

# **SGH WEALTH MANAGEMENT**

## **FIRM BROCHURE (ADV PART 2A)**

**JANUARY 1<sup>ST</sup>, 2023**

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This brochure provides information about the qualifications and business practices of SGH Wealth Management. If you have any questions about the contents of this brochure, please contact SGH Wealth Management at (248) 731-0029. 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.

SGH Wealth Management is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about SGH Wealth Management is available on the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for the firm is 284067.

## **2. MATERIAL CHANGES**

There have been no material changes made to SGH Wealth Management's ("SGH") Part 2A Brochure since its prior Annual Amendment filing on January 1<sup>st</sup>, 2022. ANY QUESTIONS: SGH's Chief Compliance Officer, Sam Huszczo, remains available to address any questions regarding this Part 2A.

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#### 4. ADVISORY BUSINESS

##### A. OWNERSHIP/ADVISORY HISTORY

SGH Wealth Management (“We”) is a S-Corporation formed in 2005 and was subsequently registered as a Michigan investment adviser in 2016. In 2018 we began the process of registering as a large advisory firm with the Securities and Exchange Commission (SEC). Sam G. Huszczo, CFP®, CFA® (“Mr. Huszczo”) is our owner and investment adviser representative. Additional information about Mr. Huszczo can be found under Item 19 and his attached Supplement Brochure.

##### B. ADVISORY SERVICES OFFERED

We offer discretionary investment management services and financial planning services. Before we enter into an advisor-client relationship, we may offer a complimentary general consultation to determine a prospective client’s needs and discuss services available that meet those needs. Only after a prospective client has had time to review our solutions/services can they determine whether a relationship might benefit them. Investment advisory services begin only after we and the client formalize the relationship with a properly executed agreement setting forth the terms and conditions under which we will provide our services.

###### i. FINANCIAL PLANNING

We offer clients limited financial planning services to evaluate their financial situations, goals, including risk tolerance, and time horizon, upon request. Through a series of personal exploratory interviews and the use of questionnaires, the firm will collect pertinent data, identify goals, objectives, financial problems, and potential solutions. This initial meeting will determine the extent to which financial planning and investment management is necessary. We will prepare and present specific recommendations and implement those recommendations, as agreed upon with the client. As a result of these actions, our advice may be provided on, (but is not limited to): financial and cash flow management, asset allocation and diversification planning, estate planning, strategic income tax planning, retirement planning, educational funding, goal setting, a review of insurance policies with risk management, review of employer sponsored retirement plan options or other needs as identified by the client and the firm, all potentially provided with recommendations. We may offer comprehensive planning services or the client may desire advice on certain planning components; the firm can tailor services as desired by the client. At the conclusion of the financial planning service, the firm may present the client with a written financial plan.

This financial planning service involves rendering a financial consultation for you based upon an analysis of the documents and information that you provide us. We may recommend that you utilize various financial products, such as insurance or other advisory services, to implement our recommendations and to achieve your goals. You are not obligated to follow our recommendations. We also may recommend that you work with other professionals, such as attorneys or accountants. Additionally, SGH Wealth Management takes no responsibility for the outcome of our advice related to employer sponsored retirement plans in part due to the limited options available within these type of plans.

###### ii. PORTFOLIO MANAGEMENT

We provide investment management services to interested clients on a client specific basis, based upon your unique facts and circumstances. Although we manage your accounts based on your individual needs, we construct client portfolios in accordance with our model asset allocation strategies, which are adjusted for each client's risk profile. The model asset allocation strategies range from aggressive growth to capital preservation. They also differ according to the type of account such as individual retirement accounts versus non-qualified accounts. Upon selecting your risk tolerance profile, allocations are made to each of the models depending upon what is appropriate for you. We rely on the client to accurately specify their own risk tolerance to be able to fit their needs to the appropriate model portfolio. All of the model strategies include some combination of individual stocks, mutual funds, exchange traded funds, alternative investments, options, individual bonds, certificates of deposit, and may potentially include other investment products. We develop these models based upon our proprietary research on markets and market conditions as well as perceived value in selecting securities. Please see Item 8 for additional details.

We periodically review your accounts on an ongoing basis (by monitoring our models) to ensure that risk levels stay within the parameters established by your risk tolerance. We rebalance your portfolios as necessary. More or less frequent rebalancing may be required depending on macroeconomic, market or sector factors, as well as changes in your personal or family circumstances.

#### C. TAILORED SERVICES

We tailor all of our services to the client's stated goals, needs and objectives. For our portfolio management service clients, we allow them to impose restrictions on investment in certain securities or types of securities. All restrictions must be presented to us in writing.

#### D. WRAP PROGRAM

We offer a wrap fee program. Our wrap fee accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc. We do not manage wrap fee accounts in a different fashion than non-wrap accounts. Additional information about our wrap program can be found in our Appendix 1 to the ADV Part 2A (i.e. Wrap Fee Program Brochure).

#### E. CLIENT ASSETS MANAGED

As of January 1<sup>st</sup>, 2023 SGH Wealth Management manages approximately **\$269,438,756** in assets: All assets under management are managed on a discretionary basis at this time.

#### F. MISCELLANEOUS

#### **Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.**

To the extent specifically requested by the client, SGH shall generally provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. SGH will generally provide such consulting services inclusive of its advisory fee set forth at Item 5 below (exceptions do occur based upon assets under management, special projects, etc. for which SGH may charge a separate planning fee as discussed at Item 5 below). **Please Note:** SGH **does not** serve as an attorney or accountant, and no portion of our

services should be construed as legal or accounting services. Accordingly, SGH **does not** prepare estate planning documents or tax returns. To the extent requested by a client, SGH may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc.), including SGH representatives, in their separate individual capacities as licensed insurance agents. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from SGH and/or its representatives. **Please Note:** If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note-Conflict of Interest:** The recommendation by SGH that a client purchase an insurance commission product from a SGH representative in his/her separate individual capacity as an insurance agent, presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any insurance commission product from a SGH representative. Clients are reminded that they may purchase insurance products recommended by SGH through other, non-affiliated insurance agents. **SGH's Chief Compliance Officer, Sam Huszczo, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Please Note: Retirement Rollovers-Potential for Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Registrant recommends that a client roll over their retirement plan assets into an account to be managed by Registrant, such a recommendation creates a **conflict of interest** if Registrant will earn new (or increase its current) compensation as a result of the rollover. When acting in such capacity, Registrant serves as a fiduciary under the Employee Retirement Income Security Act (ERISA), or the Internal Revenue Code, or both. **No client is under any obligation to rollover retirement plan assets to an account managed by SGH. SGH'S Chief Compliance Officer, Sam Huszczo remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.**

**Bundled (Wrap) vs Unbundled Services.** As indicated in this Brochure, SGH sponsors a wrap program. The wrap program will generally be offered to clients who maintain in excess of \$500,000 of assets under SGH's management. Under a wrap program, the client pays one "bundled" fee which includes both SGH's advisory fee (*see* Item 5 below) and the transaction fees charged by the account custodian-*see* Wrap Program Conflict below. For clients with less than \$500,000 under SGH's management, SGH's advisory fee **does not** include transaction fees charged by the account custodian-the client remains responsible for the payment of all transaction fees. **ANY QUESTIONS:** Our Chief Compliance Officer, Sam Huszczo, remains available to

address any questions that a client or prospective client may have regarding wrap vs. unbundled advisory services.

**Please Note: Wrap Program Conflict.** As indicated in this Brochure, SGH sponsors a wrap program. The wrap program will generally be offered to clients who maintain in excess of \$500,000 of assets under SGH's management. Under a wrap program, the client pays one "bundled" fee (*see* Item 5 below) which includes both SGH's advisory fee and the transaction fees charged by the account custodian. When managing a client's account on a wrap fee basis, we shall receive as payment for our investment advisory services, the balance of the wrap fee after all wrap-fee costs (including account transaction fees) have been deducted. **Accordingly**, we have a **conflict of interest** because we could have an economic incentive to maximize our compensation by seeking to minimize the number of transactions/total costs in the client's account. Participation in the Program may cost more or less than purchasing such services separately. The fee that we charge for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs. **ANY QUESTIONS:** Our Chief Compliance Officer, Sam Huszczo, remains available to address any questions that a client or prospective client may have regarding the corresponding conflict of interest a wrap fee arrangement may create.

**Please Note-Use of Mutual Funds:** Most mutual and exchange funds are available directly to the public. Thus, a prospective client can obtain many of the mutual and exchange traded funds that may be utilized by SGH independent of engaging SGH as an investment advisor. However, if a prospective client determines to do so, he/she will not receive SGH's initial and ongoing investment advisory services.

**Schwab.** As discussed below at Item 12, when requested to recommend a broker-dealer/custodian for client accounts, SGH generally recommends that Schwab serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge brokerage commissions and/or transaction fees for effecting securities transactions. In addition to SGH's investment advisory fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). Unless the client has engaged SGH on a wrap fee basis (*see above*), the fees charged by Schwab or any broker-dealer/custodian directed by the client, are in addition to SGH's advisory fee referenced in Item 5 below.

**Portfolio Activity.** SGH has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, SGH will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, mutual fund manager tenure, style drift, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when SGH determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by SGH will be profitable or equal any specific performance level(s).

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

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by SGH) will be profitable or equal any specific performance level(s).

## 5. FEES AND COMPENSATION

### A. FINANCIAL PLANNING

Typically, our financial planning services are available upon request with our portfolio management services. However, when a client would like financial planning without our investment management services we will charge either a fixed or hourly fee basis in accordance with the following fee schedule:

**Fixed Fee:** The fixed fees range between \$300 and \$1,000. The fixed fee range varies and depends upon the nature and complexity of each client's individual circumstances. Each client's Financial Planning Agreement shows what the client will be charged to complete the Scope of Services as defined in the Agreement. The fixed fee rate is negotiable and collected upon engagement. All plans will be completed within 6 months of engagement subject to client cooperation. Initial advance payment will not exceed \$1,200. In any event, clients will not be charged more than \$1,200.00 for work done 6 months in advance.

**Hourly Fee:** We assess an hourly rate of \$225 an hour for financial planning services with a minimum of two hours per engagement. The number of hours will vary depending upon the complexity of the financial situation and the estimate of hours involved, including preparation and research. The hourly fee is negotiable. One half of the estimated total hourly fee is due upon engagement with the remainder due upon delivery of the financial plan or consulting service.

All fees may be paid by check.

### Termination of Financial Planning Services

The client may cancel the Financial Planning Agreement for any reason during the first five (5) business days from the date of signing the agreement and will receive a refund of 100% of all fees paid without cost or penalty. After the first five (5) business days, written termination will result in a pro-rated refund of any prepaid and unearned fees. For fixed fee financial planning services, a pro-rated refund will be based upon a percentage of work completed. For example, if 25% of a \$1,000 fixed fee plan had been completed, the client will receive a \$750 refund. (\$1,000 minus \$250 equals \$750.) For hourly financial planning engagements, the client will receive a pro-rated refund based on the number of hours completed. For example, if a negotiate hourly fee plan was

to \$775 (3 hours of services) and the one hour was completed, the client will receive a \$516.93 refund. (\$775 collected upfront minus \$258.07 equals \$516.93.) To cancel the agreement, the client must notify the firm in writing to SGH Wealth Management, 17550 W Eleven Mile Rd, Lathrup Village, MI 48076. We reserve the right to terminate any Financial Planning Agreement at our discretion at any time. Should we terminate prior to the end of the quarter you will receive a prorated refund as explained above.

**B. PORTFOLIO MANAGEMENT SERVICES**

Management fees for accounts are charged annually, calculated and billed quarterly in advance based upon the inception value of the account(s). Although we may negotiate our fee under certain circumstances, our standard annualized rates are below:

<b>Custodian Reported Value of Account</b>	<b>Annual Management Fee</b>
\$250,000 to \$500,000	1.00%
\$500,000 to \$1,000,000	0.90%
\$1,000,000 to \$2,000,000	0.85%
\$2,000,000 to \$5,000,000	0.80%
\$5,000,000 to \$10,000,000	0.70%
\$10,000,000 +	0.60%

The first quarter’s management fee will be calculated on the account’s initial inception value as reported by the account’s custodian. The first quarter’s management fee will also be prorated for the number of days that services were provided during the initial quarter. It is withdrawn at account opening. Thereafter, the management fee will be calculated on the account’s previous quarter-end value as reported by the account’s custodian. Although you can restrict our services, the securities included in your account are subject to our advisory fees unless restricted by you in writing. This includes investments in money market funds, demand deposit accounts, and certificates of deposit are included in the base amount on which fees are calculated. The management fee will be directly deducted from the client’s account.

Please note that the official record-keeper of your account is your custodian. It records includes, but not limited to, performance, transactions, cost basis, capital gain and losses and all other related data generated for income tax reporting purposes.

Our management fee does not include brokerage commissions, transaction fees, and other related costs and custodian expenses. Clients may incur additional certain charges imposed by custodians, brokers, and other third parties such as, but not limited to, fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund’s prospectus. Such charges, fees and commissions are exclusive, of and in addition to, our fee and we will not receive any portion of these commissions, fees, and costs. Generally speaking, most investments may be purchased directly by you, without using our services and without incurring our advisory fees; however you might not receive access to institutional share classes on your own.

Our services are designed, among other things, to assist you in determining which securities are most appropriate for you and your unique circumstances. You should review both the fees charged by the fund(s), third parties and the fees charged by SGH Wealth Management to fully understand the total fees to be paid for the services we provide to you. For more information about our brokerage practice please see Item 12.A.

#### Termination of Portfolio Management Services

A client may terminate the Investment Management Agreement for any reason at any time and, within the first five (5) business days after signing the contract, without any cost or penalty. Thereafter, the agreement may be terminated at any time by giving seven (7) days written notice. To cancel the Agreement, the client must notify the firm in writing to SGH Wealth Management, 17550 W Eleven Mile Rd, Lathrup Village, MI 48076. Upon receipt of written notice of termination, we will cease all activity on your behalf and transactions placed on your behalf are allowed to settle. Because we charge in advance, any client that terminates his or her contract within a quarter will receive a prorated refund of fees that is based on the amount of time elapsed during the quarter. For example, if a client cancels on 45 days in to a 90-day quarter, the client will receive a refund of 50% of the fees. (45 days divided by 90 days equal 50 percent.) Please note the prorated refund may be adjusted for additional deposits and withdrawals to the advisory account within the termination quarter. If permitted by the client's custodian the refund will be deposited into the client's account; otherwise the refund will be paid to the client by company check directly to the client within 30 days of termination notice receipt. We reserve the right to terminate any Investment Management Agreement at our discretion at any time. Should we terminate prior to the end of the quarter you will receive a prorated refund as explained above.

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

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) or conduct side-by-side management. We do not use performance-based fee structures because of the potential conflict of interest, as this may create incentives for the advisor to recommend an investment that may carry a higher degree of risk to the client.

### **7. TYPES OF CLIENTS**

We offer our services to individuals, pensions and profit-sharing plans, trusts, estates, corporations and other business entities. Client relationships vary in scope and length of service. We generally require a minimum account size of \$250,000, but we may waive this at our discretion. SGH, in its sole discretion, may waive its \$250,000 asset minimum and/or charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. See Wrap Appendix for account minimum information in respect to the Wrap Fee Program.

## 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

With respect to our portfolio management services, we use a proprietary combination of the following types of securities analysis and investment strategies.

Asset allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon among various asset classes. The asset classes typically include equities, fixed-income, alternative investments, and cash and equivalents. Each class has different levels of risk and return, so each will behave differently over time. Any asset allocation advice provided by SGH Wealth Management is based on a number of factors, including the client's investment objectives, risk tolerances, asset class preferences, time horizons, liquidity needs, expected returns and an assessment of current economic and market views expressed by economists, analysts, banks and securities firms. These factors are based on the specific client objectives stated by the client during consultations. The client may change these objectives at any time

Fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's *actual* business and its future prospects. The analysis is performed on historical and present data. On a broader scope, one can perform fundamental analysis on industries, sectors or the economy as a whole. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements. The risk associated with fundamental analysis is that despite that appearance that a security is undervalued, it may not rise in value as predicted.

Technical Analysis is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. The risk associated with technical analysis is that there is no broad consensus among technical traders on the best method of identifying future price movements.

Long-Term Purchases – We purchase certain securities with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year. The risk associated with using a long-term purchase strategy is that it generally assumes the financial markets will go up in the long-term, which may not be the case. There is also the risk that the segment of the market that the client is invested in or perhaps just that client's particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

Options Writing: We write option, which are derivative securities, which mean they derive their value from that of an underlying instrument, such as a stock, stock index, interest rate or foreign currency. An option is a contract that establishes a price and time frame for the purchase or sale of a particular security. Two parties are involved in the contract: one party receives the right to exercise the contract to buy or sell the underlying security; the other is obligated to fulfill the terms of the contract. Like other securities - including stocks, bonds, and mutual funds - options carry

no guarantees, and a person must be aware that it is possible to lose all of the principal he/she invests, and sometimes more. As an option holder, a person risks the entire amount of the premium he/she paid pay. But as an options writer, a person takes on a much higher level of risk. For example, if a person writes an uncovered call, he/she faces unlimited potential loss, since there is no cap on how high a stock price can rise. However, since initial options investments usually requires less capital than equivalent stock positions, a potential cash losses as an options investor are usually smaller than if someone bought the underlying stock or sold the stock short. The exception to this general rule occurs when an option is used to provide leverage: Percentage returns are often high, but it is important to remember that percentage losses can be high as well.

Short Sales – We may enter into transactions known as short sales in which we sell a security that we do not own in anticipation of a decline in the market value of the security. Losses from short sales are potentially unlimited. In particular, a tender offer or similar transaction with respect to a company whose securities we have sold short could cause the value of such securities to rise dramatically resulting in substantial losses. Brokers may also require that we cover short position at an inopportune time.

Short-Term Purchases – We purchase certain securities with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations. The risk associated with using a short-term purchase strategy is that it generally assumes that we can predict how financial markets will perform in the short-term, which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times. There may be more risk involved in executing short-term strategies. In addition, securities held less than one year before selling it are classified, by the IRS, as a short-term gain and profits may be taxed as ordinary income.

Our analysis of securities and advice relating thereto may be based upon information obtained from financial newspapers and magazines, research materials prepared by others, corporate ratings services, and annual reports, prospectuses and filings made with the Securities and Exchange Commission. Other sources of information may include MorningStar Principia mutual fund information, MorningStar Principia stock information, the World Wide Web, and other sources deemed by the investment advisor representative to be appropriate. We may also utilize computer models for performance analysis, asset allocation and risk management.

#### B. RECOMMENDED SECURITIES AND INVESTMENT RISKS

We use several types of securities in our clients' accounts. These securities may include, but are not limited to, the following: bonds and other corporate debt instruments; exchange traded funds (ETFs); mutual funds; government debt instruments including treasury bills and municipal securities; stocks; preferred stocks; high-yield debt; domestic fixed income; options; traded and non-traded real estate investment trusts; limited partnerships; managed futures; money market funds and cash.

All investments bear different types and degrees of risk and **investing in securities involves risk of loss that clients should be prepared to bear**. Investments may fluctuate in value or lose value. Our investment approach continually keeps the risk of loss in mind. While we use investment strategies that are designed to provide appropriate investment diversification, some investments have significantly greater risks than others. Obtaining higher rates-of-return on investments entails accepting higher levels of risk. Recommended investment strategies seek to balance risks and rewards to achieve investment objectives. If a client has questions about risks he/she does not understand, we would be pleased to discuss them.

We strive to render our best judgment on behalf of our clients. Still, we cannot assure or guarantee clients that investments will be profitable or assure that no losses will occur in an investment portfolio. Past performance is an important consideration with respect to any investment or investment adviser, but is not a reliable predictor of future performance. We continuously strive to provide outstanding long-term investment performance, but many economic and market variables beyond our control can affect the performance of an investment portfolio.

An investment could lose money over short or even long periods. A client should expect his/her account value and returns to fluctuate within a wide range, like the fluctuations of the overall stock and bond markets. A client's account performance could be hurt by:

- **Credit risk:** This is the risk that an issuer of a bond could suffer an adverse change in financial condition that results in a payment default, security downgrade, or inability to meet a financial obligation.
- **Inflation risk:** This is the risk that inflation will undermine the performance of an investment and/or the future purchasing power of a client's assets.
- **Interest rate risk:** The chance that bond prices overall will decline because of rising interest rates.
- **International investing risk:** Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social or economic developments overseas or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, as well as regulatory and financial reporting standards, that differ from those of the U.S.
- **Currency Risk:** Investments overseas are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. Also known as exchange rate risk.
- **Leverage risk:** Using derivatives to increase the fund's combined long and short exposure creates leverage, which can magnify the fund's potential for gain or loss and, therefore, amplify the effects of market volatility on the fund's share price.
- **Liquidity risk:** Liquidity risk exists when a particular investment would be difficult to purchase or sell, possibly preventing the investor from selling such illiquid securities at an

advantageous time or price, or possibly requiring the investor to dispose of other investments at unfavorable times or prices in order to satisfy its obligations.

- **Manager risk:** The chance that the proportions allocated to the various securities will cause the client's account to underperform relevant to benchmarks or other accounts with a similar investment objective.
- **Options risk:** Like other securities - including stocks, bonds, and mutual funds - options carry no guarantees, and a person must be aware that it is possible to lose all of the principal he or she invests, and sometimes more. As an option holder, a person risks the entire amount of the premium he or she paid. But as an options writer, a person takes on a much higher level of risk. For example, if a person writes an uncovered call, he or she faces unlimited potential loss, since there is no cap on how high a stock price can rise. However, since initial option investments usually require less capital than equivalent stock positions, potential cash losses as an options investor are usually smaller than if someone bought the underlying stock or sold the stock short. The exception to this general rule occurs when an option is used to provide leverage; percentage returns are often high, but it is important to remember that percentage losses can be high as well.
- **Portfolio concentration:** Accounts that are not diversified among a wide range of types of securities, countries or industry sectors may have more volatility and are considered to have more risk than accounts that are invested in a greater number of securities because changes in the value of a single security may have more of a significant effect, either negative or positive. Accordingly, portfolios are subject to more rapid changes in value than would be the case if the client maintained a more diversified portfolio.
- **Stock market risk:** The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.

## 9. DISCIPLINARY INFORMATION

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events within the past 10-years that would be material to your evaluation of the Adviser or the integrity of its management. We have no information applicable to this Item because we have not been the subject of any administrative, civil, criminal or regulatory proceedings.

## 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### A. BROKER-DEALER AFFILIATIONS

We are not affiliated with a broker-dealer.

### B. FUTURES/COMMODITIES FIRM AFFILIATION

We are not affiliated with a futures or commodities broker.

### C. OTHER INDUSTRY AFFILIATIONS

**Insurance Sales.** As indicated at Item 4 above, to the extent requested by a client, SGH may recommend the services of other professionals for certain non-investment implementation purpose

(i.e. attorneys, accountants, insurance, etc.), including SGH representatives, in their separate individual capacities as licensed insurance agents. This includes Sam Huszczo, who currently maintains an active insurance license. The recommendation by SGH that a client purchase an insurance commission product from a SGH representative in his/her separate individual capacity as an insurance agent, presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any insurance commission product from a SGH representative. Clients are reminded that they may purchase insurance products recommended by SGH through other, non-affiliated insurance agents. **SGH's Chief Compliance Officer, Sam Huszczo, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

#### D. SELECTION AND MONITORING OF THIRD PARTY INVESTMENT ADVISERS

We do not recommend the services of third party investment advisers.

### 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

#### A. DESCRIPTION

Our Code of Ethics establishes ideals for ethical conduct upon fundamental principles of openness, integrity, honesty, and trust. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

Our Code of Ethics covers all supervised persons and it describes our high standard of business conduct, and fiduciary duty to our clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons must acknowledge the terms of the Code of Ethics annually, or as amended.

#### B. MATERIAL INTEREST IN SECURITIES

We do not have a material interest in any securities.

#### C. INVESTING IN OR RECOMMENDING THE SAME SECURITIES

Our associates may buy or sell for their own accounts the same securities at or about the same time they recommend to or purchase for client accounts. This causes a conflict of interest because they can trade ahead of client trades. We mitigate the conflict of interest in two ways. First, our Code of Ethics requires employees to: (1) report personal securities transactions on at least a quarterly basis and (2) provide us with a detailed summary of certain holdings (both initially upon commencement of employment and quarterly thereafter) in which such employees have a direct or indirect beneficial interest. The reports are reviewed to ensure our associates do not trade ahead of client accounts. Additionally, we require client transactions be placed ahead of our associates' personal trades or our associates can place personal trades as part of a block trade (Please see Item

12.B. for details on our block trading practices). The records of all associates' personal and client trading activities are reviewed and made available to regulators to review on the premises.

## **12. BROKERAGE PRACTICES**

### **A. RECOMMENDED BROKERAGE**

SGH Wealth Management does not maintain custody of clients' assets on which we advise (although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see item 15 – Custody)). Clients' assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We recommend that clients use Charles Schwab & Co., Inc. (“Schwab”), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when we, the Advisor, instruct them to. While we recommend that clients use Schwab as custodian/broker, client will decide whether to do so and open client’s account with Schwab by entering into an account agreement directly with them. We do not open the account for the client.

*How we Select Brokers/Custodians to Recommend:*

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared with other available providers and their services. We consider a wide range of factors, including these:

- Combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- Reputation, financial strength, and stability of the provider
- Their prior service to us and our other clients

For our clients' accounts it maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. These fees are in addition to the commissions or other

compensation you pay the executing broker-dealer. In order to minimize your trading costs, we recommend Schwab execute most trades for your account. As a fiduciary it is our highest priority to act in our clients' best interest. Although our assessment and recommendation of Schwab is based on an objective assessment of Schwab, it is an inherent conflict of interest in recommending Schwab when we (and you) receive benefits that we do not pay for separately. We mitigate this conflict by this disclosure to you in this Form ADV Part 2A.

*Products and Services Available to Us from Schwab:*

Schwab Advisor Services™ (formerly Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide our clients and us with access to its institutional brokerage— trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Here is a more detailed description of Schwab's support services:

**Services That Benefit You.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services That May Not Directly Benefit You.** Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

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

**Services That Generally Benefit Only Us.** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and

- access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

i. RESEARCH AND SOFT DOLLAR BENEFITS

“Soft dollars” are defined as a form of payment investment firms can use to pay for goods and services such as news subscriptions or research. When an investment firm gives its business to a particular brokerage firm, the brokerage firm in return can agree to use some of its revenue to pay for these types of services. The benefits described above from Schwab are not considered soft dollars.

ii. BROKERAGE FOR CLIENT REFERRALS

We do not receive client referrals or any other incentive from any custodian or any third party.

iii. DIRECTED BROKERAGE

Some clients may direct us to use a specific broker-dealer to execute securities transactions for their accounts. In that case, you must provide access to the account, account statements, and pay fees and commissions generated at your broker dealer/custodian. You are responsible for the paperwork required to maintain the account as well as communications required with that firm. When so directed, the use of a custodian other than Schwab, may not allow us to be able to effectively achieve best execution on clients' transactions, include affected accounts in block trades, negotiate favorable commission and transaction fees, and/or give us access to the securities we use for client accounts. Approval and acceptance of a custodian other than Schwab will be made on a case-by-case basis.

B. TRADE AGGREGATION

We may, but are not obligated to, aggregate transactions in equity and fixed income securities for a client with other clients to improve the quality of execution. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the client account will be deemed to have purchased or sold its proportionate share of the securities involved at the average price obtained. We may determine not to aggregate transactions, for example, based on the size of the trades, the number of client accounts, the timing of the trades, the liquidity of the securities and the discretionary nature of the trades. If we do not aggregate orders, some clients purchasing securities around the same time may receive a less favorable price than other clients. This means that this practice of not aggregating may cost clients more money. Most mutual fund or ETF trades do not garner any client benefit from trade aggregation.

**13. REVIEW OF ACCOUNTS**

A. PERIODIC REVIEWS

Mr. Huszczo meets with each client, either in person or by telephone, on an annual basis. The meeting reviews the client's financial situation and each account to ensure that the accounts are invested in accordance to the client's current risk tolerance. In the event of any changes to the client's financial situation or risk tolerance, the client is encouraged to contact Mr. Huszczo as soon as possible.

#### **B. OTHER REVIEWS**

Additional reviews are conducted periodically depending on market conditions, economic or political events, changes in tax laws, or by changes in a client's financial situation (such as retirement, termination of employment, physical move or inheritance).

#### **C. REPORTS**

Clients will receive trade confirmations and monthly statements from the account custodian or clearing firm, if the account has activity during the month. If the account does not have any monthly activity, an account statement is provided by the account custodian or clearing firm at least quarterly. Such statements will show any activity in the account, as well as period ending position balances. If you do not receive your custodial statement directly from your custodian, call them immediately or call us so that we may assist you.

### **14. CLIENT REFERRALS AND OTHER COMPENSATION**

#### **A. OTHER COMPENSATION**

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

In addition, we may also receive economic benefits from the investment companies that we work with. Occasionally, we have seminars for existing clients that are sponsored by or paid in part by these investment companies. All sponsorship fees are used to reimburse incurred seminar expenses. Typically, the investment company attends the events and makes payments directly to the venue. This could be viewed as a conflict of interest because it gives us a financial incentive to use the investment company who sponsors our events. We mitigate this conflict of interest to the best of our ability by placing the clients' interests ahead of our own and through our fiduciary duty. We further mitigate the conflict of interest by allowing clients to place restrictions on securities held in their accounts and therefore clients may exclude any investment from their accounts.

#### **B. CLIENT REFERRALS**

SGH Wealth Management, including our advisors, do not pay for client referrals or use solicitors.

### **15. CUSTODY**

All client funds, securities and accounts are held at third-party custodians. Under government regulations, we are deemed to have custody of your assets if you authorize us to instruct Schwab to deduct our advisory fees directly from your account. Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them. We also urge you to compare Schwab's account statements with the periodic portfolio reports you will receive from us. Our statements may vary from custodial statements based on a number of factors including custodial pricing issues, dividends due but not yet paid or fixed income accrued interest due or payable, among others. Your custodial statement is the sole authority for tax reporting purposes.

Please note that the official record-keeper of your account is your custodian. It records includes, but not limited to, performance, transactions, cost basis, capital gain and losses and all other related data generated for income tax reporting purposes.

**Please Note: Custody Situations:** We engage in other practices and/or services on behalf of our clients that require disclosure at ADV Part 1, Item 9, which practices and/or services **are not** subject to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940 and the Securities and Exchange Commission's February 21<sup>st</sup>, 2017 No-Action Letter for the Investment Adviser Association.

## **16. INVESTMENT DISCRETION**

We offer both discretionary and non-discretionary portfolio management services. We generally receive investment discretionary authority from you at the outset of an advisory relationship. With discretionary portfolio management services, we ask clients to sign an investment management agreement that contains a limited power of attorney granting us discretionary power over the account. In discretionary accounts, we will be allowed to place trades, buy or sell securities of any type and in amounts we deem appropriate for the account, without first obtaining the client's consent to each trade. Directions will be given to the account custodian to complete the transaction. You may place reasonable restrictions on your account as long as they are in writing and accepted by us.

We also offer non-discretionary portfolio management services. With non-discretionary portfolio management services, the client retains full discretion to supervise, manage, and direct the assets of the account. We will make recommendations on how the account should be managed. However, we will have to receive the client's permission prior to placing any trades. Still, the client will be free to manage the account with or without our recommendation and all with or without our prior consultation.

## **17. VOTING CLIENT SECURITIES**

We will not be responsible for responding to proxies of securities held in clients' accounts. Proxy solicitation materials will be forwarded to clients directly from their custodian for response and voting. In the event a client has a question about a proxy solicitation, the client should contact us.

## **18. FINANCIAL INFORMATION**

### **A. BALANCE SHEET**

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we do not have to provide a balance sheet.

### **B. FINANCIAL CONDITION**

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to service our clients.

### **C. BANKRUPTCY**

We have not been the subject of a bankruptcy proceeding.

**ANY QUESTIONS:** SGH's Firm's Chief Compliance Officer, Sam Huszczo remains available to address any questions regarding this Part 2A.