



**ITEM 1 – COVER PAGE
FOR FORM ADV PART 2A BROCHURE**

PHRACTION MANAGEMENT LLC

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Date of Brochure: November 20, 2025

This Brochure provides information about the qualifications and business practices of Phraction Management LLC (hereinafter referred to as “Phraction,” the “Firm,” “we,” or “us”). If you have any questions about the content of this Brochure, please contact the Firm’s Chief Compliance Officer at the telephone number provided above or email us at team@phraction.net.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Phraction is registered as an investment adviser with the SEC. The fact that Phraction is “registered” does not imply any level of skill or training. You should not make a determination to hire or retain any adviser based solely on the fact that the adviser is registered.

Additional information about Phraction is available on the SEC’s Web site at www.adviserinfo.sec.gov. The SEC’s Web site also provides information about persons affiliated with Phraction who are registered as investment adviser representatives of the Firm.

Item 2 – Material Changes

This Item 2 is not a summary of the Brochure in its entirety. This Item 2 summarizes only the material changes that were made since the most recent update on August 15, 2025. Following is a summary of the material changes to the Brochure since that time:

November 20, 2025

- COVER PAGE
 - Added Suite 2
- ITEM 4C Services
 - Removed the Manager Selection option
- ITEM 5A Fees
 - Revised the asset-based fee option to narrow the fee range and state that fees can be charged monthly or quarterly
 - Revised the fixed fee option to state that fees can be charged monthly or quarterly
 - Added the performance-based fee option for qualified clients
 - Removed the Manager Selection information
- ITEM 6 Performance-based Fees
 - Added disclosures regarding performance-based fees and side-by-side management, including information about associated conflicts of interest and how we address those conflicts.

In the future, for each newly issued Brochure, this Item 2 will identify and include a summary of the specific material changes that were made since the previously issued annual update of the Brochure.

You may obtain a copy of our current Brochure any time by contacting our Firm's Chief Compliance Officer at the telephone number listed on the cover page of this Brochure.

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Item 4 – Advisory Business

A. Business Commencement Date

Phraction was organized in August of 2018 to offer investment management services.

B. Ownership

Mapfair LLC owns a majority membership interest in Phraction. Mr. Jason Stollman is the sole member and manager of Mapfair LLC.

C. Services

DISCRETIONARY ACCOUNTS. We provide personalized discretionary investment management services. Clients are asked to provide us with information with respect to their financial and investment profile, including current financial holdings, investment preferences and objectives, risk tolerance, present and long-term liquidity needs, investment time horizon(s), wealth planning needs and objectives, insurance coverage requirements, and tax status. We will also inquire as to the restrictions, if any, the client wishes to impose on the management of the advisory account. From the information supplied by the client, we formulate and pursue a customized asset allocation and investment strategy that we believe is suitable and will help the client achieve the stated investment objectives. We actively manage the discretionary account on an ongoing basis in accordance with the account's objective(s) and in consideration of the client's investment time frame and risk tolerance. Account monitoring is performed on a continual basis. See Item 8A for information about our analysis method. See Item 13 for additional information about account monitoring and reviews. As dictated by the client, we will also provide advisory services regarding family governance and intergenerational wealth transfer. We do not provide legal or tax advice. Clients are encouraged to consult with their legal or tax attorneys or advisers regarding legal and tax matters.

LIMITED DISCRETIONARY ACCOUNTS. We also offer limited-discretionary advisory services tailored to the client's needs. As with the discretionary accounts, clients are asked to provide us with information regarding their financial profile (as detailed above) and any restrictions the client wishes to impose on the management of the accounts. For limited-discretionary accounts, we will recommend an investment strategy, allocation mix, or changes to the client's existing portfolio that we believe is suitable for that client. Account monitoring is performed on a continual basis. See ITEM 13 for additional information about account monitoring and reviews. On an ongoing basis, we made buy/sell recommendations to the client as appropriate, based on the clients financial and investment profile and investment objectives. Where the client approves of a recommendation, we will arrange to the effect the recommended transaction(s) in the clients account using a limited power of attorney granted to us by the client. We will provide advice regarding family governance and intergenerational wealth transfer as requested by the client. We do not provide legal or tax advice. Clients are encouraged to consult with their legal or tax attorneys or advisers regarding legal and tax matters.

CONSOLIDATED REPORTS. We provide consolidated report services to clients upon request. Although we do not charge a separate fee for this service, where the client pays a fixed fee for the advisory services, the determination of the fixed fee to be charged will be based, in part, upon the number of accounts that will be included in the consolidated reports as well as the work involved in obtaining valuations for the assets. The client determines which assets will be included in the consolidated reports and can request that we include information about accounts or assets for which we do not provide investment management services. The consolidated reports are provided on intervals mutually agreed to by the client and us.

INVESTMENT CONSULTING. We provide non-discretionary services to one or more entities, which services may include (1) periodically providing research and/or reports concerning general economic conditions and/or types of securities, (2) making investment buy/sell suggestions or recommendations, (3) suggesting asset allocation mixes, and/or (4) non-discretionary portfolio management advice regarding the selection of investment securities and/or investment vehicles and the quantities or amounts of securities or other interests to be purchased, leveraged, transferred, exchanged, traded and/or sold by certain customers of the entity consistent with and based on our analyses of the investment requirements and objectives adopted by the customer and communicated to us by the entity/individual (either directly or through a reporting system to which the entity gives us access). We also provide similar non-discretionary services for individual (natural person) accounts which may include advice regarding family governance and intergenerational wealth transfer as requested by the client. The client is free to implement or disregard in whole or in part any recommendations, advice or suggestions we make. We do not arrange for or effect any transactions for any of the entity's accounts or its customers' accounts or for the individual client.

FAMILY OFFICE CONSULTING. We provide family office consulting services, which may include, as agreed to by the client, the following non-exhaustive list of services:

- 1) General Administrative Assistance:
- 2) Personal Risk Management Consulting: working alongside the client and their insurance broker(s)/agents to help ensure they are maintaining the appropriate coverages that fit their adapting needs; and/or
- 3) Tax & Estate Administrative Assistance: working alongside the client and their accountant(s) to help ensure appropriate tax filing forms and other documents are being maintained.

We also will work at the direction of the client (which may include, as appropriate, any trustee(s), directors, managers or assistants of household entities) with various ad-hoc reporting requirements. Although at this time we do not charge a separate fee for this service, where the client pays a fixed fee for the advisory services listed above, the determination of the fixed fee to be charged will incorporate the agreed upon estimated scope of these services and the time it will take to execute these services.

INVESTMENT PRODUCT TYPES. Generally, the Firm's investment advice is confined to the following universe of securities and products:

- Exchange listed securities;
- Securities traded over-the-counter;
- Securities issued by foreign issuers, including foreign sovereign debt instruments;
- Preferred stock;
- Emerging market securities;
- Corporate debt securities;
- U.S. government securities;
- Municipal Securities
- Open-end mutual funds (foreign and domestic);
- Closed-end funds;
- Exchange-traded funds;
- Private equity funds and hedge funds;
- Options contracts;
- Futures contracts;
- Interests in REITs; and

- Interests in private placements.

D. Assets Under Management

As of December 31, 2024, we were managing approximately US\$ 520,999,762 on a discretionary basis.

Item 5 – Fees and Compensation

A. Fees

DISCRETIONARY/LIMITED DISCRETIONARY ACCOUNTS

We charge fees in accordance with one of the following methods as agreed by the client:

1. **ASSET-BASED FEE.** We will charge an annualized fee typically between 0.40% and 0.85% of the value of the assets under management. The specific fee is negotiated with the client and is based on factors such as the size and complexity of the client's portfolio. We offer reduced fees for large accounts and for accounts managed for family members and certain related parties, as determined at our discretion.

Fees will be charged on a monthly or quarterly basis in arrears and may be subject to a minimum fee, as agreed to by the client. The fee is based upon either (a) the average daily balance during the period or (b) the period end value. For the first period (quarter or month, as the case may be), fees will be adjusted *pro rata* based on the number of calendar days during which the advisory agreement was in effect. Any contributions and/or withdrawals made during a period will result in an adjustment to the advisory fee.
2. **FIXED FEE.** We offer a fixed monthly or quarterly fee option. The fixed fee will be negotiated at the inception of the advisory relationship and will be based upon the scope and complexity of the advisory service to be provided and the size of the client's portfolio. The fixed fee will be charged in arrears. The first month's fee will be *pro rated* based on the number of days in the period during which the agreement was in effect. The negotiated fee will be stated in the written agreement between Phraction and the client.
3. **PERFORMANCE-BASED FEE.** We offer a performance-based fee arrangement to qualified clients, as defined in the Investment Advisers Act. Under this arrangement, the client pays a reduced asset-based or fixed fee (lower than the standard fees that could be negotiated under the "Asset-Based Fee" and "Fixed Fee" options) in addition to a performance-based fee. The performance-based fee is equal to 5% of the account's net profits, calculated annually. It is applied only to profits that exceed any prior cumulative gains. This fee is calculated using a "high-water mark" method, which means a performance fee is charged only if the account's value at the end of the calendar year exceeds its highest historical year-end value (adjusted for any deposits or withdrawals). The high-water mark resets at the end of each calendar year to reflect the highest level of cumulative portfolio gains. Contributions to the account increase the high-water mark by the amount of the contribution. Withdrawals from the account reduce the high-water mark by the amount of the withdrawal. Net profits include all gains and income in the account, such as interest, dividends, distributions, option premiums, and both realized and unrealized capital gains. From this amount, we deduct any account-related expenses, including administrative fees, brokerage commissions, and margin interest. Contributions and withdrawals themselves are not included in the calculation of net profits, although any income or gains generated from contributed assets are included.

The performance-based fee is calculated at the end of each calendar year and is deducted from the account in January of the succeeding year by the account's Custodian. In the first year, the performance fee will be *pro rated* based on the number of days the account was managed during that year.

In all cases, the Advisory services commence on the date on which the advisory agreement is signed by us.

There may be periods of time with low or no transaction activity in a client's discretionary account. Among the reasons for this include market conditions, restrictions placed on the account by the client, tax considerations, performance, nature of securities held, or the investment strategy(ies) being pursued.

Lower advisory fees may be negotiated on an individual account basis. As a result, clients with similar assets will have differing fee schedules and pay different fees.

HOW FEES ARE COLLECTED. The client's account will be debited for the above-mentioned fees. We collect the fees from the amount of any contribution or transfer, from available cash in the client's account, or by liquidating the client's assets held in the client's account in an amount equal to the fees that are due. Alternatively, as agreed to by the client and us, we will invoice the client for the amount due. Invoices are payable upon receipt.

INVESTMENT CONSULTING. The client pays us an agreed-upon fixed monthly or quarterly fee for services rendered. The monthly or quarterly fee may be renegotiated from time to time based on the time dedicated by our staff to the services provided. Quarterly fees are charged in arrears. We will invoice the client for fees due.

FEE SCHEDULE MODIFICATIONS. Typically, in our agreements with our clients, we reserve the right to adjust the fee schedule upon thirty (30) days' prior written notice to the client.

LOWER FEE DISCLOSURE. Lower fees for comparable management or other services may be available from other sources.

B. Termination of Service

DISCRETIONARY/LIMITED DISCRETIONARY ACCOUNTS. In connection with the discretionary/limited discretionary management services, upon written notice to Phraction, within five (5) business days of entering into an agreement with the Firm, the client will have the right of termination without penalty or payment of fees. The Firm will refund any payment that has been made. Thereafter, either Phraction or the client has the right to terminate the agreement upon thirty (30) days' prior written notice to the other party. We would be entitled to a *pro rata* fee based on the number of days the advisory agreement was in effect during the quarter (or month, as the case might be) in which the advisory account was terminated.

CONSULTING. The agreement for consulting services can be terminated at any time in writing by the client. The Firm retains the right to terminate the agreement upon 30 days' prior written notice to the client. When fees are charged in arrears, the Firm will charge a prorated fee, if applicable, when the consulting services are terminated.

C. Other Fees

In addition to the advisory fees charged by the Firm, other fees apply. Brokerage commissions, transaction fees, sales loads, sales charges, management fees, administrative fees, account

maintenance fees, transfer taxes, wire transfer fees, electronic fund fees, and other fees are typically charged by the broker or dealer selected for execution of the securities transactions in the advisory accounts, by the custodian, and/or by the distributor, issuer or fund issuing the securities purchased and sold within the advisory accounts. The client is solely responsible for paying all such charges. In addition, mutual funds and certain exchange-traded funds (“ETFs”) pay management fees to their investment advisers, which reduce their respective assets. To the extent that the client's portfolio has investments in mutual funds or ETFs that charge an ongoing fee, the client will pay two levels of advisory fees for the management of their assets: one directly to the Firm, and the other indirectly to the managers of those mutual funds and ETFs held in their portfolios. Neither Phraction nor any of its agents or representatives receives any portion of these other fees.

D. Broker/Dealer Charges

Item 12 further describes the factors that Phraction considers in selecting or recommending broker/dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Item 6 – Performance-Based Fees and Side-By-Side Management

Performance-based fees are fees based on a share of capital gains on or capital appreciation of the assets of an account or portfolio. Phraction charges performance-based fees to certain qualified clients subscribing to its discretionary management services. A description of how the performance-based fees are calculated and when such fees are due is set forth in the management agreement.

Where we simultaneously manage accounts for which we receive performance-based compensation and accounts for which we receive fees based on the assets under management, there is a conflict of interest in that we will have an incentive to favor accounts for which we are receiving the performance-based fee. We believe that this conflict of interest is mitigated where the performance-based fee accounts have investment strategies that are distinct from the other accounts. Where there is any crossover in investment strategies or positions, the Chief Compliance Officer conducts reviews of the account transaction data to identify any irregularities or abuses in the allocation of an investment idea or opportunity or in the allocation of transactions in a single security across accounts managed side-by-side. If we aggregate trades across accounts with different fee arrangements, we will do so in accordance with our trade allocation procedures. These procedures are designed to ensure that trades are allocated in a fair and equitable manner. Any deviation from our standard allocation process must be documented and reviewed to confirm that there was a valid, fact-based reason for the departure from policy.

Item 7 – Types of Clients

Generally, we offer advisory services to high-net-worth individuals, trusts, estates, organizations, or corporations or other business entities.

When subscribing to the advisory services offered by us, generally, the minimum account value is US\$5,000,000. If the value of a client's account declines below the account minimum value during the advisory relationship, we reserve the right to require the client to deposit additional monies or securities to bring the account value up to the minimum amount required. In special cases, account minimums are waived or negotiated.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

A. Methods of Analysis

When formulating investment advice for the managed accounts, we generally utilize fundamental analysis. Fundamental analysis is a method of attempting to measure a security's underlying value and potential for future growth (its intrinsic value) by examining economic, financial and other qualitative and quantitative factors directly related to the issuer/company as well as company-specific factors (like financial condition, management, and competition). We compare the intrinsic value with the security's current price, with the aim of determining what position to take with the security (i.e., buy, sell or hold). Fundamental analysis has a number of risks: the analysis may be compromised by incorrect or stale data; the analysis method typically does not consider the influence of random events and acts of God; and, the market may fail to reach expectations of perceived value.

We do not represent, warrant, or imply that any analysis method employed by us can or will successfully identify market tops or bottoms. No analysis method has been proven to insulate clients from losses due to market fluctuations, corrections or declines.

B. Investment Strategies

The primary investment strategy we employ is a long-term “buy and hold” strategy. Periodically, we might make (or recommend) short-term purchases. Investment strategies might also involve option writing, with covered calls being the most widely used approach. To a lesser extent, we might employ uncovered options or spread strategies. The particular strategies employed will depend upon the individual needs and risk tolerance of the client. A short description of each of these strategies follows:

- Buy and Hold. Generally, a long-term purchase is a purchase of a security or investment product with a view to holding the security or product for more than one year. Trade commissions are reduced by buying and selling less often and taxes are often reduced or deferred by holding positions longer. We typically will follow a buy and hold strategy when pursuing a global fixed income strategy, a global equity markets investment strategy, and/or an emerging markets investment strategy.
 - A global fixed income strategy involves participating in the broad global movement of fixed income markets through purchasing investment grade fixed-income securities that are listed or traded on recognized markets. The objective of this strategy is to generate current income and capital growth.
 - A global equity markets investment strategy seeks long-term growth in equity securities of U.S. and non-U.S. companies that we believe are priced below their intrinsic values but are still fundamentally solid and are likely to appreciate. While we do not target issuers of a particular size, most issuers will have larger capitalizations.
 - An emerging markets strategy involves investing in stocks or bonds issued by companies and government entities in developing countries. Typically, there is a medium- to long-term holding period and there can be high volatility.

Using a long-term purchase strategy generally assumes the financial markets will go up in the long term, which might not be the case. There is also the risk that the segment of the market that you are invested in or your particular investments will decrease in value even if the overall financial markets advance. Purchasing investments long-term creates an opportunity cost (e.g., “locking-up” assets that could be better utilized in the short-term in other investments).

- Short-term Purchases. A short-term purchase is a purchase of a security or investment product with the intent of possibly selling it within one year of its purchase. Our investment strategies

typically do not include frequent trading (which focuses on opportunistic trades and holding the investment product for only a short period of time). Using a short-term purchase strategy generally assumes that the performance of the financial markets can be accurately predicted over the short-term. The risk associated with a short-term purchase strategy is that there are many factors that affect market performance in the short term including interest rate fluctuations and cyclical earnings. Such factors generally have a smaller impact over the longer- term. In addition, short-term trading generally incurs a disproportionately higher amount of transaction costs compared to long-term trading.

- Option Writing. Investors can sell call options in order to obtain additional income from premiums paid by the option buyer. The positive potential of this strategy is limited because the most money the investor can earn is the amount of the option premium.
- Uncovered Options and Spread Strategies. Uncovered options trading can be more risky than writing covered call options. The potential loss is theoretically unlimited. An option spread involves combining two different option strikes as part of a limited risk strategy.

The concept of asset allocation, or spreading investments among a number of asset classes (e.g., domestic stocks vs. foreign stocks; large cap stocks vs. small cap stocks; corporate bonds vs. government debt instruments), plays a prominent role in executing an investment strategy. Asset allocation seeks to achieve diversification of assets in order to reduce the risk associated with investing all or a significant portion of a client's portfolio in one asset class. We believe that risk reduction is a key element to long-term investment success.

C. Risks

1. *General Risks*

Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment or investment strategy will either be suitable or profitable for a client's investment portfolio. Past performance is not indicative of future results. A client should not assume that the future performance of any specific investment, investment strategy, or product will be profitable or equal to past or current performance levels. We cannot assure that the investment objectives of any client will be realized.

2. *Special Risks*

While investing in any security involves risk, investing in some types of securities carries special risks. A summary of the special risks associated with some types of securities we may recommend or purchase or sell in your account is provided below. Please note that the following summaries are general in nature and do not include an explanation of all risks associated with a given security type.

- a. Common Stocks. The major risks associated with investing in common stocks relate to the issuer's capitalization, quality of the issuer's management, quality and cost of the issuer's services, the issuer's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the issuer's ability to create shareholder value (e.g., increase the value of the company's stock price).
- b. Convertible Stocks. The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its

“conversion value.” The investment value of a convertible security is influenced by changes in interest rates, the credit standing of the issuer and other factors. The conversion value of a convertible security is determined by the market price of the underlying common stock. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. A convertible security will generally be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security is called for redemption, the investor will be required to permit the issuer to redeem the security, convert it into the underlying common stock, or sell it to a third party. Any of these actions could have an adverse effect on the investor’s ability to achieve his/her investment objective(s).

- c. Bonds. Bonds are subject to credit risk, which is the risk of default associated with the issuer. Bonds are also subject to interest rate risk or the risk that changes in interest rates during the term of the bond might affect the market value of the bond prior to the call or maturity date. Investors should also consider inflation risk, which is the risk that the rate of the yield to call or maturity will not provide a positive return over the rate of inflation for the period of the investment.
- d. Foreign-Issued Securities. Debt and equity investments associated with foreign countries involve increased volatility and risk due to, without limitation:
 - Political Risk. Many foreign countries are undergoing, or have undergone in recent years, significant political change that has affected government policy, including changes in the regulation of industry, trade, financial markets, and foreign and domestic investment. The relative instability of these political systems leaves these countries more vulnerable to economic hardship, public unrest or popular dissatisfaction with reform, political or diplomatic changes, social instability, or changes in government policies. For investors, the results may include confiscatory taxation, exchange controls, compulsory reacquisition, nationalization or expropriation of foreign-owned assets without adequate compensation, or the restructuring of certain industry sectors in a way that could adversely affect investments in those sectors.
 - Sovereign Risk. Strikes, the imposition of exchange controls, or declarations of war may prevent or impede repayment of funds due from a particular country.
 - Economic Risk. The economies of these countries are generally more vulnerable to rising interest rates and inflation. Investments can be negatively affected by rates of economic growth, corporate profits, domestic and international flows of funds, external and sovereign debt, dependence on international trade, and sensitivity to world commodity prices. Additionally, a change in tax regime could result in the sudden imposition of arbitrary or additional taxes.
 - Currency Risk. The weakening of a country's currency relative to the U.S. dollar or to other benchmark currencies will negatively affect the dollar value of an instrument denominated in that currency.
 - Credit Risk. Issuers and obligors of sovereign and corporate debt may be unable to make timely coupon or principal payments, thereby causing the underlying debt or loan to enter into default.
 - Liquidity Risk. Natural disasters as well as economic, social, and political developments in a country may cause a decrease in the liquidity of investments related

to that country, making it difficult to sell quickly, and/or subjecting the seller to substantial price discounts.

The nature and extent of these risks vary from country to country, among investment instruments, and over time.

- e. Emerging Market Securities. Investments and transactions in products linked to issuers and obligors incorporated, based, or principally engaged in business in emerging markets countries carry increased risk and volatility. In addition to the political, sovereign, economic, currency, credit, and liquidity risks described above, emerging market securities can be subject to the following risks:
 - Market Risk. The financial markets can lack transparency, liquidity, and efficiency.
 - Regulatory Risk. There may be less government supervision and regulation of business. The supervision that may be in place may be subject to manipulation or control. Disclosure and reporting requirements may be minimal or non-existent.
 - Legal Risk. The process of legal reform may not proceed at the same pace as market developments, which could result in uncertainty. Legislation to safeguard the rights of private ownership might not yet be in place.
 - Settlement and Clearing Risk. The registration, recordkeeping and transfer of instruments might be carried out manually, which would cause delays.
- f. Cash Equivalents. Cash equivalents are the most liquid investment assets with low risk and low returns. Cash equivalents are short-term fixed income assets with maturity of 3 months or less. However, these assets are subject to interest rate risk. Interest rates fluctuate due to certain events taking place in the world including but not limited to economic events, geopolitical or social instability (global, regional or local), currency, interest rate and commodity price changes, and government or governmental agency responses to economic or political conditions.
- g. Mutual Funds. Most mutual funds fall into one of three main categories — money market funds, bond funds (also called "fixed income" funds), and stock funds (also called "equity" funds). Generally, the higher the potential return, the higher the risk of loss. A fund's investment objective and its holdings are influential factors in determining risk. Past performance is not a reliable indicator of future performance. Reading the prospectus will help you to understand the risk associated with that particular fund.

Different mutual fund categories have inherently different risk characteristics. For example, a bond fund faces credit risk, interest rate risk, and prepayment risk. Bond values are inversely related to interest rates. If interest rates rise, bond values will go down and vice versa.

Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons — such as the overall strength of the economy or demand for particular products or services. A sector stock fund (which invests in a single industry, such as telecommunications) is at risk that its price will decline due to developments in its industry. A stock fund that invests across many industries is more sheltered from this risk.

For most funds, investors must pay sales charges, annual fees, and other expenses

regardless of how the fund performs. And, depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive.

- h. Exchange-traded Funds (“ETFs”). An ETF is a type of investment company (usually, an open-end fund or unit investment trust) containing a basket of stocks. Typically, the objective of an ETF is to achieve returns similar to a particular market index, including sector indexes. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, the prices of the underlying securities and the overall market affect ETF prices. Similarly, factors affecting a particular industry segment affect ETF prices that track that particular sector. We do not typically purchase (or recommend) leveraged ETFs and/or inverse ETFs.

ETF performance does not exactly match the performance of the index or market benchmark that the ETF is designed to track because (i) the ETF will incur expenses and transaction costs not incurred by any applicable index or market benchmark, (ii) certain securities comprising the index or market benchmark tracked by the ETF may, from time to time, temporarily be unavailable, and (iii) supply and demand in the market for either the ETF and/or for the securities held by the ETF may cause the ETF shares to trade at a premium or discount to the actual net asset value of the securities owned by the ETF.

- i. Municipal Securities. Credit risk is the primary risk associated with municipal securities. Different types of bonds are secured by various types of repayment sources. General obligation (“G.O.”) bonds are backed by the full faith and credit and taxing power of the issuer. With revenue bonds, the interest and principal are dependent upon the revenues paid by users of a facility or service or other dedicated revenues including special tax revenues. The probability of repayment as promised is often determined by an independent reviewer, or “rating agency.” An investor might also consider that consumer spending that provides the funding or income stream for revenue bond issuers is generally more vulnerable to changes in consumer tastes or a general economic downturn compared to G.O. bonds.
- j. Private Placements. Private placements are not subject to the same regulatory and disclosure requirements as mutual funds and exchange-traded equities. Moreover, private placement interests are generally illiquid and charge higher fees. Private placements are offered through an offering memorandum, which contains detailed information on the various risks and fees relating to the particular investment. An offering memorandum and accompanying subscription documents will be provided to clients investing in these types of securities.
- k. Private Equity Funds. Private Equity Funds may be affected by various forms of risk, including:
 - Long-term Investment. Unlike mutual funds, which generally invest in publicly-traded securities that are relatively liquid, private equity funds generally invest in large amounts of illiquid securities from private companies. Depending on the strategy used, private real estate funds will have illiquid underlying investments that may not be easily sold and investors may have to wait for improvements or development before redemptions are permitted. Given the illiquid nature of the underlying purchases made by private equity and private real estate managers, private equity and private real estate funds are considered long-term investments. Private equity funds are generally set up as ten- to fifteen-year investments with little or no provision for investor redemptions.

Private real estate funds are generally seven- to ten-year investments and also have limited provisions for redemptions. With long-term investments, you should consider your financial ability to bear large fluctuations in value and hold these investments over a number of years.

- *Difficult Valuation Assessment.* The portfolio holdings in private equity and private real estate funds are typically difficult to value, because they are not usually quoted or traded on any financial market or exchange. Consequently, no easily available market prices for most of a fund's holdings are available. Additionally, it is hard to quantify the impact a manager has had on the underlying investments until those investments are sold.
 - *Lack of Liquidity.* Private equity and private real estate funds are not "liquid" (they cannot be sold or exchanged for cash quickly or easily), and the interests are typically non-transferable without the consent of a fund's managing member. As a result, private equity and private real estate funds are generally only suitable for sophisticated investors who have carefully considered their financial ability to hold these investments for the long term.
 - *Capital Call Default Consequences.* Answering capital calls to provide managers with the pledged capital is a contractual obligation of each investor. Failure to meet this requirement in a timely manner could result in significant adverse consequences, including, without limitation, the forfeiture of the defaulting investor's interest in the fund.
 - *Leverage.* Private equity and private real estate funds may use leverage in connection with certain investments or participate in investments with highly leveraged capital structures. Although the use of leverage might enhance returns and increase the number of investments that can be made, leverage also involves a high degree of financial risk and increases the exposure of such investments to risks such as rising interest rates, downturns in the economy, or deterioration in the condition of the underlying assets.
 - *Lack of Transparency.* Private equity and private real estate funds are not required to provide investors with information about their underlying holdings or provide periodic pricing and valuation information. This lack of information makes it more difficult for investors to evaluate the risks associated with the funds.
 - *Manager Risk.* Private equity and private real estate fund managers have absolute investment authority over their funds. The fund's investment returns are due, in large part, to the managers' skill and expertise. If a key manager departs, the returns of the fund could be adversely affected.
 - *Regulation.* Private equity and private real estate funds are subject to fewer regulatory requirements than mutual funds and other registered investment company products and thus may offer fewer legal protections than you would have if you invested in more traditional investments.
1. *Real Estate Investment Trusts ("REITs").* A REIT is a corporation, trust or association that owns and manages a portfolio of real estate properties and/or mortgages, allowing shareholders to invest in larger-scale, income producing real estate. The primary risks associated with REITs are declining property values, inaccurate valuations of the underlying property(ies), early withdrawal penalties, rising interest rates, and illiquidity (publicly-traded REITs are more liquid than non-traded REITs).

- m. Hedge Funds. Hedge funds often engage in leveraging and other speculative investment practices that increase the risk of investment loss. A hedge fund's performance can be volatile. An investor could lose all or a substantial portion of his or her investment. There may be no secondary market for the investor's interest in the fund. The hedge fund can be highly illiquid and there typically are restrictions on transferring interests in the fund. Hedge funds are not required to provide periodic pricing or valuation information to investors. Hedge funds can have complex tax structures. There may be delays in distributing important tax information. Hedge funds are not subject to the same regulatory requirements as mutual funds. Hedge funds often charge high fees. The fund's high fees and expenses will offset the fund's trading profits.
- n. Options. Options are complex securities that involve risks and are not suitable for all investors. Option trading can be speculative in nature and carry substantial risk of loss. The complexity of some option strategies is a significant risk on its own. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (the "expiration date"). The two types of options are calls and puts: A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. When we buy a call, we hope that the stock will increase substantially before the option expires.
- A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are similar to having a short position on a stock. When we buy a put, we hope that the price of the stock will fall before the option expires.

Buyers. The option trading risks pertaining to options buyers are:

- Risk of losing your entire investment in a relatively short period of time.
- The risk of losing your entire investment increases if, as expiration nears, the stock is below the strike price of the call (for a call option) or if the stock is higher than the strike price of the put (for a put option).
- European style options which do not have secondary markets on which to sell the options prior to expiration can only realize its value upon expiration.
- Specific exercise provisions of a specific option contract may create risks.
- Regulatory agencies may impose exercise restrictions, which stops you from realizing value.

Sellers. Selling options is more complicated and can be even riskier:

- Options sold may be exercised at any time before expiration.
- Covered call traders forgo the right to profit when the underlying stock rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock.
- Writers of call options can lose more money than a short seller of that stock on the same rise on that underlying stock. This is an example of how the leverage in options can work against the option trader.
- Call options can be exercised outside of market hours such that effective

remedy actions cannot be performed by the writer of those options.

- Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction.
- The value of the underlying stock may surge or ditch unexpectedly, leading to automatic exercises.
- o. Futures. A futures contract is a standardized contract between two parties to buy or sell a specified commodity or asset of standardized quantity and quality at a specified future date at a price agreed today (the futures price). The underlying asset may be a traditional commodity (such as oil or grains) or, for financial futures, the underlying asset can be currencies, securities or financial instruments, intangible assets, or referenced items such as stock indices or interest rates. Futures contracts are not “direct” securities like stocks. Rather, they are a type of derivative contract. The contracts are traded on a futures exchange. A futures contract is a highly leveraged investment and has a high risk of loss. The value of a futures contract is influenced by a combination of factors including the price of the referenced (underlying) security (or index), the time left before the contract expires, the volatility of the price of the underlying security, interest rates and the futures price (strike price). If the price fluctuates adversely beyond the price of the contract at the time of purchase, the purchaser of the contract may be required to deposit additional funds in his or her account.

There may be other circumstances not described here that could adversely affect a client’s investment and prevent the portfolio from reaching its objective. Prior to entering into an investment advisory agreement with us, you should carefully consider: (i) committing to management only those assets that you believe will not be needed for current purposes and that can be invested on a long-term basis; (ii) that volatility from investing in the market can occur; and (iii) that, over time, the value of your portfolio will fluctuate and may, at any time, be worth more or less than the amount originally invested.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding certain legal or disciplinary events related to the adviser or the adviser’s management. Neither Phraction nor its personnel has been subject to any such legal or disciplinary events.

Item 10 – Other Financial Industry Activities and Affiliations

- A. Neither the Firm nor any management person of the Firm is registered or has an application pending to register as a broker/dealer or a registered representative of a broker/dealer.
- B. Neither the Firm nor any management person of the Firm is registered or has an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of any of the foregoing entities.
- C. Neither the Firm nor any management person of the Firm has any arrangements that are material to its business with any related person.
- D. We do not recommend or select other investment advisers for our clients.

Item 11 – Code of Ethics

Securities industry regulations require that advisory firms provide their clients with a general description of the advisory firm's Code of Ethics. Phraction has adopted a Code of Ethics that sets forth the governing ethical standards and principles of the Firm. It also describes our policies regarding the following: the protection of confidential information, including the client's nonpublic personal information; the review of the personal securities accounts of certain personnel of the Firm for evidence of manipulative trading, trading ahead of clients, and insider trading; trading restrictions; training of personnel; and, recordkeeping. All supervised persons at Phraction must acknowledge the terms of the Code of Ethics upon hire and as amended.

Subject to satisfying the Firm's policies and applicable laws, managers, officers, and employees of the Firm trade for their own accounts in securities that are recommended to and/or purchased for Firm's clients. The Code of Ethics is designed to permit associated persons to invest for their own accounts while assuring that their personal transaction activity does not interfere with making decisions in the best interest of advisory clients or implementing those decisions. Neither the Firm nor any associated person of the Firm who (a) has access to nonpublic information regarding clients' securities transactions, (b) is involved in making securities recommendations to clients, or (c) has access to securities recommendations that are not public (collectively, the "Access Persons") is permitted to trade in or engage in a securities transaction to his or her advantage over that of a client. Access Persons are prohibited from buying or selling securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public upon reasonable inquiry. Access Persons are not permitted to execute transactions in their personal accounts ahead of a client's transaction in the same security unless certain circumstances exist. Because the Code of Ethics in some circumstances permits employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored by the Firm's Chief Compliance Officer in an effort to prevent conflicts of interest between Phraction and its clients. The personal securities accounts, if any, of the Chief Compliance Officer will be reviewed by another member of Senior Management.

Generally, trades in affiliated accounts and client accounts in the same security will not be effected on an aggregated basis. Consequently, it is possible that a trade in an affiliated account will receive a better price than the trade in the client's account.

Our clients may request a copy of the Firm's Code of Ethics by contacting the Chief Compliance Officer at the address or telephone number specified on the cover page.

Item 12 – Brokerage Practices

A. Selection of Broker/Dealer

1. **Brokerage Activity.** The client's assets are held with the broker/dealer(s) or custodian(s) selected by the client. We will recommend broker/dealers upon a client's request. When a client retains us to manage an account on a discretionary basis and the client has brokerage accounts with more than one broker/dealer, the client grants us the authority to select the broker/dealer(s) that will be used to place and execute the transactions in the advisory accounts. It is our policy and practice to strive for the best price and execution that are competitive in relation to the value of the transaction ("best execution"). In selecting a broker/dealer, we consider such factors that in good faith and judgment we deem reasonable under the circumstances. We typically evaluate the following factors when selecting the broker/dealer:

- Execution ability, including without limitation:
 - Trading experience in markets/securities needed

- Quality of trading
 - Clearance and settlement efficiency and accuracy
 - Accuracy and timeliness of order execution, reports and confirmations
 - Costs, including commission rates, ticket charges, other service charges, and the means to correct errors in an acceptable manner
 - Customer service, including responsiveness to the Firm
 - Commitment to technology and security of confidential information
 - Adequacy of capital and financial responsibility
 - Reputation and integrity
2. “Soft Dollar” Considerations. A “soft dollar” arrangement occurs when a firm directs its brokerage to a particular broker/dealer that charges brokerage commissions that are higher than they would be for an "execution only" trading relationship in exchange for products or services, such as research. Under such an arrangement, the firm would receive a benefit because it would not have to produce or pay for the products or research. The Firm is not party to any such “soft-dollar” arrangement.

Clients may pay commissions higher than those obtainable from other brokers for the same services rendered by the Firm or the broker/dealer or other intermediary used for execution.

In observance of its fiduciary duty, the Firm will, at least annually, conduct a survey to determine whether the Firm is meeting its duty of best execution.

B. Order Aggregation

Order aggregation occurs when we combine orders to buy or sell the same security for multiple clients into a single larger order to potentially achieve better prices. Except for options, we do generally, but not always, attempt to aggregate orders for accounts held at Charles Schwab and Interactive Brokers. When we aggregate equity securities, we determine and document the allocation of each participating account prior to placing the order. All managed accounts participating in a particular block trade at the same custodian receive the same execution price (average share price) for the securities purchased or sold. While we will attempt to place orders simultaneously when assets are held by multiple clients at more than one custodian, placing trades at different custodians often results in different execution times, which results in different average share prices. We have instituted a rotational schedule for the submission of block orders across multiple custodians to guard against inequitable treatment. Also, due to the low liquidity of certain securities, position and pricing availability may be limited. Open limit orders are worked until they are completely filled, partially filled, or canceled.

- If an order is filled in its entirety, securities purchased in the aggregated transaction will be allocated among the accounts participating in the trade in accordance with the allocation statement.
- If an order is partially filled, the securities will be allocated pro rata based on the allocation statement or in a different manner so long as all managed accounts receive fair and equitable treatment.
- In the event an order is not fully filled or is terminated, we will seek to allocate shared on a pro rata basis or, depending on the reason for the termination, may move to subsequently fill it and apply the same average pricing methodology.

The key oversight mechanism in our equity security order aggregation practice is the pre-designation of the allocation of shares for all parties.

We do not aggregate orders at Morgan Stanley, JP Morgan, or Citibank and sometimes we do not aggregate trades at Charles Schwab or Interactive Brokers. When we do not aggregate trades for multiple clients, even if we have the opportunity to do so, some clients purchasing the same securities around the same time as other clients will likely receive a less favorable price. This means that our practice of not aggregating orders at certain custodians will likely cost some clients more money.

C. Trade Error Policy

From time to time, errors might occur in the trading process, including (1) overbuying or overselling of securities, into or out of an account, caused by clerical errors made by our personnel, or (2) buying or selling of securities, into or out of an account, which is in violation of a client's stated investment guidelines that had been previously communicated to us in writing.

In all cases of a trade error caused by us, it is our policy to endeavor to resolve the error in the best interest of the client and adjust the trade as needed in order to put the client's account in such a position as if the error had not occurred. We will follow the trade error procedures, if any, set forth by the broker/dealer or custodian of the account. Where our trade error results in a gain and the client is unable or restricted from receiving that gain for any reason, we will donate the gain to charity if we receive it.

Item 13 – Review of Accounts

Generally, at least one member of Senior Management will continually monitor the managed accounts. Some client accounts are reviewed at least monthly and others are reviewed at least quarterly. Reviews will also be conducted upon a client's specific request or upon the occurrence of any agreed-upon triggering events (such as upon a 10 percent decline in the portfolio's value over a thirty-day period). More frequent reviews are typically triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment, as well as specific events such as corporate restructuring, changes in a company's core business plan, or high-profile litigation. For discretionary accounts, the allocation of each portfolio is adjusted at our discretion in accordance with the account's investment objectives and risk tolerance. The executing broker/dealers and/or custodians who maintain the client accounts will notify the client of any account activity by delivering a confirmation of the transaction to the client. The executing broker/dealer(s) or the custodian(s) will also furnish the client with a monthly or quarterly account activity and position statement.

Periodically (at least annually), a member of the Firm's Senior Management will meet with the advisory client to discuss and review the account's objectives as well as any changes to the client's financial or investment profile. The meeting will take place in person, by video or audio conference, by telephone, by electronic mail, or by any means of contemporaneous electronic interactive communication.

Item 14 – Client Referrals and Other Compensation

A. Economic Benefits

Neither the Firm, nor any of our employees, receives any economic benefit, sales awards or other prizes from any outside parties for providing investment advice to our clients.

B. Referral Fees

At this time, the Firm does not pay referral fees to persons or entities for the referral or introductions of advisory clients.

Item 15 – Custody

Phraction does not obtain physical custody of client's monies or securities. However, where the client gives us the authority to deduct advisory fees directly from the client's accounts, we are deemed to have custody of those assets. Clients should receive, on at least a quarterly basis, statements from the broker/dealer, bank or other qualified custodian that holds and maintains the client's investment assets. If we provide you with consolidated account statements, we urge you to carefully review such statements and compare them to your official custodial records. Our statements might vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

When a client elects our discretionary management services, the client will sign an agreement that provides us with discretionary authority. Phraction is then authorized to select the securities and the quantities or amounts of securities to be purchased, leveraged, transferred, exchanged, traded and sold consistent with the stated investment objectives and investment restrictions adopted by the client. Our discretionary authority is limited by the restrictions, if any, that the client places on the management of the account, and (2) the investing parameters set forth by Phraction and the client. As described above, when we are managing a client's brokerage accounts held with more than one broker/dealer, we also obtain the authority to designate the broker/dealer (or other financial intermediary) through whom transactions in the accounts will be executed, cleared or settled.

Item 17 – Voting Client Securities

Phraction does not exercise proxy voting authority over securities held in the client's accounts. Clients retain the responsibility for receiving and voting proxies for any and all securities owned by the client. Generally, we do not provide advice to clients regarding the voting of proxies.

Item 18 – Financial Information

We are required in this Item to provide you with certain information or disclosures regarding our financial condition. Following is the information responsive to this Item:

- The Firm does not require prepayment of more than \$1200 in fees six months or more in advance.
- There are no financial conditions or commitments that are likely to impair our ability to meet any contractual or fiduciary commitment to our clients.
- The Firm has not been the subject of a bankruptcy petition.