary client accounts.

When Affinity Wealth Management, Inc. uses client brokerage commissions to obtain research or brokerage services, we receive a benefit to the extent that Affinity Wealth Management, Inc. does not have to produce such products internally or compensate third-parties with our own money for the delivery of such services. Therefore, such use of client brokerage commissions results in a conflict of interest, because we have an incentive to direct client brokerage to those brokers who provide research and services we utilize, even if these brokers do not offer the best price or commission rates for our clients. Additionally, Affinity Wealth could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

Affinity Wealth Management receives soft dollars from both Charles Schwab & Co., Inc. and TD Ameritrade, Inc. A description of services for each of the aforementioned brokers can be found below under "Broker-Dealer Description of Services".

Affinity Wealth Management, Inc. conducts periodic soft-dollar reviews, analyzing price and commissions offered by the various brokers used and volume of client commissions directed to each broker. Moreover, we perform a qualitative ranking of all brokers, which is executed by our Trade Manager.

We also contract for the services of Morningstar Advisor work station. This provides extensive information on securities of multiple types. This is used for research into new investments, performance tracking and portfolio design.

Affinity Wealth Management, Inc. will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Affinity Wealth Management, Inc. will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Affinity Wealth Management, Inc.'s block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Affinity Wealth Management, Inc., or our firm's order allocation policy.
- 2) The trading desk in concert with the Advisor must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The Advisor must reasonably believe that the order aggregation will benefit, and will enable Affinity Wealth Management, Inc. to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as

well as the best net price.

- 4) If the order cannot be executed in full at the same price or time, it will not be executed.
- 5) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 6) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 7) Affinity Wealth Management, Inc.'s client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- 8) Funds and securities for aggregated orders are clearly identified on Affinity Wealth Management, Inc.'s records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 9) No client or account will be favored over another.

### **Broker-Dealer Description of Services**

Affinity Wealth Management, Inc. primarily utilizes the custodial services of two broker-dealers: Schwab Institutional and TD Ameritrade Institutional. Affinity Wealth is completely independent and unaffiliated with either of the aforementioned brokers.

Affinity Wealth Management, Inc. may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. Affinity Wealth Management, Inc. is independently owned and operated and not affiliated with Schwab.

Schwab provides Affinity Wealth Management, Inc. 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 advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. These services are contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab'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.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Schwab Institutional also makes available to our firm other products and services that benefit Affinity Wealth Management, Inc. but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that

- i. provide access to client account data (such as trade confirmations and account statements);
- ii. facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- iii. provide research, pricing and other market data;
- iv. facilitate payment of our fees from clients' accounts; and
- v. assist with back-office functions, recordkeeping and client reporting.

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

- i. compliance, legal and business consulting;
- ii. publications and conferences on practice management and business succession; and
- iii. access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Affinity Wealth Management, Inc.. Schwab Institutional 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 our firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, 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 on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Affinity Wealth Management, Inc. participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program.

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

however, that the receipt of economic benefits by Affinity Wealth or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Affinity Wealth's choice of TD Ameritrade for custody and brokerage services.

## **Item 13 Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL AND MODEL PORTFOLIO MANAGEMENT**

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

These accounts are reviewed by their designated advisor: Donald Kalil, Chairman of the Board, James Hall, President, Stephen Gibson, Vice President and Chief Investment Officer, Brendan McPoyle, Secretary and Advisor, Raymond Manza, Advisor, Peter Gaertner, Advisor, and Patrick Barrera, Advisor.

The underlying securities are monitored on an ongoing basis by the Trade Manager, as well as reviewed monthly, or more frequently as needed by the Investment Committee, consisting of Donald Kalil, Chairman of the Board, James Hall, President, Stephen Gibson, Vice President and Chief Investment Officer, Brendan McPoyle, Secretary and Advisor and Raymond Manza, Advisor.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their custodian, we provide quarterly reports summarizing account performance, balances and holdings. These reports will also remind the client to notify us if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions.

### **FINANCIAL PLANNING SERVICES**

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

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

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

### **TD Ameritrade AdvisorDirect**

Affinity Wealth Management, Inc. may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Affinity Wealth 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 Advisor and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to

independent investment advisors. TD Ameritrade does not supervise Affinity Wealth and has no responsibility for Affinity Wealth's management of client portfolios or Affinity Wealth's other advice or services. Affinity Wealth pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Affinity Wealth ("Solicitation Fee"). Affinity Wealth will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Affinity Wealth from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Advisor on the recommendation of such referred client. Affinity Wealth will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

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

It is Affinity Wealth Management, Inc.'s policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15 Custody**

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

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

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

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis, via our portal system or by mail, based on the client's preference. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual or constructive custody of client accounts.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's

permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

Affinity Wealth Management, Inc. does not differentiate among its clients with regard to its policies and procedures relating to proxy voting.

We will vote proxies in the best interests of its clients and in accordance with our established policies and procedures. By its recommendation to purchase the securities of a corporation, Affinity Wealth signifies its confidence in the management of the corporation and so generally votes its proxy with management.

Affinity Wealth will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict.

Affinity Wealth does not at the time of the adoption of this policy (although it may in the future) do any of its business with publicly held corporations that might solicit Affinity Wealth for its proxies. Affinity Wealth may manage a pension plan, administer employee benefit plans, or provide brokerage, underwriting, insurance or banking services to a company whose management is soliciting proxies.

Affinity Wealth may from time to time have a business relationship with individuals who are participants in proxy contests, corporate directors or candidates for directorship. Affinity Wealth does not solicit the opinions of these or any individual with regard to proxy voting.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting 302-652-6767 or by email at [invest@affinitywealth.com](mailto:invest@affinitywealth.com). Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

## **Item 18 Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$500 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial



statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Affinity Wealth Management, Inc. has no additional financial circumstances to report.

Affinity Wealth Management, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.