



# Klaas Investment Portfolios

Klaas Financial

KLAAS FINANCIAL ASSET ADVISORS, LLC

4707 Perry Ridge Lane  
Loves Park, IL 61111

Phone (877) 495-5227 | Fax (815) 877-6807

[klaasfinancial.com](http://klaasfinancial.com)

Klaas Investment Portfolios (“KIP”)

## Wrap Fee Program Brochure | September 9, 2020

This wrap fee program brochure provides information about the qualifications and business practices of Klaas Financial Asset Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (877) 495-5227 or by email at [info@klaasfinancial.com](mailto:info@klaasfinancial.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.

Klaas is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser are intended to provide you with information to assist in your determination as to whether or not to retain the services of that investment adviser.

Additional information about Klaas Financial Asset Advisors, LLC is also available on the SEC’s website at [adviserinfo.sec.gov](http://adviserinfo.sec.gov).

**Klaas Investment Portfolios** or “**KIP**” is the brand name under which Klaas Financial Asset Advisors, LLC, provides investment management or investment supervision services to its clients.

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## Item 2. Material Changes

Klaas Financial Asset Advisors, LLC (“Klaas”) delivers its Wrap Fee Program Brochure initially when we enter into an advisory agreement with you. The Wrap Fee Program Brochure will be updated no less than annually within 90 days of our December 31 fiscal year end. Within 120 days of our fiscal year end, we will deliver to you a summary of material changes which have been made to our Wrap Fee Program Brochure since its last annual update. This summary will include information about how you may obtain a complete copy of our updated Wrap Fee Program Brochure at no charge, and it will include the date of the last annual update. We will provide updated disclosure information about material changes more frequently as needed.

Since the last annual update to our Wrap Fee Program Brochure dated March 27, 2020, we have not made any changes that we deem to be material, but we have made the following edits:

- As of September 9, 2020, we have terminated our relationship with Securities America, Inc. (“Securities America”), a registered broker-dealer, member FINRA, SIPC. All associated persons who were registered representatives of Securities America have terminated their registrations effective September 9, 2020. As a result, Klaas now operates solely as a fee-only investment adviser, mitigating potential conflicts of interest caused by the acceptance of commissions on brokerage products. All references to Securities America and related broker activities have been removed from this Disclosure Brochure.
- Effective July 17, 2020, Investacorp, Inc. merged with Securities America, Inc., a registered broker-dealer, member FINRA/SIPC. At the time of the merger, all references to Investacorp in this Disclosure Brochure were updated to refer to Securities America. Our relationship with Securities America was terminated in September 2020 (see above).
- Effective July 1, 2020, Craig J. Klaas owns 48.5% of the firm, Maleeah L. Wernsing-Cuevas owns 41.5%, and Kyle A. Kite owns 10% of the firm.
- We have added information to Item 4, Fees and Compensation, regarding our standard Program Fee. This information is for clarification only and does not affect the fee schedule for current clients. We have also added information regarding our use of commission-free ETFs, the conflict of interest it presents, and how we mitigate that conflict.
- We have added information regarding the risks that catastrophic events — such as global pandemics, natural disasters, or acts of terrorism — may have on our Program Strategies. Please see Item 6, Risks, for additional information.
- Although we do not deem it to be a material financial condition that requires disclosure, we are voluntarily disclosing that in April 2020, we obtained a loan under the Paycheck Protection Program (“PPP”) during the COVID-19 global pandemic. We believed this was a prudent measure to ensure we had access to working capital at favorable terms during a period of high economic uncertainty. However, at no time has our ability to meet our commitments to our clients been impaired. We expect to meet the conditions for forgiveness of the loan under the terms of the PPP by the end of 2020. Please see Item 9,

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Financial Information, for details. As of December 31, 2019 we provided investment advisory services on more than \$458 million in client assets for more than 1,000 client households. This total represents more than \$377 million in client assets under management through our discretionary asset management wrap fee program ("Klaas Investment Portfolios – KIP") and more than \$80 million in assets under advisement through our non-discretionary retirement plan consulting services ("Klaas 401k") for 15 retirement plans. Furthermore, we provide financial planning and consulting services ("Klaas 360") to approximately 38 client households.

Currently, our brochure may be requested by contacting us at (877) 495-5227, by emailing us at [info@klaasfinancial.com](mailto:info@klaasfinancial.com), or by visiting [klaasfinancial.com/klaas/downloads/ADV-Part-2A-Appendix-1-KIP-Wrap-Fee.pdf](http://klaasfinancial.com/klaas/downloads/ADV-Part-2A-Appendix-1-KIP-Wrap-Fee.pdf). We will provide you with a copy of our current brochure at any time without charge.

Information about each of our Investment Adviser Representatives may be found in their respective Form ADV Part 2B Individual Disclosure Brochure Supplement, which can be found by visiting [klaasfinancial.com/multimedia/downloads/](http://klaasfinancial.com/multimedia/downloads/)

*Klaas Financial Asset Advisors, LLC CRD Number 121399*

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#### Item 4. Services, Fees and Compensation

Klaas Financial Asset Advisors, LLC ("Klaas") is the sponsor of the Klaas Investment Portfolios ("KIP") Wrap Fee Program ("Program"). Klaas is located in Loves Park, Illinois and Fitchburg, Wisconsin.

Craig J. Klaas is the firm's President; Maleeah L. Wernsing-Cuevas is the firm's Chief Executive Officer; Stephanie R. Mowers is the firm's Chief Operating Officer, and Rita B. Rhodes is the firm's Chief Compliance Officer. Craig J. Klaas owns 48.5% of the firm, Maleeah L. Wernsing-Cuevas owns 41.5% of the firm and Kyle A. Kite owns 10% of the firm.

Klaas is registered as an investment adviser with the U.S. Securities and Exchange Commission.

This Wrap Fee Program Brochure describes the services offered under the Program. In addition to the services outlined here, we also provide non-discretionary financial planning and consulting services, and retirement plan consulting. Further information regarding these services can be found in our Disclosure Brochure, which is available upon request, or which can be found by visiting [klaasfinancial.com/multimedia/downloads/](http://klaasfinancial.com/multimedia/downloads/).

The Program includes Financial Planning Services and Discretionary Portfolio Management Services, as described below. Clients who wish to participate in the Program will enter into an agreement with Klaas ("Program Agreement").

#### Financial Planning Services

As part of the Program, we provide financial planning services. Through discussions, interviews, and questionnaires, we will gather sufficient information to develop a financial plan and investment recommendations. The items covered in your financial plan are based on your financial circumstances and needs. The financial plan may consider such items as the following:

- Your personal financial circumstances, such as assets and liabilities, net worth, cash flow, spending analysis, budgeting, family situations, and personal obligations.
- Payment of past, present, and future debts, such as loans, education expenses, health expenses.
- Your current and future tax liabilities, and an analysis of how to mitigate tax liabilities with your investments.
- Your attitudes towards investments, including your risk tolerance, financial goals, and investment objectives.
- Your cash needs in the event of your disability, incapacity, or death, including the income needs of your dependents, and estate planning.
- Your current retirement assets, potential future savings, planned retirement age, income needs and spending in retirement.
- Other specific financial concerns you may have.

We base our investment recommendations on the information that you provide to us. Inaccurate or incomplete information may result in an inaccurate or incomplete investment recommendations. We must make certain assumptions with respect to interest and inflation rates, past trends, and future projections of the performance of the market and economy. Changes to your personal financial circumstances, goals, or objectives may cause our investment recommendations to change. We recommend that you notify us promptly of any changes so that your strategy can be updated if necessary.

Although the financial plan may consider your tax situation or estate plan, we do not provide tax or legal advice. We recommend that you work closely with your attorney, accountant, or other investment professionals in implementing your plan. We are happy to work with your professionals to coordinate your financial plan with your estate planning and tax planning.

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In some cases, your financial plan may recommend an insurance product. Some of our Investment Adviser Representatives are also licensed insurance agents. If you choose to purchase a recommended insurance product through your Investment Adviser Representative, he or she will earn a commission on products purchased. In addition, Klaas has an arrangement with Monarch Solutions, Inc. ("Monarch") under which Klaas receives a percentage of the first year's revenue from products purchased by any clients which Klaas refers to Monarch. The price a client pays for insurance products is not affected by our referral. You may choose to purchase any insurance products through any licensed agent.

### **Discretionary Portfolio Management Services**

In addition, we provide discretionary portfolio management services. Based on the information gathered in the financial planning process, we assist you in selecting one or more of the investment strategies available through the Program ("Program Strategies"). Other relevant information that may be considered may include (but is not limited to) your preference for certain types of investments, the amount of your assets, the projected risk and return of your portfolio, and the management fees charged.

We may use one or more Program Strategies and allocate assets into, between, or among the Program Strategies. Klaas has established a Portfolio Management Group ("Klaas PMG") consisting of qualified investment professionals dedicated to portfolio management, research, and trade administration functions. The Program Strategies may be developed by and managed by the Klaas PMG, or by third-party asset managers ("Asset Managers") or external independent investment advisers ("Separate Account Managers") selected by Klaas PMG.

Klaas has the discretion to determine which Program Strategies are available in the Program. Klaas also has the discretion to hire, replace, or terminate Asset Managers or Separate Account Managers as it deems necessary, and to reallocate assets among Program Strategies at any time.

A variety of investment products and vehicles may be used, including, but not limited to, exchange-traded funds (ETFs), mutual funds, equity and fixed-income instruments.

Your portfolio will be managed on a discretionary basis. When an Asset Manager or a Separate Account Manager is used, your account may be unmanaged for a period of time until the Asset Manager or Separate Account Manager has accepted your account and your account has been funded to meet any account minimum balance requirements, if applicable.

We rely upon you to notify us of any changes in your objectives, goals and risk tolerances, as well as any other material changes in your personal circumstances (such as your employment, marital status, financial condition, etc.). In addition, notify us if you wish to impose any reasonable restrictions on the management of your account. Please notify us promptly of any changes, as these changes may require changes in the Program Strategies employed.



## Brokerage Practices

We do not have the discretion to select the broker-dealer or custodian used for your accounts, although we may suggest broker-dealers and custodians and assist with new account paperwork. Because of our established relationship, we will generally recommend Fidelity Institutional Wealth Services (“Fidelity”) to you for custody and brokerage services. Fidelity, a member FINRA/SIPC, is an unaffiliated SEC-registered broker-dealer. Fidelity provides brokerage and custody through its affiliates, National Financial Services, LLC, or Fidelity Brokerage Services, LLC, which are also SEC-registered broker-dealers and members FINRA/SIPC. You may direct us in writing to use a particular custodian to execute some or all of the transactions for your account. If you do so, you may be responsible for negotiating the terms and arrangements for the account with that custodian. We may not be able to negotiate commissions, obtain volume discounts, or best execution with custodians with which we do not have an existing relationship. A difference in transaction fees and expenses may also exist between those charged to clients who direct us to use a particular custodian and other clients who do not.

In addition, some Asset Managers and Separate Account Managers may require the use of certain custodians. Please refer to the Brokerage Practices sections of their respective disclosure brochures for more information. Because our compensation in connection with the Program may vary depending on the broker-dealer or custodian selected, we may have a conflict of interest in recommending Fidelity.

Program assets are maintained with a qualified custodian. We do not have physical custody of your assets, but we may be deemed to have custody when you authorize us to deduct advisory fees directly from your account. You will receive account statements from the custodian on at least a quarterly basis. We recommend that you carefully review those statements to verify that the transactions are consistent with your investment goals and objectives.

## Aggregation of Client Trades

Klaas PMG may aggregate trades in a single order (a “block trade”). Aggregated trading (a “block trade”) allows for the purchase or sale of a security for the accounts of multiple clients in a single transaction.

Block orders are generally completed (or “filled”) on the same day the trade is placed. If a block order is filled (full or partial fill) at several prices through multiple trades, an average price will be calculated for all trades executed, and all participants in the block trade will receive the average price. The objective of the aggregated orders will be to allocate the executions in a manner that is deemed equitable to the accounts involved. While the occurrence of partial fills (i.e., a block order which is not fully executed within the same day) is rare, all partial fills shall be allocated to client accounts on a pro rata basis.

When executing trades on behalf of clients, we may aggregate trades only when we reasonably believe that the combination of the transactions provides better prices for clients than had individual transactions been placed for clients. We are not obligated to include all or any client transaction in an aggregated block trade.

Asset Managers and Separate Account Managers will typically aggregate trades. Their trading policies are set forth in their respective disclosure brochures.

Klaas PMG has established procedures to reasonably ensure that trade execution will not favor or discriminate against any client or group of clients, and that trades executed for the accounts of our Investment Adviser Representatives or employees will not be favored over transactions for client accounts.

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## Fees and Compensation

The fee for the program ("Program Fee") is a percentage of assets under management in the Program, charged on a quarterly basis, in arrears. Our current standard fee schedule starts at 1.40% per year, and decreases at set breakpoints as assets increase, to 0.70% for balances over \$5,000,000. (As a hypothetical example, if an account had a static balance of \$500,000 for a year, the annual fee would be 1.00%, or \$5,000 per year, billed quarterly at \$1,250 per quarter.) Our standard fee schedule may change over time, and some clients are subject to legacy fee schedules which may be higher or lower than our current fee schedule. Your Program Fee may vary depending on several factors, such as the Program Strategies, Asset Managers or Separate Account Managers used, the size of your accounts, and the overall complexity of your financial situation. Overall, our client fees range between 0.25% and 1.55% per year, with an average fee between 1.00% and 1.25% per year across all clients. All fees are discussed with you at the time of the engagement, and are set forth in the fee schedule attached as Exhibit to the Program Agreement, as amended from time to time.

New accounts in the Program are charged a prorated fee for the first quarter which is based on the number of days in the quarter from the date the account is funded to the end of the quarter.

Any party at any time upon written notice may terminate the Program Agreement, and the Program Fee will be calculated based on the value of the assets as of the close of business on the last business day before the account balance is transferred from the account or the account is closed and the proceeds returned to client. In this case, the fees will be prorated based on the number of calendar days in the quarter prior to account termination and/or closure, and Program Fee payments will be due and assessed upon the account termination or closure date.

The Program Fee is a single or "wrap fee," and covers the financial planning and consulting services provided by Klaas, the portfolio management services provided by Klaas PMG (or Asset Manager or Separate Account Manager, if applicable), and brokerage and custodial fees. Klaas will generally pay the broker-dealer a transaction charge for each trade in the account. Thus, Klaas will earn more compensation if fewer transactions are executed for the accounts. Broker-dealers may waive transaction fees for some types of investments or based on other circumstances (for example, if you enroll in electronic statements for your account). Thus, we have an incentive to choose investments with lower or no transaction fees. However, as a fiduciary, we are required to act in your best interest and have an obligation to manage your portfolio in a prudent matter, regardless of the transaction charges assessed in your account.

The Program Strategies make significant use of ETFs to gain exposure to various asset classes while attempting to minimize costs. Over 2,000 ETF products are available with differing methods and characteristics, including passive, hybrid, and actively managed ETFs. When evaluating ETFs for use in the Program Strategies, selection criteria include characteristics such as assets under management, ETF liquidity, how closely the ETF tracks its underlying index, and other criteria depending on the specific asset class and implementation approach of the ETF. The selection criteria help pare down the large universe when selecting ETFs for use in the Program Strategies. Fidelity has made available a subset of more than 500 ETFs for purchase commission-free. Because we bear the transaction costs in the Program, we have an incentive to select ETFs with no transaction fee, which is a potential conflict of interest. However, we seek to mitigate this conflict of interest by applying selection criteria other than transaction costs to filter the ETF universe. We use both transaction fee and commission-free ETFs in the Program Strategies.

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The Program Fee does not cover:

- Brokerage commissions or other charges resulting from transactions not effected through the broker-dealer named in your Program Agreement.
- Any internal management operating fees or expenses imposed or incurred by a mutual fund or other pooled investment vehicle.
- Any additional custodial services contracted for directly by the client with the custodian.
- "Mark-ups" and "mark-downs" or "dealer spreads" that broker-dealers, including affiliates of Asset Managers or Separate Account Managers, may receive when acting as principal in certain transactions.
- Certain costs or charges that may be imported by the broker-dealer or custodian named in your Program Agreement or third parties, including costs associated with exchanging foreign currencies, odd-lot differentials, IRA fees, transfer taxes, exchange fees, wire transfer fees, postage fees, and other fees or taxes required by law.

Further, to the extent that cash used for investment through Program comes from redemptions of the client's mutual fund or other investments outside of Program, there may be tax consequences or additional cost from sales charges previously paid and redemption fees incurred. Such redemption fees would be in addition to the Program Fee on those assets.

In most cases, multiple share classes of the same mutual fund are available for purchase. Some share classes of a fund charge higher internal expenses, whereas other share classes of a fund charge lower internal expenses. Institutional and advisory share classes typically have lower expense ratios and are less costly for a client to hold than Class A shares and other share classes that may be eligible for purchase in an advisory account. Mutual funds that offer institutional share classes, advisory share classes, and other share classes with lower expense ratios are available to investors who meet specific eligibility requirements that are described in the mutual fund's prospectus or its statement of additional information. These eligibility requirements include, but may not be limited to, investments meeting certain minimum dollar amounts and accounts that the fund considers qualified fee-based programs. It is also possible that the lowest cost mutual fund share class for a particular fund may not be offered through the Program or available for purchase within specific types of accounts. Clients should not assume that they will be invested in the share class with the lowest possible expense ratio or cost. The share class available for client accounts may be restricted at the custodian or within an account program.

The custodian will receive payments from certain mutual funds (including money market funds) pursuant to a Rule 12(b)-1 distribution plan or other such plan as compensation for distribution or administrative services and are distributed from the fund's total assets. These fee arrangements will be disclosed upon request of a client and are available in the applicable fund's prospectus. The fees received by the custodian create a conflict of interest. In addition, the custodian receives compensation in connection with cash held in the account.

The Program may cost a client more or less than purchasing such services separately depending on the frequency of trading in the Program accounts, commissions charged at other broker-dealers for similar products, fees charged for like services by other advisers and broker-dealers, the fee structure of the account and other factors.

As of December 31, 2019, within the KIP Wrap Fee Program, we provided discretionary asset management of more than \$377 million in client assets for approximately 979 client households. Discretionary asset management means that we have the authorization to make investment decisions on behalf of our clients.

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

We typically do not require a minimum amount of assets to open an account in the Program; however, we may require clients to have a household investment balance of \$100,000. This minimum balance requirement may be waived, or may vary depending on the Program Strategy selected. Some Asset Managers or Separate Account Managers may impose minimum account balances. If so, those restrictions are set forth in their respective disclosure brochures. These minimums may be waived under certain circumstances. If the market value of the assets in a Program Strategy fall below the stated minimum, you may be required to deposit additional funds to meet the required account minimum, or close the Program Strategy account.

The Program is available to individuals, including high net worth individuals, business entities, trusts, and non-profit and charitable organizations.

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

Klaas PMG selects the Program Strategies available in the Program. In addition, Klaas PMG may select third-party asset managers or separate account managers to manage some Program Strategies.

As deemed necessary, Klaas PMG may conduct onsite due diligence and meetings with Asset Managers and Separate Account Managers. This due diligence is an ongoing process of broad discovery, and may entail an assessment of investment organizations, people, professional culture, operational processes, key vendors, size of asset base and client types (e.g., institutional, retail, distribution channels used), as well as management and ownership structure. When conducting due diligence and investment selection, thoughtful and thorough qualitative evaluation are the most critical decision inputs, not past performance. We may also relay on due diligence information provided by Asset Managers and Separate Account Managers, as well as information available from other sources, such as disclosure brochures and independent databases. Among the types of information analyzed are historical performance, investment philosophy, investment style, historical volatility and correlation across asset classes.

Klaas PMG monitors the performance of Asset Managers and Separate Managers on an ongoing basis. Managers who under-perform relative to the applicable asset class and or style for an extended period of time will likely be removed from the Program. Klaas practices careful judgment and discretion when determining whether to include each Manager in the Program. Factors that would cause us to replace a Manager may include, but are not limited to, underperformance, a change in management personnel or a change in their strategy or discipline that is deemed no longer beneficial to the client, the determination of significant risk or impairment as discovered through due diligence, a significant regulatory deficiency, or a violation of the terms of agreement held between the Manager and Klaas.

#### **Individual Needs of Clients and Restrictions**

As described in "Services, Fees and Compensation" above, through discussions, interviews, and questionnaires, we will assist you in determining your investment objectives, risk tolerance, and investment time horizon, and any applicable investment policies, guidelines, or reasonable restrictions. Based on this information, we select Program Strategies for the client.

You may place reasonable restrictions on your portfolio prohibiting particular investments or types of investments from being held portfolio. However, please note that imposing such restrictions may cause Klaas

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PMG (or the Asset Manager or Separate Account Manager, if applicable) to deviate from the investment decisions it would otherwise make in managing your account. In some cases, we may not be able to accommodate restrictions if they do not allow us to manage your portfolio in a prudent manner.

### **Other Types of Accounts**

In addition to the KIP Wrap Fee Program, Klaas provides non-discretionary financial planning and consulting through its Klaas 360 service, financial institution investment consulting, and also investment consulting and education services to plan sponsors and participants of qualified retirement plans through its Klaas 401k service. Information on these additional services are provided in our Form ADV Part 2A Disclosure Brochure, which is available upon request.

### **Performance-Based Fees**

We do not charge performance-based fees for the Program. Performance-based fees are generally based on a percentage of the capital gains and/or appreciation of the client account assets.

### **Methods of Analysis**

As part of our discretionary portfolio management services, Klaas PMG designs, supervises, and manages individual investment accounts. In general, Program Strategies employ a structured and disciplined approach to investing. Our methodology is anchored in the academically rigorous investment principles of Modern Portfolio Theory and Asset Allocation as the key determinant of portfolio returns. Foundational to this philosophy is:

- Recognition of an integral relationship between risk and return;
- Diversification across asset classes and portfolio risk sources; and
- Time-tested effectiveness of a long-term investment strategy.

Asset allocation is the strategic combination of asset classes, such as stocks and bonds, to seek the highest long-term returns given an investor's acceptable level of risk. The methodology applied to the Program Strategies is based upon the belief that it is generally not in the investor's best interest to attempt to determine investment security purchase or sale points based on short-term economic information, market timing, forecasts, and prediction models.

Both quantitative and qualitative inputs are utilized to assess, design, and monitor investment portfolios and holdings. Evaluation parameters vary depending upon the asset, investment type or vehicle. Assessment and analysis include, but are not limited to:

- The impact of fees and expenses;
- Taxes and turnover;
- Liquidity and frictional costs for the asset or security type; and
- Potential to capture incremental return in a transparent and repeatable manner.

Klaas PMG uses outside vendors and/or third-party software, and research as needed, to assist in formulating investment recommendations. Vendor services utilized include: market analysis and manager research subscription datasets, public databases, software and tools related to asset allocation and portfolio optimization, as well as portfolio reconciliation, reporting, and rebalancing tools.

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In addition to quantitative evaluation, qualitative analysis and due diligence can encompass many sources of assessment, data, and analysis, such as: conference calls, academic journals, economic and market research materials prepared by others, annual reports, prospectuses, ADV filings, company press releases, financial publications, as well as discussion and interaction with other investment professionals.

### **Investment Strategies**

Our Program Strategies seek to efficiently and effectively capture targeted risk and return characteristics of your investment objective using broad asset allocation exposures, incorporating diversification across sources of risk and return, asset classes, countries, and sectors. Although Program Strategies generally deploy similar approaches for asset allocation, the number and mix of ETFs, mutual funds, and other security types used in accounts, individual client portfolios will vary depending on account size and other practical limitations to implement cost-effective and efficient discretionary portfolio management services in accounts.

### **Risks**

Although our Program Strategies seek to limit risk through broad diversification among asset classes, all investments involve risk. Asset allocation and diversification are investment strategies used to manage risk, but they do not guarantee a profit nor protect against a loss. Losses can occur by investing in any security, asset class, or investment strategy, including conservative Program Strategies. Even for longer investment time horizons, there is no assurance that your investment objectives can be achieved, positive returns cannot be guaranteed as investing in securities necessarily involves a risk of loss.

In addition to general market risks, the Program Strategies may be subject to the risk of loss arising from direct or indirect exposure to a number of types of catastrophic events, such as global pandemics, natural disasters, acts of terrorism, cyber attacks, or network outages. The extent and impact of any such event on the Program Strategies will depend on many factors, including the duration and scope of the event, the extent of any governmental restrictions, the effect on the supply chain, overall consumer confidence, and the extent of the disruption to global and domestic markets.

Past performance is no indication of future performance, and we cannot offer any guarantees or promises that your goals and objectives will be met.

When applicable, please see the respective disclosure brochure of Asset Managers and Separate Account Managers for more information on their methods of analysis, investment strategies, and risk. Each Manager is solely responsible for the truthfulness, completeness, and accuracy of its own disclosure brochure.

### **Risks of Specific Securities Utilized**

Our Program Strategies typically invest in ETFs mutual funds. However, we may use a variety of security types:

**Equity Securities** – Investing in individual stock positions involves inherent risk, including the potential for greater concentration risk related to a single company or business enterprise. Significant risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk, and liquidity risk. Equity securities are not guaranteed or insured by the FDIC or any other government agency.



**Mutual Fund Securities** – Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund. Active mutual funds have higher fees and costs that can result in lower investment returns. Mutual funds are not guaranteed or insured by the FDIC or any other government agency.

**Exchange Traded Fund (ETF) Securities** – Exchange-traded funds are investment companies with shares that are bought and sold on a securities exchange. Generally, an ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs®, Powershares® and iShares®. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Certain ETFs or ETNs employ leverage, which creates additional volatility and price risk. ETFs are not guaranteed or insured by the FDIC or any other government agency.

**Corporate Debt Securities, Commercial Paper, and Certificates of Deposit** – Fixed income securities carry different risks than those of equity securities described above. These risks include the company's or the government's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign), and currency risk. If bonds have maturities of 10 years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk. Corporate Debt securities are not guaranteed or insured by the FDIC or any other government agency.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank, and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

**Municipal Securities** – Municipal securities carry different risks than those of corporate government and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but can be taxable in individual states other than the state in which both the investor and municipal issuer are domiciled. Municipal securities are not guaranteed or insured by the FDIC or any other government agency.

**U.S. Government Securities** – U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

**Closed-End Funds** – A closed-end fund is a collective investment model based on issuing a fixed number of shares which are not redeemable from the fund. Unlike open-end funds, new shares in a closed-end fund are not created by managers to meet demand from investors. Instead, the shares can be purchased and sold only on the securities exchange where it maintains a listing. In the United States, closed-end funds sold publicly must be registered under both the Securities Act of 1933 and the Investment Company Act of 1940. The major risks of a closed end fund relate to general market risk, the underlying securities in the fund portfolio, future expectations of the performance of those underlying securities, the degree to which leverage is

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utilized, quality of the issuer's management, the issuer's ability to meet its contractual and operating obligations, and the overall credit risk of the issuer. Closed-End Funds are not guaranteed or insured by the FDIC or any other government agency.

### **Voting Client Securities**

Klaas does not accept voting authority for client proxies. Generally, in most cases Asset Managers or Separate Account Managers will vote proxies for securities held in the accounts, unless a client specifically reserves the right to vote proxies in writing. This delegation to a Manager may be revoked at any time by written notice to the Manager. The Manager has proxy voting policies and procedures which contain guidelines in order to minimize conflicts of interest and to ensure that it votes proxies in a manner consistent with the best interests of its clients. A copy of these policies and procedures is available upon request. Further, clients may obtain information from the Manager on how their proxies were voted by submitting a written request to Klaas, who will forward it to the Manager.

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

As described in "Services, Fees and Compensation" above, through discussions, interviews, and questionnaires, we will assist you in determining your investment objectives, risk tolerance, and investment time horizon, and any applicable investment policies, guidelines, or reasonable restrictions. If we select an Asset Manager or a Separate Account Manager to manage all or a portion of your investment portfolio, we will inform the Manager which Program Strategies have been selected for you. We also provide the Manager with basic information about you. We are responsible for communicating any changes in your information or in the Program Strategies selected to the Manager.

Clients may impose restrictions on the investments in their accounts, including designating particular securities or types of securities that should not be purchased for an account. We will communicate any restrictions that you impose, or any changes to these restrictions, to the Manager. The Manager may reject the restriction or the account if it deems the restriction to be unreasonable.

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

Clients are encouraged to contact us to discuss any questions you have regarding your investment portfolio, or to arrange for a consultation with an Asset Manager or Separate Account Manager. Clients are also free to contact your Managers directly.

### **Item 9. Additional Information**

#### **Disciplinary Information**

There are no legal or disciplinary events that are material to an evaluation of Klaas's advisory business.

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

Investment Adviser Representatives with Klaas are insurance licensed to offer fixed insurance products through various insurance companies. Clients are not obligated to execute insurance purchases through these individuals. However, should clients choose to execute securities transactions through these individuals, then clients are advised that they will pay a commission to them and a conflict of interest exists.

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## Code of Ethics and Personal Trading

We have adopted a Code of Ethics (“Code”) to address the standards of business conduct required of our Investment Adviser Representatives and employees. The Code includes policies and procedures designed to protect your interests. The Code includes, but is not limited to, the following provisions:

- To uphold our fiduciary duty to put your interest ahead of ours at all times.
- To comply with all applicable laws and to maintain a standard of conduct.
- To avoid actual or potential conflicts of interest where possible, and to fully disclose any actual or potential conflicts that may exist.
- To conduct all personal securities transactions of our Investment Adviser Representatives and employees in a manner consistent with the Code.
- To avoid giving or receiving gifts that may influence decisions.
- To prevent any abuse of our position of trust and responsibility, including the use of inside information we may obtain.

*You may obtain a complete copy of our Code upon request.*

## Review of Accounts

Klaas PMG conducts regular and ongoing monitoring, review, and due diligence of client accounts, Program Strategies, underlying investment products, and Asset Managers and Separate Account Managers.

We will periodically rebalance the discretionary investment management account holdings within your account. The primary goal is to ensure that the market value of the investments in asset class and allocation parameters remain aligned with the percentage of the total market value of the entire client account, within a reasonable tolerance level. Rebalancing may generate a taxable transaction for you.

We will periodically review each client’s financial plan, goals, and constraints to determine if risk/return and/or investment portfolio allocation need revision as a result of changes in the client’s financial circumstances. If changes are necessary, we will update investment policy guidelines and implement the Program Strategies as deemed appropriate.

Reviews may be triggered by material market, economic or political events, or by changes in client’s financial situations (such as retirement, termination of employment, physical move, or inheritance).

Klaas may provide clients with quarterly performance reviews of Program accounts. Klaas will not provide tax advice, and nothing in the performance review should be construed as advice concerning any tax matter. Performance reviews are not a substitute for regular monthly account statements received from the custodian or Form 1099. Performance reviews should not be used to calculate fees or to complete income tax returns.

## Client Referrals and Other Compensation

We do not currently compensate any unaffiliated persons or entities for referring clients to us. In the event we enter into such an agreement for solicitation of referrals, we will update this item as necessary. Any solicitation arrangements we may enter into will comply with applicable rules that govern the nature of the solicitation arrangement, the fees to be paid, and the disclosure of the arrangement to clients.

In addition, Klaas has an arrangement with Monarch Solutions, Inc. (“Monarch”) under which Klaas receives a percentage of the first year’s revenue from insurance products purchased by any clients referred to Monarch by Klaas. The price a client pays for insurance products is not affected by our referral. You may choose to purchase any insurance products through any licensed agent.

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Additionally, we receive certain economic benefits as a result of our participation in the institutional brokerage programs of Fidelity Brokerage Services, LLC ("Fidelity"). These benefits include products and services that assist us in managing and administering client accounts, including access to investments generally available to institutional investors, software, technology, and research. We will generally recommend Fidelity as the custodian for your KIP Wrap Fee Program Account. We are not affiliated with the custodians we recommend. We do not enter into soft dollar arrangements with any custodian. We may also receive non-economic benefit from Third Party Managers we utilize in the form of the support products and services they make available to us. The benefits we receive are more fully described in Klaas's Part 2A Disclosure Brochure in the section entitled "Brokerage Practices."

### **Financial Information**

Because we do not require prepayment of advisory fees six months or more in advance, we are not required to provide a balance sheet.

We are required to disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Although we do not deem it to be a material financial condition that requires disclosure, we are voluntarily disclosing that we obtained a loan under the Paycheck Protection Program ("PPP") during the COVID-19 global pandemic. We believe this was a prudent measure to ensure we had access to working capital at favorable terms during a period of high economic uncertainty. However, at no time has our ability to meet our commitments to our clients been impaired. Because the primary purpose of the PPP was to help businesses keep their workforce employed, the proceeds are intended to be used to pay employees' salaries, including the salaries of employees who provide investment advisory services. We expect to meet the conditions for forgiveness of the loan under the terms of the PPP.

We have not been the subject of any bankruptcy proceedings.

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