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FORM ADV PART 2A
BROCHURE

This brochure provides information about the qualifications and business practices of Kestra Investment Management, LLC ("Kestra IM"). If you have any questions about the contents of this brochure, please contact us at 844-553-7872. 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 our firm is available on the SEC's website at www.adviserinfo.sec.gov.

Kestra IM is a registered investment advisor. Registration does not imply a certain level of skill or training.

Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual updating amendment dated March 30, 2023, we have made the following changes to our Form ADV Part 2A:

- Our portfolios now include equity securities.

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Item 4 Advisory Business

Description of Firm
Kestra Investment Management, LLC (Kestra IM, we, or our) is a registered investment advisor based in Austin, Texas. We are organized as a limited liability company ("LLC") under the laws of the State of Texas. We have been providing investment advisory services since 2021. Kestra IM's principal owner is Kestra Advisor Services Holdings C, Inc. (d/b/a Kestra Holdings) and its ultimate parent company is Kingfisher Holding LP.

Kestra IM provides discretionary sub-advisory, investment management and investment advisory services indirectly to retail clients through intermediaries such as affiliated investment advisors and affiliated trust companies (Affiliated Professionals). These Affiliated Professionals provide their services to clients through Programs they develop. We do not offer services directly to any clients of Affiliated Professionals. The Affiliated Professionals and their investment adviser representative (IAR) work with their client to collect information about their financial situation, risk tolerance, investment objectives, investment time horizon and any other information deemed necessary for their evaluation of the clients.

Services are provided through Platform Providers (such as Envestnet or Envestnet/Tamarac) whereby Kestra IM is an investment manager chosen by the Affiliated Professionals to manage some or all a client's assets. Our services are not offered directly to clients. They are offered only with the involvement of an Affiliated Professionals and their IARs who will work with their clients to collect information regarding the client's financial situation, risk tolerance, investment objectives, and investment time horizon. This information helps the Affiliated Professionals and IAR determine whether our management services are appropriate given the client's goals and circumstances and they will help guide their clients in the selection of an appropriate portfolio or portfolios of investments (each a Portfolio) that are consistent with their investment objectives. The Affiliated Professionals provides ongoing advice about the selection or replacement of a Portfolio.

We act as the Portfolio Manager of the Portfolios and structure both strategic and tactical Portfolios with approaches for both taxable and retirement accounts to address various client needs. Within each Portfolio we will invest in equities, mutual funds and/or exchange traded funds (ETFs) on a discretionary basis. We are responsible for selecting the securities within the Portfolio and making changes as needed. In some cases, we may hire another third-party, unaffiliated investment advisor to provide us with recommendations for structuring Portfolios from an asset allocation and/or security selection standpoint. Even when this happens, we are still responsible for the discretionary management of the Portfolio and the third-party investment advisor is not authorized to place transactions in the Portfolios. We review our Portfolios on a periodic basis and rebalance assets when it meets our rebalancing criteria. It is possible that Portfolios will not be rebalanced if our thresholds for rebalancing are not met or exceed our thresholds at the time of the review.

The Affiliated Professionals will ask their clients to enter into a tri-party investment advisory agreement with their company and a Platform Provider setting forth the terms and conditions of the advisory relationship and appointing us as the Portfolio Manager. The Affiliated Professionals will also have clients enter into a separate broker-dealer and custody agreement with the broker-dealer/custodian that will be responsible for holding client funds and securities and executing transactions at our direction. Affiliated Professionals clients will be required to use affiliated broker/dealers to establish the account(s). National Financial Services, LLC (NFS) or Pershing, LLC (Pershing) are the custodians associated with the affiliated broker/dealers and trust company.

We have established a relationship with Platform Providers to provide us and the Affiliated Professionals with access to its technology platform and perform certain administrative services including but not limited to, facilitating the account opening process, placing transactions with the applicable custodian, and billing advisory fees. The Platform Provider will be a party to the agreement clients enter into with the Affiliated Professionals.

Wrap Fee Program(s)
Certain Programs are offered as Wrap Fee Programs which is a type of investment program that provides clients with access to several money managers for a single fee that includes administrative fees, management fees, and commissions. We are a Portfolio Manager of these wrap fee programs but are not the sponsor. If clients of the Affiliated Professionals participate in a wrap fee program, they will pay a single fee, which includes our management fees, certain transaction costs, platform, custodial and administrative costs. We receive a portion of the wrap fee for our services from the Affiliated Professionals. The overall cost a client of the Affiliated Professionals will incur may be higher or lower than it might otherwise be if separately purchasing the types of securities available in the Program.

Assets Under Management
As of December 31,2023, we provide continuous management services for $1,514,127,598 in assets on a discretionary basis.

Item 5 Fees and Compensation

Clients of the Affiliated Professionals are charged a Portfolio Management Fee that includes the fee for our management services. Our fee is negotiated and agreed upon between us and the Affiliated Professionals and ranges from 0.00% to 0.50% of the market value of the Portfolio. The Disclosure Documents and Agreements provided by the Affiliated Professionals detail the specific client costs and fee payment criteria. Portfolio Management Fees are deducted from the Affiliated Professionals' client Portfolio by the account custodian and reflected on the custodian's account statement. The Portfolio Management Fee paid by the Affiliated Professionals' clients also includes the Program Fee charged by the Program Provider (i.e. Envestnet/Tamarac) for providing administrative and trading support. In addition, a portion of the fee is used to offset the cost of trading through the custodians, advisory fee billing, performance reporting and the technology provided by the Program Provider. In certain situations where we charge a Portfolio Manager Fee of 0.00%, we will receive a portion of the fee received by the Program Provider. Further information about the fees can be found in the Affiliated Professionals and Program Provider's Disclosure Brochures.

To the extent we hire a third-party investment advisor to provide us with recommendations for asset allocation and security selection, we will generally pay a portion of our fee to the third-party investment advisor. In some cases, this will result in our earning less on the strategy when a third-party investment advisor is involved than our other strategies. When this occurs, it means that a conflict of interest exists because we have a financial incentive to select a Portfolio where we do not hire a third-party investment advisor and instead make all decisions regarding asset allocation and security selection since we will retain 100% of our fee.

In certain situations, instead of sharing a portion of our fee with the third- party investment advisor, we will receive the recommendations at no charge if certain levels of client assets are invested in Portfolios using the recommendations provided by the third- party investment advisor. This is because the third-party investment advisor will receive compensation in the form of management and other fees from the product sponsors. When this occurs, it means that a conflict of interest exists because we have a financial incentive to select one of these Portfolios, so we reach the asset levels and avoid paying separately for the recommendations.

Additional Fees and Expenses
As part of our investment advisory services, Portfolios are invested in mutual funds and exchange traded funds. The Program Management Fee is separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees may include a management fee and other fund expenses. Clients of the Affiliated Professionals will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian.

Our affiliated broker-dealers, and potentially the Affiliated Professionals, will receive a portion of the custodian fees and charges. The types of custodian fees and charges include but are not necessarily limited to: IRA and qualified retirement plan account and termination fees, margin interest, administrative servicing fees for trust accounts, fees based on cash or money market deposits and sweeps, electronic and wire transfer fees, and other charges required by law and imposed by the custodian. Clients of the Affiliated Professionals will be notified of the level of these fees during the account opening process. More information about the broker-dealer and custodian fees and charges can be found in the Affiliated Professionals' Disclosure Brochure.

The Affiliated Professionals will generally make available to us a subset of the mutual fund families available through the custodian. The availability of individual mutual funds and share classes is dependent upon the agreement that the custodians have with individual fund families. The Affiliated Professionals will only make one share class available for each fund, and we will be required to use that share class if we decide to purchase that fund for any Portfolio. The Affiliated Professionals will choose the fund share class based on a set of criteria designed to be appropriate for the largest segment of the Affiliated Professionals' clients while having consistency with the Affiliated Professionals' other advisory platforms. This means that the funds and share classes we have available for our Portfolios will in many cases not be the lowest cost share class available in the marketplace but will meet the Affiliated Professionals' criteria based on an assessment of cost, custodial availability, minimum investment size, and average client trade volume. Other financial services firm may offer the same mutual fund at a lower overall cost than is available through our Portfolios. Clients of the Affiliated Professionals should not assume they are invested in the share class with the lowest possible expense ratio or cost. For more information about the Affiliated Professionals' mutual fund share class selection criteria, refer to the Affiliated Professionals' Disclosure Brochures.

Compensation for the Sale of Securities or Other Investment Products
Certain persons providing investment advice on behalf of our firm are registered representatives with Kestra Investment Services, LLC, a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. These persons will not conduct securities transactions through the broker-dealer nor receive any compensation from the purchase or sale of any security on behalf of Kestra IM.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

Item 7 Types of Clients

Our clients are the Affiliated Professionals (other investment advisors and trust company) described above. Clients of the Affiliated Professionals may include individuals, IRAs, pension and profit-sharing plans, corporations and other business organizations, trusts, estates, and charitable organizations. Portfolio Management Services require minimum investment of $5,000 to $25,000 depending on the Portfolio selected.

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

We act as the Portfolio Manager and structure Portfolios designed to address various strategic and tactical investment strategies described below and manage/rebalance the Portfolios on a discretionary and ongoing basis.

The Affiliated Professionals, through its IAR, is responsible for helping their clients determine the appropriateness of using Kestra IM as a Portfolio Manager, and selecting a Portfolio that is consistent with their investment objective and risk tolerance. They will provide their clients with ongoing advice and services regarding the selection or replacement of a Portfolio.

Within each Portfolio we will invest in equities, mutual funds and/or ETFs on a discretionary basis. We use a team of investment professionals to manage Portfolios. We are responsible for determining the appropriate asset allocation, selecting the securities, and determining the weighting of the securities within each Portfolio, as well as making changes as needed. In some cases, we may hire an unaffiliated third-party investment advisor to provide us with recommendations for structuring Portfolios from an asset allocation and/or security selection standpoint. Even when this happens, we remain responsible for the discretionary management of the Portfolio.

Prior to hiring a third-party investment advisor to provide us with recommendations, we will conduct due diligence on the third-party investment advisor using data and information gathered from internal and outside sources, as well as from the third-party investment advisor directly. The data and information collected will typically include, but may not be limited to, investment philosophy, investment style, manager tenure, historical performance, historical volatility, risk, correlation across asset classes, fees and operational strength, and regulatory history. We do not calculate or verify the accuracy of performance data that is collected in our due diligence review, and the performance data collected may not be calculated on a uniform and consistent basis.

As a Portfolio Manager we have constructed a variety of Portfolios designed to address different strategic and tactical investment strategies. The investment strategies we offer are designed to provide strategic asset allocation, representing a widely diversified set of asset classes. The Portfolios will be constructed taking a long-term approach designed to balance risk and return. The tactical investment strategies offer a series of Portfolio options designed to provide a more active approach to asset allocation, identifying near-term and medium-term opportunities in the market. We will expand our available strategies over time.

The frequency and timing of transactions in Portfolios vary significantly and depend partly upon the trading bands we determine appropriate given certain factors such as Portfolio risk relative to a target portfolio, tax sensitivity, liquidity of underlying positions, trading costs and Portfolio goals. For certain investment strategies, such as strategic strategies, we may trade infrequently. Other strategies are more tactical and may adjust depending upon economic indicators or market conditions. Certain strategies attempt to improve the taxable consequence of assets invested, using tax management strategies, though we do not guarantee the ability to prevent or reduce a taxable consequence in managing Portfolios.

The Affiliated Professionals and the IAR are their client's primary contacts. As stated above, the Affiliated Professionals works with their clients to collect personal information and help to determine a Portfolio selection consistent with their investment objectives and risk tolerance, among other items. The Portfolio selection is provided to us so that we can invest and rebalance as needed. The client is responsible for providing their Affiliated Professionals with any changes to their financial situation, investment objective and risk tolerance and it is the Affiliated Professionals responsibility to share the information with us.

The Affiliated Professionals may contact us at any time to obtain any additional information necessary. They may also request to speak with a member of our investment management team, and such requests will be considered on a case-by-case basis. Our investment management team may only speak to the investment strategy, asset allocation and security selection of a Portfolio and will not be able to address any questions regarding any individual client's financial situation, investment objective, or risk tolerance.

Investing in securities, regardless of the investment strategy, involves risk of loss that should be prepared to bear. The following highlights some of the risks associated with investing generally and with investing in mutuals funds and ETFs.

- Market Risk: External factors independent of a security's particular underlying circumstances may impact its value. The value of the security, bond, mutual fund, or ETF may drop in reaction to tangible and intangible events and conditions, such as a political or social event or an economic condition.
- Interest Rate Risk: Fluctuations in interest rates generally cause investment values to fluctuate. For example, market values of bonds or mutual funds or ETFs purchasing bonds typically decline when interest rates rise, because the rising rate makes the existing bond yields less attractive.
- Inflation Risk: Inflation means a dollar today buys less in the future. When inflation is present, purchasing power typically decreases at the rate of inflation.
- Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. Also known as exchange rate risk, these risks may be present in international mutual funds for example.
- Reinvestment Risk: The risk that future proceeds from investments may be reinvested at a potentially lower rate of return is reinvestment risk. This risk primarily relates to fixed income securities.
- Business Risk: Risks associated with a particular industry, or a specific company may impact the value of investments. For example, oil-drilling companies typically have more business risk than electric companies since they depend on finding oil and then refining it efficiently before they generate a profit. An electric company generates income from customers who buy electricity regardless of economic conditions.
- Liquidity Risk: Liquidity means the ability to readily convert an investment into cash. Assets with many purchasers are generally more liquid. For example, Treasury Bills are highly liquid, while real estate properties are less so.
- Financial Risk: A company with excessive borrowing or that takes significant business risks to generate profit is typically at a greater risk of financial difficulty or failure.
- Asset Allocation and Rebalancing Risk: The risk that assets are out of balance with the target allocation. Any rebalancing of such assets may be infrequent and limited by several factors and, even if achieved, may have an adverse effect on the performance of the assets.
- Bankruptcy Risk: The risk that a company in which an account invests becomes involved in a bankruptcy or other reorganization or liquidation proceeding.
- Commodity Risk: The risk that an asset will experience losses because an issuer has direct

exposure to a commodity that has experienced a sudden change in value.

- Concentration Risk: The increased risk of loss associated with not having a diversified portfolio (i.e., the account is concentrated in a geographic region, industry sector or issuer is more likely to experience greater loss due to an adverse economic, business or political development affecting the region, sector or issuer than an account that is diversified and therefore has less overall exposure to a particular region, sector or issuer).
- Cybersecurity Risk: The risk of actual or attempted cyber-attacks, including denial-of- service attacks, and harm to technology infrastructure and data from misappropriation or corruption, and reputation harm. Due to our interconnectivity with third-party vendors, custodians, and other financial institutions, we, and thus indirectly our Portfolios, could be adversely impacted if any of them is subject to a successful cyber-attack or other information security event. Although we, and our affiliates, take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks are vulnerable to unauthorized access, misuse, computer viruses or other malicious code and other events that could have a security impact or render us unable to transact business.
- Environmental Risk: The risk of loss because of statutes, rules and regulations relating to environmental protection negatively impacting the business of issuers.
- Regulatory Risk: The risk that our firm, the Affiliated Professionals, IAR, third party investment advisors, Envestnet, custodians, the issuers of mutual funds or ETFs and/or other financial institutions or parties are subject to government or self-regulatory agency action that adversely impacts the delivery of services related to our Portfolio.
- ETF Risk: The risk that ETFs fail to accurately track the market segment or index that underlies its investment objective. In addition, ETFs are subject to the following risks that do not apply to conventional funds; (i) the market price of the ETF/s shares trade at a premium or a discount to their net asset value, (ii) an active trading market for an ETF’s shares are not developed or maintained, and (iii) there is no assurance that the requirements of the exchange necessary to maintain the listing of an ETF will continue to be met or remain unchanged.
- Frequent Trading Risk: High turnover and frequent trading could result in, among other things, adverse tax consequences.
- Investment Style Risk: The risk than a Portfolio outperforms or underperforms other Portfolios that invest in similar asset classes but employ different investment styles.
- Portfolio Construction Risk: The risk that it should be expected that there may be deficiencies in the construction or implementation of the Portfolio, including because of shortcomings or failures of processes, people, or systems. Investments selected for Portfolios may perform differently than expected due to factors considered in constructing Portfolios, the weight placed on each factor, changes from the factors’ historical trends, the speed that market conditions change and technical issues in the construction and implementation of the Portfolios. The use of quantitative models could be adversely impacted by unforeseeable software or hardware malfunction and other technological failures, power loss, software bugs, malicious code, viruses or system crashes or various other events or circumstances within or beyond our control. Certain of these events or circumstances are difficult to detect. In addition, the effectiveness of a Portfolio may diminish over time, including because of changes in the market and/or changes in the behavior of other market participants. Portfolio construction also relies heavily on data that is obtained from a variety of sources, and the functionality depends in part on the accuracy of the data.
- International and Emerging Market Risk: Investing in international markets presents additional risks including currency fluctuations, the potential for diplomatic and political instability, regulatory and liquidity risk, and foreign taxation among others. The risks of foreign investing are generally greater in emerging markets.
- High Yield Bond Risk: High yield bonds carry greater risks than bonds rated as investment grade. For example, they are issued by organizations that do not qualify for an investment grade rating by one of the rating agencies because of the potential for higher default by the

issuer. Another risk is that further financial difficulties by the issuer may result in a decrease in the market value, and this may make it impossible to liquidate the bond prior to maturity.

Item 9 Disciplinary Information

We are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of our advisory business or the integrity of our management. We have not been involved in any legal or disciplinary events, and therefore have no information to disclose at this time.

Item 10 Other Financial Industry Activities and Affiliations

Kestra IM is a subsidiary of Kestra Holdings and Kestra Holdings owns, directly or indirectly, numerous other businesses, including investment advisors, insurance agencies, broker/dealers, trust companies, and other service providers (collectively referred to as Kestra Affiliates). Certain of the Kestra Affiliates that are registered investment advisors or trust companies are the Affiliated Professionals as discussed throughout this Brochure.

The existence of multiple affiliations and ongoing new acquisitions presents a conflict of interest. Within the overall organization, production incentives are typically put into place to create an incentive to maximize earnings. When a Kestra Affiliate's associated person is registered with one or employed by any of our affiliates, the associated person has an incentive to both maximize their production and recommend the products and services of other Kestra Affiliates.

Associated persons of Kestra IM may be separately licensed as registered representatives of Kestra Investment Services, LLC (Kestra IS), a Kestra Affiliate and broker-dealer registered with FINRA. When providing services described in this Brochure, our associated persons are not acting as registered representatives of Kestra IS; they are acting on behalf of Kestra IM. These individuals do not sell securities products through Kestra IS.

Kestra Holdings and all Kestra Affiliates (including Kestra IM) are ultimately owned by Kingfisher Holding, LP (Kingfisher). Some of the associated persons of Kestra IM and IARs associated with the Affiliated Professionals own equity in Kingfisher and stand to benefit if Kestra IM and Kestra Affiliates perform well financially. This ownership creates a conflict of interest since an Affiliated Professionals IAR that has an equity interest in Kingfisher has an incentive to recommend the services of Kestra Affiliates including Kestra IM.

We are also affiliated with Arden Trust Company, which provides trust services to individuals. Arden Trust is one of the Affiliated Professionals to whom we provide Portfolio Management Services.

We are affiliated with Trinity Financial Services. Trinity Financial Service is an affiliated third-party administrator to retirement plan sponsors. To the extent an Affiliated Professionals recommends that you use the services of Trinity Financial Services a conflict of interest exists since our affiliate would receive increased compensation.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

We have adopted a code of ethics that establishes standards of conduct for our supervised persons. Our code of ethics requires our supervised persons to treat sensitive information confidentially, not misuse material non-public information, report violations of the code, and comply with their fiduciary obligations. The code of ethics also requires supervised persons to report their personal securities transactions and holdings.

A copy of our Code of Ethics may be obtained by contacting us at the telephone number on the cover page of this brochure.

Participation or Interest in Client Transactions
Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

Personal Trading Practices
Our firm or persons associated with our firm may buy or sell the same securities that we are invested in our Portfolios. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over the purchase or sale of securities in our Portfolios.

Item 12 Brokerage Practices

We are not responsible for determining the broker-dealer/custodian that will execute trades and hold funds and securities for our Portfolios. The Affiliated Professionals will ask their clients to enter into an agreement with one of our affiliated broker-dealers that will be responsible for executing transactions at our direction. National Financial Services, LLC (NFS), Pershing, LLC (Pershing), or Charles Schwab & Co. ("Schwab") will act as the custodians to hold funds and securities. The Affiliated Professionals' Disclosure Brochure is made available to their clients and provides information regarding their selection of custodian and a description of the conflicts of interests associated with their arrangement with the custodian.

Envestnet and Tamarac Platforms
Transactions for certain Portfolios will be placed through the Envestnet platform and Envestnet will execute most transactions through the broker-dealer/custodian selected upon account opening. Kestra IM also uses the Tamarac platform. When Tamarac is used, Kestra IM is placing the trades through the broker-dealer/custodian selected upon account opening. In some cases, certain thinly traded ETFs will be "stepped-out" to an executing broker-dealer that specializes in trading these types of securities, to obtain prompt execution at the most favorable prices reasonably available and to minimize market impact. When trades are stepped-out, the executing broker-dealer may impose certain fees and charges. Affiliated Professionals may pay for these fees and charges. The Envestnet and the Affiliated Professionals' Disclosure Brochures should be reviewed for more information regarding stepped-out trades and the related conflicts of interest.

Aggregated Trades
Envestnet and Kestra IM use a trade rotation process where a transaction may be affected before or after another group of clients. Envestnet's trade rotation practices will at times result in a transaction being affected that occurs near or at the end of the rotation and, in such event, transactions will bear the market price impact, if any, of those trades executed earlier in the trade rotation, and result in a less favorable net price.

We receive support services and products available from several parties, including Envestnet, Affiliated Professionals, custodians, mutual fund and ETF product sponsors, and unaffiliated third-party investment advisors. Many of these support services and products assist us in managing Portfolios; however, some of the services and products benefit. These support services and products may be received without cost, at a discount, and/or at another negotiated rate, and may include the following:

- Investment-related research;
- Pricing information and market data;
- Software and other technology that provide access to client account data;
- Compliance and/or practice management-related publications;
- Consulting services;
- Attendance at conferences, meetings and other educational and/or social events;
- Marketing support; and/or
- Other products used by us in furtherance of our investment advisory business operations.

These support services are provided to us based on our overall relationship with the party. It is not the result of an express arrangement and does not involve a commitment from us to invest Portfolio assets in any specific security. However, because we receive these benefits, there is a potential conflict of interest. The receipt of these products and services presents a financial incentive for us to invest Portfolios in mutual funds and ETFs from product sponsors from whom we receive products and services so that we do not have to separately pay for such resources from other firms.

Mutual Fund Share Class

Within our Portfolios, we will invest in mutual funds that the Affiliated Professionals and its custodian make available. However, different mutual fund share classes have different expense structures (i.e., some higher and some lower) and in some cases the mutual fund share classes pay a 12b-1 fee, administrative fee, recordkeeping fee, and/or revenue sharing fee to the Affiliated Professionals or custodian. We do not receive any portion of these fees and we will not purchase mutual funds within a Portfolio that pays a 12b-1 fee.

The Affiliated Professionals will generally make available to us a subset of the mutual fund families available through the custodian. The availability of individual mutual funds and share classes is dependent upon the agreement that the custodians have with individual fund families. The Affiliated Professionals will only make one share class available for each fund, and we will be required to use that share class if we decide to purchase that fund for the Portfolios. The Affiliated Professionals will choose the fund share class based on a set of criteria that they believe is designed to be appropriate for the largest segment of their clients while being consistent with the Affiliated Professionals' other advisory platforms. This means that the funds and share classes in our Portfolios will in many cases not be the lowest cost share class available in the marketplace but will meet the Affiliated Professionals' criteria based on an assessment of cost, custodial availability, minimum investment size, and average client trade volume. Other financial services firms may offer the same mutual fund at a lower overall cost to than is available through our Portfolios. It should not be assumed that Portfolios are invested in the share class with the lowest possible expense ratio or cost.

Clients of Affiliated Professionals do not pay a transaction charge for transactions in the Portfolio; however, clients of Affiliated Professionals may pay the broker-dealer/custodian either a per-trade transaction charge or an asset-based fee to cover brokerage, custody and clearing services provided by the custodian. The amount of the transaction charges or asset-based fee is determined between the Affiliated Professionals, the broker-dealer or the trust company. To the extent the Affiliated Professionals pays a per-trade transaction charge, a conflict of interest may exist to trade less frequently in a Portfolio so that the Affiliated Professionals does not incur transaction charges. We intend to trade with a frequency that is appropriate for the investment strategy for the Portfolio, without regard to transaction charges. We may select a fund that is available on a no transaction fee basis as described below.

Our affiliates use the services of NFS, Pershing and Schwab (custodians), to perform certain brokerage functions for the Portfolios and act as custodian for the assets in the Portfolios. The custodian handles the delivery and receipt of all securities bought or sold in the Portfolio, values securities, receives and distributes all dividends and other distributions, and processes exchange offers, rights offerings, warrants, tender offers, or redemptions. The custodians also send trade confirmations (unless suppressed), periodic account statements of all activities, and shareholder communications. The custodians maintain custody of assets and perform other customary custodian services. The custodians charge and collect fees and process deposits to and withdrawals within the Portfolios.

The use of NFS involves a conflict of interest with our affiliated broker-dealer because the custodian pays various amounts in connection with assets on their platform. Our affiliated broker-dealers' business relationship with the custodian also provides our affiliated broker-dealer with considerable other benefits, including favorable pricing with the custodian (including execution price discounts that increase with trade volume – these discounts are not shared with the Affiliated Professionals or with their clients), receipt of revenue sharing payments from the custodian on certain mutual funds and ETFs and the sweep account bank account option, receipt of credits from the custodian for business development and for net positive asset flows onto the custodian's platform, and receipt of a portion of interest payments on margin loans and non-purpose loans. In addition, the custodian provides our affiliated broker-dealer payments for certain conferences and programs. The receipt by our affiliated broker-dealer of such compensation from the custodian, including credits and discounts that reduce amounts our affiliated broker-dealer otherwise owes to the custodian, creates a conflict of interest. We have an economic incentive to use our affiliated broker-dealer because of the affiliation between the companies. Our affiliated broker-dealer have an economic incentive to use the custodian as their clearing firm for trade execution and custody over other firms that do not or would not provide such economic benefits, even if such other firms might be more beneficial to clients.

Our affiliated broker-dealer has a contract with the custodian which provides financial incentives to place assets with the custodian, as well as disincentives in the form of charges to our affiliated broker-dealer if they were to terminate their contracts with the custodian before the end of the contract term. These contract terms create a conflict of interest for our affiliated broker-dealer there is an incentive to use the custodian as a clearing firm and custodian.

The Affiliated Professionals' custodian offers various no-transaction-fee (NTF) mutual fund and ETF programs where the transaction charges normally charged are waived for the purchase and sale of mutual funds and ETFs participating in an NTF program. These programs are referred to under various names, such as NTF program, iNTF program, and NTF ETF program (collectively referred to as NTF program in this Brochure). Participating mutual funds and ETFs compensate the custodian, who in turn will compensate our affiliated broker-dealer based on the amount of assets invested in those funds.

In the case of ETFs, the product sponsor compensates our affiliated broker-dealer directly at a rate based on the amount of assets invested in those funds and the average weighted net expense ratio of the fund. As a result, a conflict of interest exists when we select these funds because our affiliate will receive compensation. Since the Affiliated Professionals absorbs the transaction charges for trades, the NTF program creates a conflict of interest as it results in increased compensation to the Affiliated Professionals who is also our affiliate, which indirectly benefits us.

The custodian generally charges mutual fund companies a higher fee for NTF mutual fund share classes than for other mutual fund share classes. As a result, the mutual funds participating in the NTF program generally have higher expense ratios than similar funds not in the NTF program. Thus, over time, typically there are higher costs for funds than would exist for non-NTF funds subject to transaction charges. The higher internal expenses charged if NTF funds are held will adversely affect the long-term performance of a Portfolio when compared to share classes of the same fund that assess lower internal expenses.

In addition, our affiliated broker-dealer generally receive a higher revenue share payment from the custodian for each investment in an NTF mutual fund share class than for mutual fund share classes that are not included in the NTF program. Certain fund companies with share classes in the NTF program pay a lower fee to the custodian than other fund companies with share classes in the NTF program. This means that our affiliated broker-dealer receives a lower revenue share payment for each investment in mutual fund share classes in the NTF program than other mutual fund share classes in the NTF program.

Through the relationship between our affiliated broker-dealer and the custodian, the custodian also remits a portion of the compensation they receive to our affiliated broker-dealer from the mutual funds participating in the transaction fee (TF) mutual fund program that the custodian operates. This compensation increases as the amount of assets held in funds participating in the TF mutual fund program increases. As a result, a conflict of interest exists when we purchase these funds because our affiliate will receive compensation, which will indirectly benefit us.

Some mutual fund families offer share classes of funds, including funds with share classes that are available in the custodian programs discussed above, that do not make payments to the custodian. As a result, our affiliates will not receive revenue-sharing payments when we select these funds. This creates a conflict of interest because we have an incentive to purchase funds that pay revenue-sharing to our affiliates, which will indirectly benefit us. When funds do not make revenue-sharing payments, they generally have lower fund expenses and will cost less money over longer holding periods than funds with share classes that make these payments.

In some cases, we will select an NTF fund that pays our affiliated broker-dealer compensation or more compensation that another fund even if the expense ratio is higher than a transaction fee fund to provide consistency in our fund selections across multiple Affiliated Professionals and custodian platforms.

The conflicts of interest described above are mitigated in several ways. Kestra IM does not receive any portion of the revenue-sharing noted above or any more or less compensation based on the funds we select for purchase in our Portfolio. Additionally, as noted above, only one share class of a mutual fund is available for us to purchase. While our affiliated broker-dealer determines which share class to make available, cost is one of the factors considered. We also remain committed to selecting securities that we believe will most appropriately satisfy the investment strategy for the Portfolio.

Refer to the Affiliated Professionals' Disclosure Brochure for further details.

Item 13 Review of Accounts

Our investment management team will monitor Portfolio asset allocations and security selections on an ongoing basis and rebalance when our rebalancing criteria is met. We may also review our Portfolios as a result of major market or economic events. The Affiliated Professionals will also be reviewing their client accounts on a frequency determined and outlined in their disclosure documents and agreements to ensure that the Portfolio selection remains appropriate given their clients' financial situations, goals, and objectives.

We do not provide any written reports. Clients of the Affiliated Professionals will receive trade confirmations and monthly or quarterly statements from their account custodian(s). The Affiliated Professionals may provide additional reports to their clients.

Item 14 Client Referrals and Other Compensation

We may receive compensation from mutual fund or ETF product sponsors and unaffiliated third-party investment advisors. Such compensation is not tied to the sales of any products or services. Compensation may include such items as nominal gifts, an occasional dinner or ticket to a sporting or entertainment event, or reimbursement in connection with education meetings. Product sponsors and unaffiliated third-party investment advisors may also pay for or reimburse us for costs for our employees to attend education or training conferences sponsored by the product sponsor or third-party investment advisors.

While not a common occurrence, we may pay for or reimburse an Affiliated Professional for the costs of client educational events, their employees' attendance at education or training meetings.

Kestra Affiliates, (investment advisors and broker/dealers) receive compensation from various service providers (for example, mutual fund and ETF sponsors) including, but not limited to, revenue sharing, sponsorship fees, recordkeeping fees, and select provider fees. The payments are based on a percentage of assets under management invested in the service provider's products or in some cases a fixed dollar amount and include assets where we serve as Portfolio Manager. Although we do not receive any portion of this compensation, these payments to our affiliates create a conflict of interest as they result in increased compensation to our affiliates and therefore indirectly benefit us. We consider whether a Kestra Affiliate will receive any form of compensation noted above when selecting securities because we believe the close relationship between the service provider and Kestra Affiliates will benefit us. Even so, we remain committed to only selecting securities that we believe will most appropriately satisfy the investment strategy for Portfolios. The amount of the compensation paid to Kestra Affiliates is subject to change and is posted on the Kestra Affiliate website at https://kestrafinancial.com/disclosures/company-information.

As disclosed under the *Fees and Compensation* section in this brochure, persons providing investment advice on behalf of our firm are registered representatives with Kestra Investment Services, LLC, a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. For information on the conflicts of interest this presents, and how we address these conflicts, refer to the *Fees and Compensation* section.

We do not receive any compensation from any third party in connection with providing investment advice nor do we compensate any individual or firm for client referrals.

Item 15 Custody

We do not maintain custody of any Portfolio funds or securities. The third-party qualified custodians as selected through the Affiliated Professionals hold and maintain assets, and those custodians provide account statements at least quarterly to Affiliated Professionals clients.

Item 16 Investment Discretion

We have discretionary authority over Portfolio transactions. Our discretionary authority is limited to only placing trades in Portfolios; and we will determine the type and amount of securities to buy or sell. We do not have discretion over the broker/dealer or custodian used as the Affiliated Professionals designate the broker/dealer and custodian for their clients' assets. The Affiliated Professionals and IAR may be given discretionary authority to select or replace us as the Portfolio Manager if desired.

We have discretionary authority to hire or fire an unaffiliated third-party advisor that provides us with recommendations for structuring Portfolios from an asset allocation and/or security selection standpoint.

Item 17 Voting Client Securities

We do not vote proxies on securities held in our Portfolios. Envestnet is responsible for voting proxies on behalf of Affiliated Professionals’ clients, except for Arden Trust Company (ATC) clients, where ATC is responsible for voting proxies.

Item 18 Financial Information

We have no financial commitment that impairs our ability to meet our contractual or fiduciary commitments, and we have not been the subject of a bankruptcy petition.