



Part 2A Appendix 1 of Form ADV: Wrap Fee Program Brochure

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This brochure provides information about the qualifications and business practices of Portfolio, LLC also known as Portfolio Wealth Advisors (referred to as PLLC).

If you have any questions about the contents of this brochure, please contact us at 505-884-3445. 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 PLLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for PLLC is 145687

## Item 2 – Material Changes

This Item of the Brochure is used to discuss only specific material changes that are made to the Brochure since the last annual update submitted in January 2023 and provide clients with a summary of such changes.

In September 2023, Portfolio LLC completed the transition of moving our clients' managed accounts away from TD Ameritrade, Inc. to Charles Schwab & Company, Inc.

In November 2019, the two firms announced they had entered into a definitive agreement for Charles Schwab & Company, Inc. to acquire TD Ameritrade in an all-stock transaction. As a result of that acquisition, client accounts managed by Portfolio LLC held at TD Ameritrade are now Charles Schwab & Company, Inc. accounts. Subsequently, we have updated Item 12 of this brochure to remove references to TD Ameritrade and replace them with Charles Schwab.

Currently, our Brochure can be requested by contacting Portfolio, LLC's Chief Compliance Officer, Lee Munson at 505-884-3445.

Additional information about PLLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with PLLC who are registered, or are required to be registered, as investment adviser representatives of PLLC.

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## **Item 4 - Services, Fees and Compensation**

### **Portfolio Management Strategy and Services**

In order to determine a suitable course of action for an individual client, PLLC shall perform a review of the client's financial circumstances.

Such review may include, but would not necessarily be limited to:

- Investment objectives, consideration of the client's overall financial condition
- Income and tax status
- Personal and business assets
- Risk profile, and other factors unique to the client's particular circumstances

PLLC will design, revise, and reallocate a client's custom portfolio. Investments are determined based upon the client's investment objectives, risk tolerance, net worth, net income, age, time horizon, tax situation and other various suitability factors. PLLC manages the client Account on an individualized basis.

Restrictions and guidelines imposed by the client may affect the composition and performance of custom portfolios (as a result, performance of custom portfolios within the same investment objective may differ and the client should not expect that the performance of his/her custom portfolios will be identical to any other individual's portfolio performance).

### **Portfolio Private Client Program**

Portfolio, LLC (PLLC) sponsors the Portfolio Private Client Wrap-Fee Program, an investment advisory wrap-fee program (Program). Through this Program, PLLC offers personalized investment advisory services to clients. PLLC's services and fee arrangements are described in the following pages.

Only investment PLLC representatives of the PLLC may serve as portfolio managers in the Program. Therefore, participants in the Program must be advisory clients of the PLLC.

PLLC shall receive compensation as a result of a client's participation in the program. The amount of the compensation is more than what the PLLC may receive if the client participated in programs sponsored by other financial firms that had lower fees.

Therefore, PLLC's associated persons have a financial incentive to recommend the Program over programs or services not provided by PLLC.

This Schedule H disclosure brochure is limited to describing the services, fees, and other necessary information clients should consider prior to becoming a client within the Program.

For a complete description of the other services and fees offered by PLLC, clients should refer to the PLLC's complete Form ADV and Schedule F.

Through the Program, PLLC provides investment supervisory and management services defined as providing continuous investment advice based on each client's individual needs. Services are generally provided to individuals, high net-worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations or other business entities.

Upon execution of a Portfolio Private Client Program – Client Agreement, PLLC shall assist clients with the establishment of one or more individual accounts ("Account") maintained through the Charles Schwab & Company, Inc. platform.

PLLC requires the use of Charles Schwab & Company for clients enrolling in the Program. Through this arrangement, the Account will be maintained at Charles Schwab & Company (referred to as "Schwab") registered broker/ dealers, members FINRA/SIPC. Schwab serves as the qualified custodian for Accounts through the Program.

Clients must appoint the PLLC as their investment PLLC on the Account. PLLC shall be granted trading authorization over each client's individual Account in order to implement PLLC's continuous investment advice. Implementation services are provided on a discretionary basis.

Accounts in the Program are managed on the basis of each client's financial situation and investment objectives. At least yearly clients should notify PLLC whether their financial situation or investment objectives have changed, or if they want to impose and/or modify any reasonable restrictions on the management of their Account. At least annually, PLLC will contact clients to determine whether their financial situation or investment objectives have changed, or if they want to impose and/or modify any reasonable restrictions on the management of their Account.

PLLC shall be reasonably available to consult with clients relative to the status of the Account. Clients shall have the ability to impose reasonable restrictions on the management of the Account, including the ability to instruct PLLC not to purchase certain securities.

A client's beneficial interest in a security does not represent an undivided interest in all the securities held by the Broker/Dealer, but rather represents a direct and beneficial interest in the securities that comprise the Account. Clients retain indicia of ownership of their Account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

## **Program Fees**

Clients in the Wrap Fee Programs pay a single annualized fee, based upon a percentage of the market value of all program assets.

A Wrap-Fee Program is a convenient single fee that covers both our services and brokerage services provided by the custodian except certain fees and expenses the broker charges that either:

1. We do not know about
2. We are logistically unable to pay for directly

Since we mainly use ETFs to construct portfolio, both the fees PLLC pays directly to Schwab for the Wrap Program and certain non-covered costs are both rare and immaterial.

If you have any questions regarding any fee charged to your account, please contact us immediately.

A separate account is maintained for Clients with the custodian.

**Below is our 2023 fee schedule for new clients:**

- All Accounts are FEE ONLY - No commissions, no fees for services such as wires, moving money, checks or check writing
- All Accounts are bound by our fiduciary responsibility to only work in your best interests
- Fees are deducted from the accounts in arrears and traditional IRA accounts have fees paid on a pre-tax basis

**Breakpoint Schedule:**

- |                              |       |
|------------------------------|-------|
| • \$250,000 to \$999,999     | 1.5%  |
| • \$1,000,000 to \$4,999,999 | 1.1%  |
| • Over \$5,000,000           | 0.85% |

The schedule above is for the assets managed directly by PLLC. For instance, while we advise on assets held outside of our firm (401k's, 529 plans, real estate and privately held businesses), we only charge a fee for what we have discretion to trade at our custodian.

Using a breakpoint schedule means you pay one rate based on assets, not a rate on each asset tier. For example, if PLLC manages \$2,000,000 the single fee is 1.1%.

PLLC currently has a \$1,500,000 asset minimum.

The actual fee charged to each client may be negotiable based on factors such as the client's amount of assets under management and the overall complexity of the services provided.

PLLC does not negotiate the fee we charge to clients based on custodial fees, including trading and executions, for our Wrap program. We do not adjust our fee based on changes and adjustments to fees charged by the custodian of your account.

When a custodian lowers their costs, we do not pass along the lower fees to you. This creates a benefit for us because we retain a higher portion of the overall fee charged by our firm to your account (s). Similarly, if the custodian raises their fees, including trading or execution, we will not pass along those increased costs to you. Because we benefit from lower overall custodian and execution fees, we have an incentive to seek the lowest cost custodian platform available. Recently, our recommend custodian-broker/dealer, Schwab, eliminated fees to trade domestic equities and ETFs, which our primary portfolio models utilize almost exclusively. Therefore, currently, the custodial costs for trading our core portfolios are minimal to non-existent which has resulted in our firm earning a higher portion of the fee charged to client accounts.

Please know, lowest cost is not the sole determining factor for choosing a custodian-broker/dealer for our wrap fee program. We analyze a variety of different factors when evaluating brokerage

arrangements and overall best execution taking into account the totality of the situation and our fiduciary duty to clients. Please refer to Item 12 - Brokerage Practices for more information.

Prior to services being provided, the exact services and fees will be agreed upon and disclosed in the Client Agreement. Client's residing in New Mexico are subject to applicable New Mexico gross receipts tax.

Program fees are divided and billed quarterly in arrears. Quarterly fees shall be calculated based on the ending quarterly balance adjusted for contributions and distributions. Fees shall be pro rated during the initial and final quarters service is provided. Fees are generally deducted directly from a client's account. Clients must provide the qualified custodian with written authorization to have fees deducted from the account and paid to the PLLC. The qualified custodian will send client statements detailing account activity for the prior period including a description of all disbursements for the account including the amount of PLLC's fee deducted directly from the account. At the discretion of PLLC, clients may pay fees directly to PLLC upon receipt of a billing statement delivered by PLLC.

### **Other Fees**

Wrap Fee Program fees charged by PLLC are separate and distinct from the fees and expenses charged by investment company securities that are recommended to clients. We do not buy mutual funds that charge 12-B1 fees. A description of mutual fund expense ratios is available in each investment company security's prospectus.

### **Use of Schwab Institutional**

PLLC requires the use of Schwab for clients. PLLC participates in the Institutional advisor program (the "Program") offered by Schwab. Through this arrangement, accounts will be maintained at Schwab a registered broker/dealer, member FINRA and SIPC. Schwab is an independent and unaffiliated SEC-registered broker-dealer and FINRA member. Schwab offers PLLC services that include custody and securities, trade execution, clearance, and settlement of transactions. PLLC receives some benefits from Schwab through its participation in the Program.

While quality of execution at the best price is an important determinant, best execution does not necessarily mean lowest price and it is not the sole consideration. The trading process of any broker/dealer suggested by PLLC must be efficient, seamless, and straightforward. Overall custodial support services, trade correction services, statement preparation, and administrative back office support are some of the factors determined when suggesting a broker/dealer. PLLC does not have any soft dollar arrangements with any third party.

In connection with the use and recommendation of Schwab, there is no direct link between PLLCs participation in the program and the investment advice it gives to its clients, although PLLC receives economic benefits through its participation in the program that are typically not available to Schwab retail investors.

These benefits include the following products and services (provided without cost or at a discount):

- receipt of duplicate client statements and confirmations
- research related products and tools
- consulting services

- access to a trading desk serving adviser participants
- access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- the ability to have advisory fees deducted directly from client accounts
- access to an electronic communications network for client order entry and account information
- access to mutual funds with no transaction fees and to certain institutional money managers
- discounts on compliance, marketing, research, technology, and practice management products or services provided to PLLC by third party vendors. Schwab has paid for business consulting and professional services received by PLLC's related persons. Some of the products and services made available by Schwab through the program benefit PLLC but not benefit its client accounts

These products or services assist PLLC in managing and administering client accounts at Schwab. Other services made available by Schwab are intended to help PLLC manage and further develop its business enterprise. The benefits received by PLLC or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to Schwab. As part of its fiduciary duties to clients, the firm endeavors at all times to put the interests of its clients first. Clients should be aware that the benefits described above directly influences PLLC's ongoing decision to use Schwab for custody and brokerage services.

### **Use of additional Broker/Dealers**

PLLC does not currently use outside Broker-Dealers in addition to Schwab to execute trades.

### **Item 5 - Account Requirements and Types of Clients**

Through the Program, PLLC provides investment supervisory and management services defined as providing continuous investment advice based on each client's individual needs. Services are generally provided to individuals, high net-worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations or other business entities.

### **Item 6 - Portfolio Manager Selection and Evaluation**

PLLC is the sole portfolio manager of all wrap fee programs. Lee E. Munson, CFA, CFP®, is the Chief Investment Officer of PLLC.

### **Item 7 - Client Information Provided to Portfolio Managers**

Clients of PLLC provide information to PLLC to determine their financial situation and investment objectives. Clients notify PLLC if there is a change in their financial situation or investment objectives.

### **Item 8 - Client Contact with Portfolio Managers**

PLLC provides performance and position reports on a quarterly and as-needed basis. PLLC also develops and provides an Investment Policy Statement, which is provided initially and then reviewed annually with each participant.



## **Item 9 - Additional Information**

### **Item 9A**

#### **Disciplinary Information**

There are no legal or disciplinary events to disclose for PLLC or any of its advisors.

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

Mr. Munson is a member of the UNM Investment Advisory Committee and does guest lecturing at the Anderson School of Business. This includes mentoring students at the Anderson School of Business at University of New Mexico. This takes up less than 5% of his time.

### **Item 9B**

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

Section 204A-1 of the Investment Advisers Act of 1940 requires all investment advisers to establish, maintain and enforce a Code of Ethics. PLLC has established a Code of Ethics that will apply to all of its associated persons.

An investment adviser is considered a fiduciary according to the Investment Advisers Act of 1940. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times.

Advisors with PLLC have a fiduciary duty to all clients. This fiduciary duty is considered the core underlying principle for the advisor's Code of Ethics, which also covers its Insider Trading and Personal Securities Transactions Policies and Procedures. PLLC requires all of its supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times.

Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgment that they have read, understand and agree to comply with the PLLC's Code of Ethics. PLLC has the responsibility to make sure that the interests of all clients are placed ahead of the PLLC or its supervised person's own investment interest.

Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to any services being conducted. PLLC and its supervised persons must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients.

This disclosure is provided to give all clients a summary of advisor's Code of Ethics. However, if a client or a potential client wishes to review PLLC's Code of Ethics in its entirety, a copy will be provided promptly upon request.

PLLC and its supervised persons may buy or sell securities that are also recommended to clients. In order to minimize this conflict of interest, securities recommended by PLLC are widely held and publicly traded. In addition, in accordance with its fiduciary duty to clients, PLLC and its supervised persons will place client interests ahead of their own interests.

#### **Review of Accounts**

PLLC's Chief Investment Officer reviews model strategies monthly. To ensure that individual client

portfolios are in alignment with the model portfolios client accounts are reviewed monthly by the operations team. It is at the full discretion of PLLC to rebalance or re-optimize client accounts on a monthly basis.

Custom securities outside our models are reviewed annually. These custom securities include ad hoc positions the client specifically requested to be purchased for them or legacy positions transferred in from a previous portfolio that the client wants to continue to hold or have a low-cost tax basis.

It is the responsibility of the Client to inform the Advisor of any changes in their preference for custom securities. It is the Client's responsibility to notify PLLC whenever material changes in their financial situation or risk tolerance warrant a change in their investment plan and/or asset allocation.

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

PLLC does not pay client referral fees, directly or indirectly, to any third party.