



# Form ADV Part 2A for Selective Wealth Management LLC

Selective Wealth Management LLC

August 4, 2017

Selective Wealth Management LLC  
Suite 1703  
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Lynchburg, Virginia 24504

This brochure provides information about the qualifications and business practices of Selective Wealth Management LLC. If you have any questions about the contents of this brochure, please contact us at (434) 515-1517 or by email at: [JStandeven@SelectiveWM.com](mailto:JStandeven@SelectiveWM.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Selective Wealth Management LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Selective Wealth Management LLC's CRD number is: 164882. Selective Wealth Management LLC's SEC number is: 801-108568.

Registration does not imply a certain level of skill or training

## Item 2: Material Changes

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## Item 4: Advisory Business

### *A. Description of Advisory Firm*

Selective Wealth Management LLC is a Limited Liability Company organized in the State of Virginia. The firm was formed in June of 2012, and the principal owners are Christopher James Devlin, William J. Devlin, Steve R. Mroz, William Smith, and Matthew Schubert

### *B. Types of Advisory Services*

Selective Wealth Management LLC (hereinafter the Firm) offers the following services to advisory clients:

#### **Investment Advisory Services**

##### Separately Managed Accounts

The Firm offers ongoing portfolio management services based primarily on a high-risk, high-return investment mandate. An individual's goals, objectives, time horizon, and risk tolerance must match The Firm's investment style in order to establish an advisory relationship. The Firm creates an Investment Policy Statement for each client, which outlines that individual's current situation (income, tax levels, and risk tolerance levels) and then ensures the investment plan is suitable for the prospective client based on gathered data. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Personal investment policy
- Asset allocation
- Asset selection
- Risk tolerance
- Regular portfolio monitoring

The Firm will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

##### Mutual Fund Management

Selective serves as the investment adviser and administrator of the Selective Opportunity Fund (SLCTX), an opened-end registered Investment Company, and utilizes it as the primary equity investment for clients. The Selective Opportunity Fund (the Fund) is a non-diversified mutual

fund with the primary objective of maximizing long-term returns while protecting client principal. The Fund implements the Selective Process to construct an equity portfolio of dominant businesses purchased at attractive prices. For more information on the Selective Process please see prospectus.

Certain persons listed on Schedule A of Selective's Part 1 of Form ADV are Officers of SLCTX. As Officers, these persons are involved in the day-to-day management of SLCTX. In order to address any potential conflicts of interests, these persons are subject to Selective's Code of Ethics and are supervised by an independent Board of Trustees from Ultimus Fund Solutions.

In addition, the following services are supervised by the Board of Trustees of SLCTX:

- The advisory services and the administrative services agreement between Selective and SLCTX

Selective does not believe these services create material conflicts of interest between Selective and other clients.

#### **Services Limited to Specific Types of Investments**

The Firm generally limits its money management to mutual funds (including The Selective Opportunity Fund ), equities, and options. The Firm may use other securities as well to help diversify a portfolio when applicable.

### *C. Client Tailored Services and Client Imposed Restrictions*

The Firm offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent The Firm from properly servicing the client account, or if the restrictions would require The Firm to deviate from its standard suite of services, The Firm reserves the right to end the relationship.

#### *D. Wrap Fee Programs*

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. The Firm does not participate in any wrap fee programs.

#### *E. Amounts Under Management*

As of August 4, 2017, The Firm has \$35,460,194 in Assets Under Management. Below is a breakdown of what is considered discretionary and non-discretionary:

- Discretionary - \$35,460,194
- Non-Discretionary - \$0

### **Item 5: Fees & Compensation**

#### *A. Fee Schedule*

##### **Investment Supervisory Services Fees**

Account Type	Annual Fee
All Accounts	0%

Selective does not charge a management fee at the RIA level. However, Selective is the adviser to the Selective Opportunity Fund, the primary investment vehicle used for Selective clients, and is paid a fee at the annual rate of 1.25% of the average daily net assets of the Fund. The Fund is available only to Selective clients who have entered into a discretionary investment advisory contract. For more information please see the Fund prospectus. Lower fees for comparable services may be available from other sources.

Mutual funds and exchange traded funds normally charge internal management fees, which are disclosed in the fund's prospectus and financial filings. For details on Selective Funds' expense ratio please see prospectus.

#### *B. Payment of Fees*

##### **Payment of Investment Supervisory Fees**

There are no advisory fees charged at the RIA level to clients. The Selective Opportunity Fund managed by Selective pays the rate described above at the end of each month in arrears.

#### *C. Clients Are Responsible For Third Party Fees*

Clients are responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by The Firm. Please see Item 12 of this brochure regarding broker/custodian.

#### *D. Prepayment of Fees*

The Firm collects its fees in arrears. It does not collect fees in advance.

#### *E. Outside Compensation For the Sale of Securities to Clients*

Neither The Firm nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual fund.

### **Item 6: Performance-Based Fees & Side-by-Side Management**

The Firm does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client. The Firm would consider performance-based fees for institutional accounts over a certain limit.

### **Item 7: Types of Clients**

The Firm generally provides management supervisory services to the following types of clients:

- Individuals
- High-Net-Worth Individuals
- Charitable Organizations
- Institutional Clients

\*The Firm does hold itself out to Trusts, Estates, and Funds

##### **Minimum Account Size**

There is a \$10,000 minimum for taxable accounts and a \$5,500 for retirement accounts. From time-to-time these minimums may be waived.

## Item 8: Methods of Analysis, Investment Strategies, Risk of Investment Loss

### *A. Methods of Analysis and Investment Strategies*

#### **Methods of Analysis**

The Firm's methods of analysis include fundamental analysis.

Fundamental analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

#### **Investment Strategies**

The Firm uses long term trading and short term trading. The Firm concentrates heavily on investments to capitalize on growth potential. Accounts may hold up to twenty (20) securities, but are generally invested solely into the SLCTX fund a mutual fund managed by Selective (See Item 10 for additional details).

#### **Principal Investment Strategies of the Fund**

The Fund invests primarily in equity securities of U.S. and foreign companies of any market capitalization that the Fund's adviser believes possess a durable competitive advantage and are capable of producing superior returns. The Fund's adviser, Selective Wealth Management, LLC, uses its Selective Process to identify companies that the adviser believes (1) produce products or services for which there are few good substitutes, (2) have a durable competitive advantage, (3) are highly profitable (as measured by return on equity), (4) have prudent debt levels, (5) have management that skillfully reinvests earnings, and (6) are led by outstanding individuals. The adviser considers companies meeting all six criteria to be Selective Companies, and seeks to add the securities of these companies to the Fund's portfolio at attractive valuations.

The Fund may also invest in companies based on special situations, such as companies that the adviser believes may be involved in mergers, reorganizations, liquidations or recapitalizations that will cause an increase in value of the company. The adviser may make a decision to invest in such a company based on its fundamental analysis of a company, or based on external factors, such as the filing of 13D reports with the SEC.

The Fund is non-diversified and focuses its investments in a relatively small number of Selective Companies, typically seeking to hold between 10 and 20 companies (although the number may vary depending on market conditions). The Fund may also invest a substantial portion of its assets in cash and cash equivalents, including money market funds and other short term fixed income investments, in seeking to protect principal.

Equity securities in which the Fund may invest include common stocks and preferred stocks. The Fund may invest in foreign companies either directly or through American Depositary Receipts (ADRs) or Global Depositary Receipts (GDRs). The Fund may at times initiate a position in a Selective Company by writing (selling) a call option on the equity security at the same time it buys the security. This covered call position gives the Fund exposure to the Selective Company at a lower cost basis, with downside protection, but gives up some of the upside return. The Fund may also purchase call options on equity securities of Selective Companies that it believes may increase substantially in value in the near future.

For additional information please see Fund Prospectus.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### *B. Material Risks Involved*

#### **Methods of Analysis**

Fundamental analysis concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

#### **Investment Strategies**

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading generally holds greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

## Fund Risk

For risks associated with the Fund please see Fund Prospectus.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### *C. Risks of Specific Securities Utilized*

The Firm generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

**Equity** investment generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

**Options:** A financial derivative that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date).

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk. This is The Firm's primary investment strategy even though Fixed Income and Short-term trading may be utilized when deemed appropriate.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss. Mutual funds are not guaranteed or insured by the FDIC or any other government agency. You can lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond fixed income nature (lower risk) or stock equity nature (mentioned above).

**Short term trading** risks include liquidity, economic stability and inflation.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## Item 9: Disciplinary Information

### *A. Criminal or Civil Actions*

There are no criminal or civil actions to report.

### *B. Administrative Proceedings*

There are no administrative proceedings to report.

### *C. Self-regulatory Organization (SRO) Proceedings*

There are no self-regulatory organization proceedings to report.

## Item 10: Other Financial Industry Activities & Affiliations

### *A. Registration as a Broker/Dealer or Broker/Dealer Representative*

Neither The Firm nor its representatives are registered as or have pending applications to become a broker/dealer or as representatives of a broker/dealer.

### *B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor*

Neither The Firm nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

### *C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests*

Selective is investment adviser to (Selective Opportunity Fund (SLCTX, CUSIP #90470L 774) a mutual fund registered under the Investment Company Act of 1940. Selective will recommend investments in this private fund to those clients for which investment in the fund is suitable. This presents a conflict of interest in that Selective or its related persons may receive more compensation from investment in the fund than from other investments. Nevertheless, Selective acts in the best interest of the client consistent with its fiduciary duties and clients are not required to invest in the private fund if they do not wish to do so.

The Firm manages SLCTX and uses it as the primary equity investment for clients. The Firm uses Ultimus Fund Solutions ( Ultimus ) for Fund administration and has set in place an independent Board of Trustees for Fund oversight. Ultimus does not provide investment advice for the Fund.

#### *D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections*

The Firm does not utilize nor select other advisers or third party managers. All assets are managed by The Firm's management.

### **Item 11: Code of Ethics, Participation/Interest in Client Transactions & Personal Trading**

#### *A. Code of Ethics*

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

#### *B. Recommendations Involving Material Financial Interests*

From time to time, The Firm may buy or sell securities for the firm that they also recommend to clients. This may provide an opportunity for The Firm to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. The Firm will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

Selective invests client assets into the Selective Opportunity Fund a Fund Selective is the adviser to. Selective receives a 1.25% management fee based on AUM for being the adviser. For additional information see the Fund Prospectus.

#### *C. Investing Personal Money in the Same Securities as Clients*

From time to time, representatives of The Firm may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of The Firm to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. The Firm will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

#### *D. Trading Securities At/Around the Same Time as Clients Securities*

From time to time, representatives of The Firm may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of The Firm to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. The Firm will always transact client's transactions before its own when similar securities are being bought or sold.

Any and all material conflicts of interest have been disclosed in this form ADV 2A.

### **Item 12: Brokerage Practices**

#### *A. Factors Used to Select Custodians and/or Broker/Dealers*

The Qualified Custodian(s) was chosen based on their relatively low transaction fees, name recognition, best execution, and suitability to individual client needs. The Firm will never charge a premium or commission on transactions, beyond the actual cost imposed by the Custodian.

Advisor is not affiliated with the brokerage firm. Broker does not supervise the advisor, its agents or activities.

#### **Research and Other Soft-Dollar Benefits**

The Firm does not receive research, products, or other services from its broker/dealer or another third-party in connection with client securities transactions that would be termed soft dollar benefits. However, due to the

nature of a brokerage relationship Selective does receive certain benefits which are outlined below:

The Firm participates in Shareholders Service Groups (SSG) institutional customer program and may recommend SSG and its arrangement with Pershing to clients for custody and brokerage services. There is no direct link between Selective's participation in the program and the investment advice given to clients, although Selective receives economic benefits through its participation in the program that are typically not available to retail investors.

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

- receipt of duplicate client statements and confirmations
- research related products and tools
- consulting services
- access to a trading desk serving clients
- access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- the ability to have advisory fees deducted directly from client accounts per a written agreement
- access to an electronic communications network for client order entry and account information
- access to mutual funds with no loads or transaction fees, and to certain institutional money managers
- Discounts on research, technology, and practice management products or services provided to Selective by third party vendors. Some of the products and services made available by SSG may benefit Selective but may not benefit client accounts. These products or services may assist in managing and administering client accounts, including accounts not maintained by SSG. These other services made available by SSG are intended to help Selective manage and further develop its business. The benefits received by Selective or its associates through participation in a program do not depend on the amount of brokerage transactions directed to SSG.

As part of the fiduciary duty, Selective will at all times put the interests of clients first. Clients should be aware, however, that the receipt of any economic benefit by Selective or its

associates in and of itself creates a potential conflict of interest and may influence the choice of SSG/Pershing for custody and brokerage services.

### **Brokerage for Client Referrals**

The Firm receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### **Clients Directing Which Broker/Dealer/Custodian to Use**

The Firm will require clients to use a specific broker-dealer to execute transactions. Not all Investment Advisor Firms require this, and therefore clients may not get best execution.

### *B. Aggregating (Block) Trading for Multiple Client Accounts*

The Firm maintains the ability to block trade purchases across accounts. Block trading may benefit a large group of clients by providing The Firm the ability to purchase larger blocks resulting in smaller transaction costs to the client. Declining to block trade can cause more expensive trades for clients.

## **Item 13: Reviews of Accounts**

### *A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews*

Client accounts are reviewed at least quarterly by Christopher James Devlin and/or Josh Standeven. Christopher James Devlin is the chief investment officer and Josh Standeven is the chief compliance officer. They are instructed to review clients accounts with regards to their investment policies and risk tolerance levels. All accounts at The Firm are assigned to these reviewers.

### *B. Factors That Will Trigger a Non-Periodic Review of Client Accounts*

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).

### *C. Content and Frequency of Regular Reports Provided to Clients*

Each client will receive at least quarterly from the custodian, a written report that details the client's account including assets held and asset value which will come from the custodian.

Additionally, each client will receive periodic reports, at least quarterly, from Selective related to investment performance, billing fees, and transaction history.

## **Item 14: Client Referrals & Other Compensation**

### *A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)*

The Firm does not receive any economic benefit, directly or indirectly from any third party for advice rendered to The Firm clients.

### *B. Compensation to Non Advisory Personnel for Client Referrals*

The Firm expects from time-to-time to offer incentives for referrals to investment dinner presentations. Compensation is not contingent upon an individual investing with The Firm, but rather, attending a specific event. These arrangements may create an incentive for a third-party or other existing client to refer prospective clients to The Firm even if the third-party would otherwise not make the referral. A history of all compensation given for referrals is recorded and stored for review.

## **Item 15: Custody**

The Firm, with client written authority, has limited custody of client's assets through direct fee deduction of The Firm's Fees only. If the client chooses to have fees withdrawn directly from their account The Firm would have constructive custody over that account and must have written authorization from the client to do so. Clients will receive all required account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

Advisor is not affiliated with the custodian. The custodian does not supervise the advisor, its agents or activities.

## **Item 16: Investment Discretion**

For those client accounts where The Firm provides ongoing supervision, the client has given The Firm written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has

commenced. The client provides The Firm discretionary authority via a limited power of attorney in the Investment Advisory Contract and in the contract between the client and the custodian.

## **Item 17: Voting Client Securities (Proxy Voting)**

The Firm will ask for and accept voting authority for client securities. The Firm will vote proxies on behalf of the clients. Upon receiving authority to vote client securities, The Firm will not accept client direction on how they wish to vote their individual securities. Exercising these proxy voting rights is important to successful investment management. The Firm recognizes its fiduciary responsibility to vote proxies solely in the client's best interest with the overall goal of maximizing the growth of our clients' assets. The Firm attempts to vote proxies that will further the underlying securities' long-term economic value. We consider each proxy proposal on its own merits, and we make an independent determination of the advisability of supporting or opposing management's position. If a conflict of interest were to be identified in voting proxies on behalf of a client the CCO and COO will examine if the prescribed voting guidelines remain in the best interest of the client(s). If they do not The Firm will disclose the conflict to the clients and if appropriate, give the clients the opportunity to vote their proxies themselves. If clients wish to see how The Firm has voted proxies for any individual security they own or see the policies and procedures for voting proxies they may request it at [info@selectivewm.com](mailto:info@selectivewm.com) or call 434-515-1517.

## **Item 18: Financial Information**

### *A. Balance Sheet*

The Firm does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### *B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients*

Neither The Firm nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

*C. Bankruptcy Petitions in Previous Ten Years*

The Firm has not been the subject of a bankruptcy petition in the last ten years.

*D. Loans*

Selective's CEO and CIO both have personal loans from the business in the amounts of \$150,000 and \$10,000, respectively. Neither of these loans are likely to impair Selective's ability to continue operating. The CIO's loan was taken out in 2016, and the CEO's loan was taken in 2017.

**Item 19: Requirements for State-Registered Advisers**

The Firm is a federally registered investment adviser.