**Item 1 – Cover Page**

# AMERICAN FINANCIAL MANAGEMENT, LTD.

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This brochure provides information about the qualifications and business practices of American Financial Management, Ltd., ("AFM"). If you have any questions about the contents of this brochure, please contact us at (443) 339-2115. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

American Financial Management, Ltd. is a registered investment adviser with the SEC. Registration as an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provides you with information about which you determine to hire or retain an adviser.

Additional information about American Financial Management, Ltd. is available on the SEC's website at www.adviserinfo.sec.gov. The Firm's CRD number is 111016.

**Version date: April 21, 2025**

## Item 2 – Material Changes

American Financial Management, Ltd is amending its Annual Updated Amendment dated February 12, 2025, to include material changes relating to American Financial Management, Ltd's that clients should be aware of since the last filing.

American Financial Management, Ltd. has updated its primary address. (Cover Page)

## Item 3 – Table of Contents

**Item 4 – Advisory Business**

American Financial Management, Ltd. (“AFM”) is an SEC Registered Investment Advisor. We provide Asset Allocation Risk Management Services on a discretionary basis in addition to financial planning. As of September 12, 2023, Brad Clough (CRD no. 6852913) acquired AFM and he acts as the President & Chief Compliance Officer of AFM.

Throughout this brochure, “we” “us” or “our” refers to American Financial Management, Ltd., and “you” or “your” refers to the client or proposed client.

**Mutual Fund/Variable Annuity**

Services consist of a mutual fund/variable annuity contract sub-account conversion management service using mutual fund/variable contract sub-accounts of the client’s choice in consultation with the client’s contact at AFM that may be an AFM investment advisory representative or a third -party promoter to AFM.

AFM provides management services concerning the exchange between mutual fund/variable annuity contract sub-accounts. AFM neither recommends the mutual fund/variable contract group/company or the investments involved, nor the sale or redemption of any mutual fund/variable annuity contract shares/units, other than for conversion or advisory fee liquidation as authorized by the client.

The advisory client's personal or individual needs should be determined by the client in consultation with their investment advisory representative or third- party promoter. Each Investment Advisory Agreement contains a confidential client profile, obtained by the investment adviser representative or third- party promoter used for determining the goals, objectives, risk profile, and suitability with their client’s strategy selection. When selecting the strategy, the client agrees to consider personal risk tolerance and financial goals in assessing AFM’s Asset Allocation/Risk Management program and ability to sustain a loss.

Each client’s account in the program is managed on the basis of the client’s financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of their account. Clients can place or modify reasonable restrictions on the management of their account.

**Managed Services**

AFM also provides advisory services that include discretionary portfolio management. We work with clients to assess their risks, objectives and suitability regarding their assets and identify the level of return required to meet each client’s objectives. Once the client’s objectives are determined, we design a portfolio to meet the clients’ goals. We invest through mutual funds bought at NAV and also have a managed stock account which is invested in stocks and ETFs. Based on the client's situation, we structure their portfolio based on the client’s goals and risk tolerance. Clients may impose restrictions on investing in certain securities or types of securities. Our firm accepts discretionary authority to manage accounts on behalf of investment advisory clients. For each managed account, the client completes a “Discretionary Authorization and Limited Power of Attorney” authorizing our firm to make discretionary exchanges in the mutual fund, variable annuity sub-accounts, investment offerings at Charles Schwab under an investment advisory agreement between the advisory client and AFM. This allows us to exchange and update investment allocations as needed without requiring the retail investors pre-approval on an ongoing basis until the investor notifies us in writing to discontinue management services.

AFM also offers financial planning services and may provide those services complimentary to existing investment management clients, at AFM's discretion.

AFM will at least annually contact clients to see if there are any updates to their financial situation or investment objectives and to determine if the client wishes to impose a new restriction or modify an existing one.

**Participant Account Management (Discretionary) -**

We use a third-party platform called Pontera to facilitate management of held away assets such as defined contribution plan participant accounts, with discretion. The platform allows us to avoid being considered to have custody of Client funds since we do not have direct access to Client log-in credentials to affect trades. We are not affiliated with the platform in any way and receive no compensation from them for using their platform. A link will be provided to the Client allowing them to connect an account(s) to the platform. Once Client account(s) is connected to the platform, Adviser will review the current account allocations. When deemed necessary, Adviser will rebalance the account considering client investment goals and risk tolerance, and any change in allocations will consider current economic and market trends. The goal is to improve account performance over time, minimize loss during difficult markets, and manage internal fees that harm account performance. Client account(s) will be reviewed at least quarterly and allocation changes will be made as deemed necessary.

**Investment Advisor Technology Consulting**

AFM offers RIA to RIA consulting services to help other advisors and their firms with their technology and setup. We will charge an hourly rate that is subject to the size and scope of the project.

**Written Acknowledgement of Fiduciary Status**

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title 1 of the Employee Retirement Income Act (ERISA) and the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;

- Charge no more than a level fee that is reasonable for our services; and
- Give you basic information about conflicts of interest.

AFM does not offer a wrap fee program

**Assets Under Management**

As indicated in our ADV Part 1 on file with the SEC, as of December 31, 2024, we manage approximately $33,423,445 in client assets on a discretionary basis. AFM does not manage non-discretionary accounts.

**Item 5 – Fees and Compensation**

**Mutual Fund/Variable Annuity Fees**

All management fees and minimum account sizes are subject to negotiation. Client will not be charged over 2.50 % of Asset Under Management.

The specific manner in which management fees are charged is established in a client's written investment advisory agreement with AFM. Clients choose to be billed directly for management fees or to authorize AFM to directly deduct the management fees from their managed or other accounts. The only payment frequency available for new clients is quarterly. Legacy clients that previously selected annual or semi-annual payment frequency will continue to billed as such,

In addition, clients may pay varying management fee amounts dependent upon the investment advisory representative or third-party promoter with whom they have contracted at AFM. AFM Investment Advisory Agreements are renewable at the client's discretion.

<u>Annual Management Fee Schedule:</u>

A. shall be payable in advance upon execution of the investment advisory agreement
B. based on the principal amount per contract invested
C. for subsequent year, shall be based on the market value of the account On the calendar quarter end (3/31, 6/30, 9/30, or 12/31
D.

<u>Semi-Annual Management Fee Schedule:</u>

A. shall be payable in advance upon execution of the investment advisory agreement
B. shall be based on the principal amount per contract invested due by each semi- annual anniversary date, and based on the market value of the account On the calendar quarter end (3/31, 6/30, 9/30, and/or 12/31
C. shall be payable at .50% (one half) of the annual fee every six months, based on the market value of the account on 3/31, 6/30, 9/30, and/or 12/31

<u>Quarterly Management Fee Schedule:</u>

A. shall be payable in advance upon execution of the investment advisory agreement
B. shall be based on the principal amount per contract invested and pro-rated to the end of the next quarterly billing cycle
C. is payable at .25% (one quarter) of the annual fee at the beginning of each calendar quarter, based on the market value of the account on 3/31, 6/30, 9/30, or 12/31

Refund Policy for Prepaid Fees:

Upon termination of any managed account, any prepaid, unearned management fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Refunds are calculated on a pro-rata basis. *The first $250.00 in fees are non-refundable, this amount is based upon the account set up and ongoing risk tolerance review.

American Financial Managements fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third- party investment and other third- parties such as fees charged by managers, custodial fees, deferred sales charges, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Mutual funds and variable annuities can pay commissions to their investment advisers, and certain funds and variable annuities have other types of fees or charges, including 12b-1, administrative or shareholder servicing fees, early redemption or certain other fees.

Such charges, fees and commissions are exclusive of and in addition to AFM's management's fee, and American Financial Management shall not receive any portion of these commissions, fees, and costs.

Risk Considerations: The concept of exchanging investments between one mutual fund/variable annuity contract sub-account to another may result in profits and losses and AFM cannot guarantee the results or that the objectives of the Asset Allocation/Risk Management contract will be met. The client may have tax consequences inherent in each such exchange. Market volatility may affect or limit the ability of AFM to exchange between mutual funds/variable contract sub-accounts on a basis that is timely regarding price trends and, as with any investment, especially volatile ones, discretion may be exercised not to switch between mutual funds/variable annuity contract sub-accounts.

Foreign-based investments may include currency exchange rates as additional non-market- based considerations. Political stability of countries may also influence, limit or preclude the option to switch between investments. Client agrees to consider personal risk tolerance and financial goals in assessing this Asset Allocation/Risk Management program and ability to sustain a loss. Exchanges between mutual fund/variable annuity contract sub-accounts are not made based upon a client's personal or individual needs and the assessment should be made by the client in consultation with the client's investment advisor representative or third-party promoter.

**Managed Services Fees**

AFM's fees for managed services at Shwab will not exceed 2.00% of assets under management.

The fee charged by AFM for managed services will be calculated and paid quarterly in arrears or in advance. The total fee that a client will be charged will be defined within the investment advisory contract(s). The fee is payable at .25% (one quarter) of the annual fee.

Fees are calculated using the quarter-end value of the Client's account throughout the billing period for purposes of determining the market value of the assets upon which the advisory fee is based. Should a client open an account in the middle of a billing period, the firm's investment management fee will be prorated based upon the number of days the account was open. In the event that a client terminates mid-month, the number of days the account was managed during the month until termination is used to determine the percentage of the investment management fee earned (based on the total number of days in that month).

The fixed rate for creating financial plans is $1,500 which can be amended by the Advisor/AFM (allowing plans for free for current clients or reduced cost for a simpler plan). Significant plan updates in the future will cost $750. The fees are negotiable, and the final fee will be defined in the client agreement. Fees are withdrawn directly from the client's accounts with client's written authorization or may be invoiced and billed directly to the client; clients may select the method in which they are billed. Fees are paid in advance.

AFM may amend its fee schedules at any time by giving thirty (30) days advanced written notice to clients. AFM believes its fees are competitive, clients should be aware that lower fees for comparable services may be available from other sources.

**Investment Advisor Technology Consulting**

Fees are negotiable for these services and the final fee will be defined in the client agreement.

Bradley T Clough in his outside business activities (see Item 10 below) is licensed to accept compensation for the sale of insurance products to AFM clients. This presents a conflict of interest and gives the supervised person an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of securities or insurance products for which the supervised persons receives compensation, AFM will document the conflict of interest in the client file and inform the client of the conflict of interest. Clients always have the right to decide whether to purchase AFM-recommended products and, if purchasing, have the right to purchase those products through other brokers or agents that are not affiliated with AFM.

Commissions are not AFM's primary source of compensation for advisory services. Advisory fees that are charged to clients are not reduced to offset the commissions or markups on securities or insurance products recommended to clients.

## Item 6 –Performance Based Fees and Side-by-Side Management

American Financial Management does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## Item 7 – Types of Clients

AFM provides asset management services to individuals, pension and profit-sharing plans, trusts, corporations and other business entities. We do not impose an account minimum.

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

AFM's security analysis includes charting, fundamental, technical, quantitative, and cyclical methods. We respond to economic, market and geopolitical events through our sub-account technical allocation investment review system.

**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. **Fundamental Analysis Risk:** involves the examination of quantitative and qualitative factors in understanding securities and using those factors to forecast expected future performance. The risks assumed are that information obtained may be incorrect or incomplete, unexpected events may arise, and/or other factors could result in an inaccurate forecast of the investment return and/or risk of an asset class, mutual fund, stock or bond.

**Modern portfolio theory** is an investment approach that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully choosing the proportions of various assets. **Modern Portfolio Theory Risk:** assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-adjusted return profile - i.e., if for that level of risk an alternative portfolio exists which has better expected returns. Modern Portfolio Theory takes into account expected returns, risks and correlations of individual asset classes. If these assumptions prove to be incorrect, then the chosen target asset allocation may not prove to be the most attractive option from a risk-adjusted return perspective.

**Technical analysis** involves the analysis of past market data; primarily price and volume. **Technical Analysis Risk:** relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

**Charting analysis** involves the use of patterns in performance charts. AFM uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security. **Charting analysis risk:** Charting analysis strategy involves using and comparing various charts to predict long and short term performance or market trends. The risk involved in using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

**Long-Term Trading Risk:** 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 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.

**Short-Term Trading Risk:** Includes liquidity, economic stability, and inflation, in addition to the long-term trading risks listed above. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

**Risks of Specific Securities Utilized**

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments.

**Fixed Income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This includes corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general the fixed income market is volatile, and fixed income securities carry significant interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting, but these bonds still carry a risk of losing share price value. Risks of investing in foreign fixed income securities also include the general risks inherent in non-U.S. investing.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond (fixed income) nature or stock (equity) nature, or a mix of multiple underlying security types.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Because ETFs use "authorized participants" (APs) as agents to facilitate creations or redemptions (primary market), there is a risk that an AP decides to no longer participate for a particular ETF; however, that risk is mitigated by the fact that other APs can step in to fill the vacancy of the withdrawing AP [an ETF typically has multiple APs] and ETF transactions predominantly take place in the secondary market without need for an AP. Like other liquid securities, ETF pricing changes throughout the trading day and there can be no guarantee that an ETF is purchased at the optimal time in terms of market movements. Moreover, due to market fluctuations, ETF brokerage costs, differing demand and characteristics of underlying securities, and other factors, the price of an ETF can be lower that the aggregate market price of its cash and component individual securities (net asset value – NAV). An ETF is subject to the same market risks as those of its underlying individual securities, and also has internal expenses that can lower investment returns.

**Real Estate** funds (including REITs) face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

**Commodities** are tangible assets used to manufacture and produce goods or services. Commodity prices are affected by different risk factors, such as disease, storage capacity, supply, demand, delivery constraints and weather. Because of those risk factors, even a well-diversified investment in commodities can be uncertain.

**Treasury Inflation Protected/Inflation Linked Bonds** are treasury bonds indexed to an inflationary gauge, with the aim of protecting the bond holder from declines in the purchasing power of the holder's money. The principal value of these bonds will typically increase with inflation and decrease with deflation, whereas the interest payment varies with the adjusted principal value of the bond. The risk of default on these bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal.

**Currency** investments, including related financial instruments with primary exposure to currencies, entail significant price fluctuation. Currency values change quickly and frequently based on numerous factors, including but not limited to interest rates, monetary policy, broader government actions, changes in national or local economic conditions, political events, economic news, liquidity concerns, ratings agency updates, and the movement of other currencies throughout the world. Currency trading also entails transaction risk (the possibility of exchange rates changing before a trades has settled) and, if engaging in trades on a lightly regulated exchange, significant counterparty risk. If employed, leverage will amplify these risks.

**Cryptocurrency** investing refers to trading in digital/virtual currencies, such as Bitcoin, that are not back by real assets or tangible securities and are more volatile than traditional currencies and financial assets. Digital currency is a digital representation of value that functions as a medium of exchange, a unit of account, or a store of value, but it does not have legal tender status. Digital currency is not backed or supported by any government or central bank. Digital currency's price is completely derived by market forces of supply and demand, traded between consenting parties with no broker and tracked on digital ledgers commonly known as blockchains. Investing in digital currency comes with significant risk of loss that a client should be prepared to bear and, due to the nature of cryptocurrencies, clients are exposed to the risks normally associated with investing but also unique risks not typical of investing in traditional securities. These, include, but are not limited to, volatile market price swings or flash crashes, market manipulation, economic, regulatory, technical, and cybersecurity risks. Please also see below for additional description/properties:

- Unregulated – Digital currency markets and exchanges are not regulated with the same controls or customer protections available in fixed income, equity, option, futures, or foreign exchange investing.
- Increased Price Volatility – The price of cryptocurrency is constantly fluctuating. Trade or balance can surge or drop suddenly. Price can drop to zero.
- Susceptible to Error/Hacking – Technical glitches, human error and hacking can occur, which typically do not affect traditional securities to the same extent.
- Forks – This implies a splitting of the chain on which the cryptocurrency runs, which makes it go in a different direction, with different rules than the existing blockchain.
    - Soft Fork – only a protocol change; the cryptocurrency still continues to work on the original blockchain rules.
    - Hard Fork – a permanent divergence in the blockchain.

**Oil and gas** investment faces the following risks: (1) Political Risk: Typically, an oil and gas company is covered by a range of regulations that limit where, when and how extraction is done. That said, political risk generally increases when oil and gas companies are working on deposits abroad. (2) Geological Risk: Many of the easy-to-get oil and gas is already tapped out, or in the process of being tapped out. Exploration has moved on to areas that involve drilling in less friendly environments. Geological risk refers to both the difficulty of extraction and the possibility that the accessible reserves in any deposit will be smaller than estimated. (3) Price Risk: Beyond the geoogical risk, the price of oil and gas is the primary factor in deciding whether a reserve is economically feasible. Once a project has begun, price risk is a constant companion. (4) Supply and Demand Risk: Supply and demand shocks are a very real risk for oil and gas companies. The uneven nature of production is part of what makes the price of oil and gas so volatile. Other economic factors also play into this, as financial crises and macroeconomic factors can dry up capital or otherwise affect the industry independently of the usual price risks. (5) Cost Risk. The more onerous the regulation and the more difficult the drill, the more expensive a project becomes. The combination of uncertain prices due to worldwide production beyond any one company's control involve real cost concerns.

**Inflation Risk**, also known as **Purchasing Power Risk**, arises from the decline in value of securities cash flow due to inflation, which is measured in terms of purchasing power. Inflation Protection Bonds such as TIPS are the only protection offered against this risk. Floaters, the resetting of the interest rates, can help reduce inflation risk. All other bonds have fixed interest rates for the life of the bond, which exposes the investor to this risk.

**Interest Rate Risk** is the risk that an investment's value will change due to a change in the absolute level of interest rates, spread between two rates, shape of the yield curve, or in any other interest rate relationship. These changes can be reduced by diversifying or hedging, since the changes usually affect securities inversely.

**Economic Risk** is the chance that macroeconomic conditions like exchange rates, government regulation, or political stability will affect an investment, usually one in a foreign country.

**Market Risk,** also called systematic risk, is the possibility of an investor experiencing losses due to factors that affect the overall performance of the financial markets in which they are involved. This type of risk can be hedged against, but cannot be eliminated through diversification. Sources of market risk include recessions, political turmoil, changes in interest rates, natural disasters and terrorist attacks.

**Political Risk**, also known as geopolitical risk, is risk an investment's returns could suffer as a result of political changes or instability in a country. This becomes more of a factor as the time horizon of an investment gets longer. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers or military control.

**Regulatory Risk** is the risk that a change in laws and/or regulations will materially impact a security, business, sector or market. These changes can increase the costs of operating a business, reduce the attractiveness of an investment, or change the competitive landscape, and are made by either the government or a regulatory body.

**Liquidity Risk** stems from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. It is typically reflected in unusually wide bid-ask spreads or large price movements. Typically, the smaller the size of the security or its issuer, the larger the liquidity risk.

**Credit Risk** traditionally refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection. Credit risk is the probable risk of loss resulting from a borrower's failure to repay a loan or meet contractual obligations. While impossible to know exactly who will default on obligations, with proper assessment and credit risk management, the severity of loss can be lessened. A lender's or investor's reward for assuming credit risk include the interest payments from the borrower or issuer of a debt obligation.

**Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of AFM or the integrity of AFM’s management. AFM has no information applicable to this item.

**Item 10 – Other Financial Industry Activities and Affiliations**

Bradley T Clough is owner of Bull or Bear LLC. This entity manages a newsletter.

Bradley Taliaferro Clough is a licensed insurance agent. This activity creates a conflict of interest since there is an incentive to recommend insurance products based on commissions or other benefits received from the insurance company, rather than on the client’s needs. Additionally, the offer and sale of insurance products by supervised persons of AFM are not made in their capacity as a fiduciary, and products are limited to only those offered by certain insurance providers. AFM addresses this conflict of interest by requiring its supervised persons to act in the best interest of the client at all times, including when acting as an insurance agent. AFM periodically reviews recommendations by its supervised persons to assess whether they are based on an objective evaluation of each client's risk profile and investment objectives rather than on the receipt of any commissions or other benefits. AFM will disclose in advance how it or its supervised persons are compensated and will disclose conflicts of interest involving any advice or service provided. At no time will there be tying between business practices and/or services (a condition where a client or prospective client would be required to accept one product or service conditioned upon the selection of a second, distinctive tied product or service). No client is ever under any obligation to purchase any insurance product. Insurance products recommended by AFM's supervised persons may also be available from other providers on more favorable terms, and clients can purchase insurance products recommended through other unaffiliated insurance agencies.

AFM has entered into promoter agreements with other registered investment advisers. In such instances, AFM pays a portion of the investment advisory fee to the other registered investment adviser. This fee and the pursuant relationship with other registered investment advisers will be fully disclosed to the client by the Promoters within the guidelines set forth in the promoter agreements.

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

We have adopted a "Code of Ethics" designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 ("Advisers Act"). The code establishes rules of conduct for all officers, employees and registered investment advisory representatives of American Financial Management, Ltd.

The code is designed to ensure that the high ethical standards long maintained by AFM continue to be applied. The purpose of the code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct.

AFM, its officers, employees and registered investment adviser representatives are prohibited from engaging in fraudulent, deceptive and manipulative conduct and will act solely in the best interest of its client(s) at all times. Upon request AFM will provide a copy of the code of ethics to any client or prospective client, records of such requests are maintained.

On occasion, the interests of AFM, its officers, employees and registered investment adviser representatives who own accounts may correspond with advisory client's interests. At such times, these same persons may buy or sell for their own accounts the same security that is recommended to clients. However, client's orders always take precedent over orders placed by AFM, its officers, employees and registered investment adviser representatives' accounts. AFM has established written supervisory policies and procedures that include personal investment and trading policies for its officers, employees and registered investment adviser representatives.

These policies and procedures are distributed to all access persons internally. A record of acknowledgement that they have read, understand and agree to abide is maintained. The policies include:

- AFM, its officers, employees and access persons cannot prefer their own interests to that of the client;
- AFM, its officers, employees and access persons cannot purchase or sell any security for their own personal accounts prior to implementing transactions for client accounts;
- AFM, its officers, employees and access persons cannot buy or sell securities for their personal accounts when those decisions are based on information obtained as a result of their employment, unless that information is also available to the investing public upon reasonable inquiry;
- AFM maintains a list of all securities holdings for the firm and access persons. This list is reviewed on a regular basis by our Chief Compliance Officer and other qualified persons.

Any officer, employee or access person not observing our policies, or violating any applicable state or federal advisory practice regulations, is subject to sanctions up to and including termination. A copy of our Code of Ethics is available upon request.

**Item 12 – Brokerage Practices**

Custodians/broker-dealers will be recommended based on AFM's duty to seek "best execution," which is the obligation to seek to execute securities transactions for a client on terms that are the most favorable to the client under the circumstances. The client will not necessarily pay the lowest commission or commission equivalent, and AFM may also consider the market expertise and research access provided by the payment of commissions, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers to aid in the research efforts of AFM. AFM will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian.

AFM recommends Charles Schwab.

AFM has access to research, products, or other services from its broker/dealer in connection with client securities transactions ("soft dollar benefits") consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended, and may consider these benefits in recommending brokers. There can be no assurance that any particular client will benefit from any particular soft dollar research or other benefits. AFM benefits by not having to produce or pay for the research, products or services, and AFM will have an incentive to recommend a broker dealer based on receiving research or services. Clients should be aware that AFM's acceptance of soft dollar benefits may result in higher commissions charged to the client. AFM receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party. AFM will require clients to use a specific broker-dealer to execute transactions. AFM does not aggregate or bunch the securities to be purchased or sold for multiple clients, which may result in less favorable prices, particularly for illiquid securities or during volatile market conditions.

**Item 13 – Review of Accounts**

Portfolio management accounts are reviewed at least quarterly only by Brad Clough, President & Chief Compliance Officer with regard to clients' respective investment policies and risk tolerance levels.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Brad Clough, President & Chief Compliance Officer. There is only one level of review for financial plans, and that is the total review conducted to create the financial plan.

Portfolio management 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). With respect to financial plans, AFM’s services will generally conclude upon delivery of the financial plan.

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

**Item 14 – Client Referrals and Other Compensation**

AFM does not currently pay or receive compensation for client referrals, sales awards or other prizes.

AFM utilizes internal investment adviser representatives and third- party promoters to endorse AFM to clients. AFM's Promoter’s agreement is in compliance with federal regulations. In such instances, the promoter receives a portion of the management fee. The promoter’s fee and the pursuant relationship with other registered investment advisers are fully disclosed to the client by the terms written within the Promoter Agreement.

AFM supervises. AFM will also furnish the names and addresses of promoters who endorse Asset Allocation/Risk Management advisory services on behalf of AFM upon request of any regulatory authority representing any State or Federal entity. Promotional fees are paid in compliance with all applicable SEC and State regulations.

AFM also enters into promoter agreements with other registered investment advisers. In such instances, AFM pays the advisers a portion of the investment advisory fee.

This promotional fee and the promoter relationship with other registered investment advisors is fully disclosed to the client by the terms written within the Promoter Agreement. Generally, AFM pays promoters for endorsement 10-50% of the collected management fee. At the discretion of AFM, this range may be higher.

Charles Schwab & Co., Inc. Advisor Services provides AFM with access to Charles Schwab & Co., Inc. Advisor Services’ institutional trading and custody services, which are typically not available to Charles Schwab & Co., Inc. Advisor Services retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least $10 million of the adviser’s clients’ assets are maintained in accounts at Charles Schwab & Co., Inc. Advisor Services. Charles Schwab & Co., Inc. Advisor Services includes brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For AFM client accounts maintained in its custody, Charles Schwab & Co., Inc. Advisor Services generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Charles Schwab & Co., Inc. Advisor Services or that settle into Charles Schwab & Co., Inc. Advisor Services accounts.

Charles Schwab & Co., Inc. Advisor Services also makes available to AFM other products and services that benefit AFM but may not benefit its clients' accounts. These benefits may include national, regional or AFM specific educational events organized and/or sponsored by Charles Schwab & Co., Inc. Advisor Services. Other potential benefits may include occasional business entertainment of personnel of AFM by Charles Schwab & Co., Inc. Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist AFM in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts, if applicable), provide research, pricing information and other market data, facilitate payment of AFM's fees from its clients' accounts (if applicable), and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of AFM's accounts. Charles Schwab & Co., Inc. Advisor Services also makes available to AFM other services intended to help AFM manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, and human capital consultants, insurance and marketing. In addition, Charles Schwab & Co., Inc. Advisor Services may make available, arrange and/or pay vendors for these types of services rendered to AFM by independent third parties. Charles Schwab & Co., Inc. Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to AFM. AFM is independently owned and operated and not affiliated with Charles Schwab & Co., Inc. Advisor Services.

**Item 15 – Custody**

When advisory fees are deducted directly from client accounts at client's custodian, AFM will be deemed to have limited custody of client's assets and must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

**Item 16 – Investment Discretion**

AFM accepts discretionary authority to manage securities accounts on behalf of clients. For each managed account, the client completes a "Discretionary Authorization and Limited Power of Attorney" authorizing AFM to make discretionary exchanges in the mutual fund/ variable annuity to be monitored under an investment advisory agreement between the advisory client and AFM to change investment position(s) from one fund to another within the same mutual fund/variable annuity group. All assets managed by AFM shall at all times remain the physical possession of the mutual funds custodian and AFM shall have no authority to take or receive physical possession of any of the assets under its supervision. AFM has only the authority to exchange shares of one mutual fund group with other securities with which prior arrangements for exchange have been made and agreed upon between the advisory client and AFM with the purpose of the Investment Advisory Agreement.

The advisory client authorizes the mutual fund group designated to furnish AFM all information relating to transactions in the shareholder account including without limitation to the purchase and redemption of shares, all dividend and capital gains distributions paid in cash, or reinvested, and exchanges between funds. Such information will be supplied with respect to any mutual fund within the fund group in which the shareholder has had, now has, or in the future may have an account.

The advisory client further authorizes AFM to receive copies of their statements or confirmations of purchases and sales directly from each mutual fund in order that AFM will have the information available promptly after each transaction.  The mutual fund group will rely on these instructions until amended or revoked in writing by the client.

**Item 17 – Voting Client Securities**

Each client retains the right to withdraw securities or cash and vote securities.  AFM does not vote proxies. In addition, any proxies would derive from shares held in the clients' own account in his, her or its name. Clients should contact the custodian of their securities with any questions pertaining to proxy voting.

**Item 18 – Financial Information**

We do not charge or solicit pre-payment of more than $1,200 in fees per client six months or more in advance. We have never filed for bankruptcy and are not aware of any financial conditions that are reasonably likely to impair our ability to meet our contractual obligations to clients.