

# Rowe Wealth Management LLC d/b/a Avalon Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Rowe Wealth Management LLC d/b/a Avalon. If you have any questions about the contents of this brochure, please contact us at (866) 711-2836 or by email at: [chris@rowewealth.com](mailto:chris@rowewealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Rowe Wealth Management LLC d/b/a Avalon is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Rowe Wealth Management LLC d/b/a Avalon's CRD number is: 168033.*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

The material changes in this brochure from the last annual updating amendment of Rowe Wealth Management LLC on March 14, 2022, are described below. Material changes relate to Rowe Wealth Management LLC's policies, practices or conflicts of interests.

- Rowe Wealth Management LLC added a d/b/a name, Avalon.
- Rowe Wealth Management LLC updated Items 10.C & 19.E.

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

Rowe Wealth Management LLC d/b/a Avalon is a Limited Liability Company organized in the State of Florida. The firm was formed in December 2013, and the principal owner is Chris Rowe, the Chief Executive Officer. Avalon became a registered investment advisor in the state of Florida in August 2014.

Chris Rowe formed Avalon after a 19-year history in the financial services industry. Mr. Rowe held various senior positions at firms specializing in private wealth management and investment banking, serving corporations as well as high-net worth individuals and institutional investors and hedge funds. He was active in underwriting a large number of both initial public offerings and secondary/follow-on offerings. For some offerings, he and his firm acted as the investment banker investing angel investors' money at the private ("pre-IPO") level. Rowe also held positions as chief technical analyst and options strategist for some of these firms while managing customer accounts and analyzing investor portfolios.

### B. Types of Advisory Services

Avalon manages investment assets and offers services to a global base of diverse investors including corporations, institutions and high net worth individuals.

Avalon offers a wide array of investment advisory services as described in more detail below in the following list:

1. Investment Management, providing investment advisory services for individual and institutional investors, which may include model portfolios.
2. Hourly services - Investment portfolio evaluation.

#### *Investment Management Services*

Avalon provides personalized investment management services ("investment supervisory services") to high net worth investors and institutional investors with categories of equity, fixed income and balanced accounts. Avalon also uses options strategies in some of its investment models for the purpose of reducing risk and generating additional income.

Our goal for Investment Management services is to attain meaningful investment results with emphasis on meeting the particular needs and investment goals of each client.

Equity accounts seek to do this by employing relative strength based sector allocation using exchange traded funds, common stock, options and cash or cash equivalents. Fixed

income accounts use various fixed income instruments and cash. Balanced accounts use a combination of all of the above. Our goal is to attain superior investment returns relative to applicable benchmarks with emphasis on meeting the particular needs and investment goals of each client.

Avalon also provides the “Income Extraction Program” which generates income from option premium on cash covered put options and by selling covered call options against a client’s existing portfolio.

#### **MODEL 1 - Fixed Income Model**

This portfolio’s objective is to provide current fixed income returns. The strategy may invest in U.S. government bonds, Treasury inflation protected securities (TIPS), investment grade corporate bonds, high yield bonds, convertible bonds, and international bonds.

Exposure to each of these areas may be achieved through exchange-traded funds

#### **MODEL 2 - Premium Income Accrual**

Avalon combines a buy and hold strategy with an option premium collection strategy using covered calls and cash covered put options.

This strategy seeks to have a low turnover of underlying positions resulting in lower trading cost and higher tax efficiency than our other models.

Clients can transfer or establish their own portfolio of equities or request that Avalon establish a buy and hold portfolio weighted between the NASDAQ 100, the S&P 400 mid cap index and the S&P 500 large-cap index. This model remains fully invested.

Exposure to each of these areas may be achieved through exchange-traded funds (ETFs). Investors can choose to have income reinvested or distributed.

#### **MODEL 3 - Core 4 RS Model**

This strategy starts by focusing on the 11 major S&P sectors. It then invests in the top 4 sectors demonstrating positive relative strength against the remaining 7 sectors using a relative strength matrix. With monthly rebalancing, it requires that the sectors in which it invests remain strong or be replaced by sectors that have taken a leadership position.

Exposure to each of these areas may be achieved through exchange-traded funds (ETFs). This portfolio can have up to a 50% weighting in cash.

#### **MODEL 4 - International Model**

This strategy invests in and rebalances weighting of 3 - 6 international equity markets, depending on the strength of global equities as a whole. The model starts with

approximately 74 international equity market based exchange-traded funds, including those based on U.S. equities. Avalon then identifies the top quartile of the strongest international equity markets, using a relative strength matrix.

Then using a Avalon algorithm the selection of international equity funds is made from the top quartile. The model requires that the international equity markets in which it invests remain in the top quartile of the matrix or be replaced by sectors that have taken a leadership position.

Exposure to each of these areas may be achieved through exchange-traded funds (ETFs). This portfolio can have up to a 50% weighting in cash.

### **MODEL 5 - Dynamically Hedged Sector RS**

*\*Available to Qualified Investors Only*

This model focuses on the universe of 11 major S&P sectors. It then invests in the top 3 – 5 sectors or sub-sectors demonstrating positive relative strength against the remaining 6 – 8 sectors using a relative strength matrix.

Then, using a Avalon algorithm, the selection of equity funds is made from the top quartile. With monthly rebalancing, it requires that the sectors in which it invests remain strong or be replaced by sectors that have taken a leadership position.

Avalon hedges positions with protective puts, cash covered puts and covered calls.

Exposure to each of these areas may be achieved through exchange-traded funds (ETFs). This portfolio may have up to an approximate weighting of 50% in cash.

### **MODEL 6 - Domestic Focused Equity Model**

This model focuses on a universe of over 40 broad sectors.

In strong equity market conditions, it then invests in the top 4 – 8 sectors or sub-sectors demonstrating positive relative strength against the remaining sectors using a relative strength matrix.

Then, using an Avalon algorithm, the selection of equity funds is made from the top quartile.

In weak equity markets, it takes bearish positions in 4 – 8 sectors or sub-sectors demonstrating negative relative strength against the remaining sectors using a relative strength matrix.

Once again, using an Avalon algorithm, the selection of equity funds is made but this time from the bottom quartile.

With monthly rebalancing, it requires that the sectors in which it has bullish positions in



remain strong or be replaced by sectors that have taken a leadership position and it requires sectors in which it has bearish positions in remain weak or be replaced by those leading the decline.

This portfolio may have up to an approximate weighting of 50% in cash.

The model allows for up to a 20% weighted investment in exchange traded products that represent currency or that benefit from negative roll yield of CBOE VIX futures contracts. Avalon hedges positions with protective puts, cash covered puts and covered calls.

Exposure to each of these areas may be achieved through exchange-traded funds (ETFs).

### **MODEL 15 - Power 7**

The strategy behind the Power 7 Model is to identify major themes in the market, and have exposure to those sectors controlled by demand and eliminate exposure to those sectors controlled by supply.

The Model will invest in the strongest seven sector ETFs from a universe of 41 sectors making up the domestic equity market.

The top seven sectors are bought and are only sold when they fall sufficiently out of favor versus the other potential sectors for the portfolio on a relative strength basis.

The portfolio remains fully invested at all times.

**Asset Class Models (Models 8, 9, 10, 11 & 12)** - These models are constructed using varying weightings of Sector Models 1 - 6 and 15. Each is an adaptive suite of risk management solutions for investors, each with the primary objective of switching between wealth accumulation (offensive) and wealth preservation (defensive) strategies, in a timely fashion. The approaches are rules-based and designed to follow the strongest sector & asset class trends within a broad array of investment options. Avalon utilizes a sophisticated relative strength-based ranking process for each major asset class (including cash), and each major investment sector within them. The rankings are then used to construct and manage multi-asset class portfolios, which rebalance to the strongest of asset classes. This methodology can capture powerful investment trends, yet mitigate some risk.

**“S/T” defined** - “S/T” was coined by Avalon by combining the first letter of “strategic” and “tactical”.

- **Strategic** asset allocation is a portfolio strategy that involves setting target allocations for various asset classes, and periodically rebalancing the portfolio back to the original allocations when they deviate significantly from the initial settings due to differing returns from various assets.
- **Tactical** asset allocation is an active management portfolio strategy that shifts the percentage of assets held in various categories to take advantage of market pricing anomalies or strong market sectors.

### **MODEL 8 - Twin Peaks Model**

This model invests in the top two ranked asset classes evenly

- 49.5% - 1<sup>st</sup> Ranked Asset Class (i.e. Domestic Equities)
- 49.5% - 2<sup>nd</sup> Ranked Asset Class (i.e. International Equities)
- 1% Cash

### **MODEL 9 - Triple Crown Model**

This model invests a third of the portfolio in each of the top two ranked asset classes while always maintaining a third exposure to Domestic Equities.

- 33% - 1<sup>st</sup> Ranked Asset Class (i.e. Domestic Equities)
- 33% - 2<sup>nd</sup> Ranked Asset Class (i.e. International Equities)
- 33% - Domestic Equities (a third is always allocated to Domestic Equities)
- 1% Cash

### **MODEL 10 - S/T Aggressive Asset Allocation Model**

This strategy employs the following asset allocation ranges ...

- Domestic Equities: 10.00Min / 80.00 Max
- International Equities: 10.00Min / 30.00 Max
- Commodities: 0.00Min / 20.00 Max
- Fixed Income: 10.00Min / 40.00 Max
- Currencies: 0.00Min / 20.00 Max
- Cash: 0.50Min / 30.00 Max

### **MODEL 11 - S/T Moderate Asset Allocation Model**

This strategy employs the following asset allocation ranges ...

- Domestic Equities: 20.00Min / 75.00 Max
- International Equities: 5.00Min / 25.00 Max
- Commodities: 0.00Min / 10.00 Max
- Fixed Income: 20.00Min / 60.00 Max
- Currencies: 0.00Min / 10.00 Max
- Cash: 0.50Min / 33.00 Max

### **MODEL 12 - S/T Conservative Asset Allocation Model**

This strategy employs the following asset allocation ranges ...

- Domestic Equities: 0.00Min / 40.00 Max
- International Equities: 0.00Min / 20.00 Max
- Commodities: 0.00Min / 10.00 Max
- Fixed Income: 40.00Min / 80.00 Max
- Currencies: 0.00Min / 10.00 Max
- Cash: 0.50Min / 50.00 Max

#### **MODEL 14 - Options Model**

*\*Available to Qualified Investors Only*

Based on market conditions, this model intends to invest in both put and call options of both individual stocks and ETFs in order to take both bullish and/or bearish positions in appropriate sectors - sectors either demonstrating relative strength or relative weakness vs the market, sectors or industry group.

#### **MODEL 19 - Commodity Model - Individual Stock Model**

*\*Available to Qualified Investors Only*

The strategy behind this model is to gain exposure to various global commodity opportunities through investment in individual stocks.

Stock positions may periodically include large-cap stocks or move down the cap scale to what are considered micro-cap stocks, based on price and capitalization. As a result, volume may vary from very liquid to low volume, low priced securities. We anticipate this model to present higher volatility than many of our other ETF based portfolios.

Because of the expected volatility, this model is only available to qualified investors.

#### **MODEL 20 - Commodity Model - ETF Based Model**

The strategy behind this model is to gain exposure to various global commodity opportunities through ETF investment.

The model applies relative strength as the primary tool for managing exposure to a universe of Commodity related ETFs

The model will be reevaluated monthly for possible reallocation.

#### **MODEL 21 - Infrastructure Model**

The Infrastructure model is designed to provide investors with exposure to U.S. infrastructure companies that may benefit from a potential increase in domestic infrastructure activities.

The model is designed to provide access to two groups of infrastructure companies that are equally weighted: owners and operators, such as railroads and utilities, and enablers, such as materials and construction companies.

The universe of securities includes approximately 150 individual stocks.

The model employs a systematic rules-based approach based on relative strength, to determine all buys and sells.

### ***Financial Planning***

Financial plans and financial planning may include but are not limited to: investment planning; insurance, tax concerns; retirement planning; college planning; and debt/credit planning.

### ***Consulting Services***

Avalon may periodically offer consulting services either in-person or via conference calls. These services may include portfolio evaluation, one-off analytical reports, mentoring or training.

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

Avalon generally limits its investment advice to mutual funds, equities, fixed income securities, any kind of ETFs (including, but not limited to, ETFs in the gold and precious metal sectors), options, real estate funds (including REITs), non-U.S. securities, and hedge funds, insurance products including annuities and private placements. Avalon may use other securities as well to help diversify a portfolio when applicable.

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

Avalon will tailor a program for each individual client. This will include an interview session to get to know the client's specific needs and requirements as well as a plan that will be executed by Avalon on behalf of the client. Avalon may use "model portfolios" together with a specific set of recommendations for each client based on their personal restrictions, needs, and targets. Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent Avalon from properly servicing the client account, or if the restrictions would require Avalon to deviate from its standard suite of services, Avalon reserves the right to end the relationship.

## **D. Wrap Fee Programs**

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

## **E. Assets Under Management**

Avalon has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$ 54,906,264.00	\$ 0.00	December 2021

Avalon has \$ 7,510,523.00 in assets under advisement as of December 2021.

## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Investment Management Services*

##### **MODEL 1 - Fixed Income Model**

First million	1.00%
Next 2 million	0.90%
Next 2 million	0.70%
Next 5 million	0.65%
Over 10 million	0.55%

##### **MODEL 2 - Premium Income Accrual**

First \$500k	1.55%
Next 1.5 million	1.45%
Next 2 million	1.30%
Over 4 million	1.25%

##### **MODEL 3 - Core 4 RS Model**

First \$500k	1.90%
Next 2 million	1.30%
Next 2.5 million	1.00%
Next 5 million	0.80%
Over 10 million	0.60%

##### **MODEL 4 - International Model**

First \$500k	1.90%
Next 2 million	1.50%
Next 2.5 million	1.25%
Next 5 million	1.00%
Over 10 million	0.80%

**MODEL 5 - Dynamically Hedged Sector RS**

First million	2.00% + 15% performance fee over 10yr Treasury
Next 1 million	1.70% + 15% performance fee over 10yr Treasury
Next 3 million	1.50% + 15% performance fee over 10yr Treasury
Next 5 million	1.30% + 15% performance fee over 10yr Treasury
Over 10 million	1.00% + 15% performance fee over 10yr Treasury

**MODEL 6 - Dynamically Focused Equity Model**

First million	2.00%
Next 1 million	1.70%
Next 3 million	1.50%
Next 5 million	1.30%
Over 10 million	1.00%

**MODEL 15 - Power 7 Model**

First million	2.00%
Next 1 million	1.70%
Next 3 million	1.50%
Next 5 million	1.30%
Over 10 million	1.00%

**Asset Class Level Investment Models****MODEL 8 - Twin Peaks Model**

First \$500K	2.00%
Next 2 million	1.70%
Next 2.5 million	1.60%
Next 5 million	1.50%
Over 10 million	1.00%

**MODEL 9 - Triple Crown Model**

First \$500K	1.95%
Next 2 million	1.70%
Next 2.5 million	1.50%
Next 5 million	1.40%
Over 10 million	1.00%

**MODEL 10 - S/T Aggressive Asset Allocation Model**

First \$500K	1.90%
Next 2 million	1.70%
Next 2.5 million	1.40%
Next 5 million	1.35%
Over 10 million	1.00%

**MODEL 11 - S/T Moderate Asset Allocation Model**

First \$500K	1.75%
Next 2 million	1.60%
Next 2.5 million	1.35%
Next 5 million	1.30%
Over 10 million	1.00%

**MODEL 12 - S/T Conservative Asset Allocation Model**

First \$500K	1.6%
Next 2 million	1.4%
Next 2.5 million	1.3%
Next 5 million	1.15%
Over 10 million	0.90%

**MODEL 13 - Blockchain Model**

First \$500K	1.6%
Next 2 million	1.4%
Next 2.5 million	1.3%
Next 5 million	1.15%
Over 10 million	0.90%

**MODEL 14 - Options Model**

First \$500K	2.0% + 20% of appreciation
Next 2 million	2.0% + 20% of appreciation
Next 2.5 million	2.0% + 20% of appreciation
Next 5 million	2.0% + 20% of appreciation
Over 10 million	2.0% + 20% of appreciation

**MODEL 19 - Commodity Model - Individual Stock Model**

First \$500K	1.5% + 20% of appreciation
Next 2 million	1.5% + 20% of appreciation
Next 2.5 million	1.5% + 20% of appreciation
Next 5 million	1.5% + 20% of appreciation
Over 10 million	1.5% + 20% of appreciation

**MODEL 20 - Commodity Model - EFT Based Model**

First \$500k	1.90%
Next 2 million	1.30%
Next 2.5 million	1.00%
Next 5 million	0.80%
Over 10 million	0.60%

**MODEL 21 - Infrastructure Model**

First million	2.00%
Next 1 million	1.70%
Next 3 million	1.50%
Next 5 million	1.30%
Over 10 million	1.00%

*\*Many of our Models offer an Options overlay referred to as a PLUS Model - Model 16 - Core 4RS PLUS, Model 17- Power7 PLUS & Model 18 - Moderate Asset Allocation PLUS*

*\*\* Special New Client Offer – For the first 12 months of being a client of Avalon, “qualified” clients have the option of choosing to opt out of paying any management fee and instead paying a straight 20% performance fee.*

These fees are generally negotiable, and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract.

Clients may terminate the agreement without penalty, for full refund of Avalon’s fees, within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract generally upon written notice.

Avalon uses an average of the daily balance in the client’s account throughout the billing period, after taking into account deposits and withdrawals, for purposes of determining the market value of the assets upon which the advisory fee is based.

***Performance-based Fees***

These fees are generally negotiable, and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Clients must pay the prorated performance-based fees for the billing period in which they terminate the Investment Advisory Contract up to and including the day of termination.

***Flat Fee***

Under certain circumstances a flat 1.50% fee of assets managed will be agreed upon by client and Avalon.



### ***Sub-Advisory Arrangements***

Under certain circumstances a flat .30% -.50% fee of assets managed will be agreed upon by advisory firm and Avalon.

### ***Consulting Services Fees***

#### **Hourly Fees**

Avalon charges an hourly fee of \$200 to \$500 per hour for consulting services, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). These fees are generally negotiable, and the final fee schedule will be included in the consulting service contract.

#### **Fixed Fees**

Avalon charges a fixed fee ranging from \$750 to \$10,000 for consulting services, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). These fees are generally negotiable, and the final fee schedule will be included in the consulting service contract.

## **B. Payment of Fees**

### ***Payment of Investment Management Services***

Portfolio management fees are withdrawn directly from the client's accounts with client's written authorization. Fees are paid monthly in arrears.

### ***Payment of Performance-based Fees***

Performance-based fees are withdrawn directly from the client's accounts with client's written authorization. Fees are paid monthly in arrears.

### ***Payment of Consulting Services Fees***

Consulting services fees are paid in advance via check or credit card.

## **C. Client Responsibility for Third Party Fees**

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

#### **D. Prepayment of Fees**

As stated above, Avalon consulting services are paid in advance. Fixed fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination.

For hourly fees that are collected in advance, the fee refunded will be the balance of the fees collected in advance minus the hourly rate times the number of hours of work that has been completed up to and including the day of termination.

Avalon neither requires nor solicits prepayment of more than \$500 in fees per client, six months or more in advance.

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

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

### **Item 6: Performance-Based Fees and Side-By-Side Management**

Avalon manages accounts that are billed on performance-based fees (a share of capital gains on or capital appreciation of the assets of a client) as well as accounts that are NOT billed on performance-based fees. Managing both kinds of accounts at the same time presents a conflict of interest because Avalon or its supervised persons have an incentive to favor accounts for which Avalon and its supervised persons receive a performance-based fee. Avalon addresses the conflicts by ensuring that clients are not systematically advantaged or disadvantaged due to the presence or absence of performance-based fees. Avalon seeks best execution and upholds its fiduciary duty for all clients.

Qualified investors are charged an asset-based management fee as shown above for Model 5, 14 and 19, but will also be charged a performance fee of up to 20% of any net profits to the account for the month or quarter. The account base will be reset each month or quarter net of the performance fee charged. This reset will become the high-water mark for Avalon to exceed in the next month or months, or next quarter or quarters in order to charge additional performance fees. Additionally, new qualified clients will be offered the option to choose to be charged no asset management fee but in return pay a 20% performance fee charged monthly by the same formula and high water mark. This offer will be for the first twelve months and then the account will revert to the fee schedule and performance fee stated above.

Clients that are paying a performance-based fee should be aware that investment advisers have an incentive to invest in riskier investments when paid a performance-based fee due to the higher risk/higher reward attributes.

## Item 7: Types of Clients

Avalon offers advisory services to:

- ❖ High-Net-Worth Individuals
- ❖ Individuals
- ❖ Banking or Thrift Institutions
- ❖ Pension and Profit Sharing Plans
- ❖ Corporations
- ❖ Charitable Organizations
- ❖ Insurance Companies

There is an account minimum of \$500,000, which may be waived by Avalon in its discretion.

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

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis and Investment Strategy*

Avalon's methods of analysis and investment strategy are firmly based on principles of research. We at Avalon believe that our principles and methods, when strictly followed, can help mitigate the risk and uncertainty that are inherent in all investments. No investment strategy is guaranteed to result in the client's goals being met and there is no guarantee of profit for protection from loss. For any investments sold by prospectus, clients should read the prospectus in its entirety.

All investments include a risk of loss of principal and unrealized profits. Stock markets and bond markets fluctuate substantially over time. Because performance of any investment is not guaranteed, we cannot guarantee the risk of loss will remain in our control. Avalon cannot guarantee any level of performance or that account assets will not be lost. Avalon does not represent, warrant or imply that our services or method of analysis can or will predict future results.

Avalon's methods of analysis mainly use technical analysis of broad market indices, sector relative strength analysis, sector internal analysis, cyclical analysis, quantitative analysis, inter market analysis and fundamental analysis.

**Charting analysis** involves the use of patterns in performance charts. Avalon uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

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

**Technical analysis** involves the analysis of past market data; primarily price and volume.

**Cyclical analysis** involved the analysis of business cycles to find favorable conditions for buying and/or selling a security.

**Quantitative analysis** deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

**Sector Relative Strength Analysis** focuses on the outperformance or underperformance of sector indices. The approach attempts to identify new trends of emerging outperformance of the average of a group of stocks in the same broad industry early on.

**Sector Internal Analysis** focuses on broad sectors without the bias created by sector indices that are weighted by market capitalization or price. There is a broad range of internal analytical approaches but each approach assigns equal weight to each individual stock in a sector.

**Intermarket Analysis** can show how market trends are interrelated, often feeding on each other. Awareness and analysis of these links seeks to enhance the investor's ability to forecast future possibilities. For example, the commodities market might influence the trend of interest rates which affect bond prices which in turn affect equity prices.

### ***Investment Strategies***

Avalon uses long term trading, short term trading, short sales, margin transactions, options trading (including covered options, uncovered options, or spreading strategies), market timing and long option purchases.

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

## **B. Material Risks Involved**

### ***Methods of Analysis***

**Charting analysis** strategy involves using and comparing various charts to gauge the likelihood of long-term, intermediate-term 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.

**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.

**Technical analysis** attempts to gauge the likelihood of a future security or index price or direction based on market trends. The assumption is that the market follows discernible

patterns and if these patterns can be identified then a reasonable assumption of future price behavior can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

**Cyclical analysis** assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns and 2) if too many investors begin to implement this strategy, it changes the very cycles these investors are trying to exploit.

**Quantitative Model Risk.** Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

### ***Investment Strategies***

Avalon's use of short term trading, short sales, margin transactions, and options trading generally holds greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

**Long term investing** 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 and intermediate-term trading** risks include liquidity, economic stability and inflation, in addition to the long term investing risks listed above. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

**Short sales** entail the possibility of infinite loss. An increase in the applicable securities' prices will result in a loss and, over time, the market has historically trended upward.

**Margin transactions** use leverage that is borrowed from a brokerage firm as collateral. When losses occur, the value of the margin account may fall below the brokerage firm's threshold thereby triggering a margin call. This may force the account holder to either allocate more funds to the account or sell assets on a shorter time frame than desired.

**Options** writing or trading involves a contract to purchase a security at a given price, not necessarily at market value, depending on the market. This strategy includes the risk that an option may expire out of the money resulting in minimal or no value and the possibility of leveraged loss of trading capital due to the leveraged nature of stock options.

In addition, Avalon engages in several primary market timing services including but not limited to:

1. Attempting to create a lower "risk: reward ratio" for clients existing accounts by hedging their equity portfolios with stock options and ETF options.

2. Premium selling: Selling calls and puts in order to collect premium on long-term positions.
3. Collaring positions for the purpose of hedging for tax reasons (and any other reasons).  
All-inclusive full service: We employ our investing/trading methodology across numerous clients' accounts using Fundamental and technical analysis focusing on stock and sector relative strength and market & sector internals (breadth). Certain investing models employed by Avalon use options to hedge positions with the goal of minimizing risk however these hedging strategies do not guarantee against losses and may reduce potential profits. Certain investing models employed by Avalon maintain both bullish positions (long equities, long ETFs, long call options, covered calls, short put options) as well as bearish strategies (short equities, short ETFs, short call options, covered put options, long put options).

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

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

Avalon's use of short sales, margin transactions, and options trading generally holds greater risk of capital loss. Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**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. They can be of bond "fixed income" nature (lower risk) or stock "equity" nature (mentioned below).

**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 and include 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 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 (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs):** Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). The price of Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) may be negatively impacted by several factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

**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.

**Hedge Funds** often engage in leveraging and other speculative investment practices that may increase the risk of investment loss; can be highly illiquid; are not required to provide periodic pricing or valuation information to investors; May involve complex tax structures and delays in distributing important tax information; are not subject to the same regulatory requirements as mutual funds; and often charge high fees. In addition, hedge funds may invest in risky securities and engage in risky strategies.

**Private placements** carry a substantial risk as they are subject to less regulation than publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.

**Options** are contracts to purchase a security at a given price, risking that an option may expire out of the money resulting in minimal or no value. An uncovered option is a type of options contract that is not backed by an offsetting position that would help mitigate risk. The risk for a “naked” or uncovered put is not unlimited, whereas the potential loss for an uncovered call option is limitless. Spread option positions entail buying and selling multiple options on the same underlying security, but with different strike prices or expiration dates, which helps limit the risk of other option trading strategies. Option writing also involves risks including but not limited to economic risk, market risk, sector risk, idiosyncratic risk, political/regulatory risk, inflation (purchasing power) risk and interest rate risk.

**Non-U.S. securities** present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

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

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

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

In 1995, Michael James Reilly placed a client in a fixed annuity that was not approved by his employer. Michael James Reilly consented to the findings that he (1) violated Exchange Rule 346(b) in that he engaged in an outside business activity, and received compensation from a person other than his employer, without the prior written consent of his member organization; and (2) engaged in conduct inconsistent with his member organization's policies. Michael James Reilly stipulated to a six-week suspension with the NYSE Division of Enforcement. This was not a client-initiated issue or complaint. This was an administrative issue that came about as a result of a review.

## **Item 10: Other Financial Industry Activities and Affiliations**

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

Neither Avalon nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

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

Neither Avalon nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

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

In addition to being the sole owner of Rowe Wealth Management LLC, also known as Avalon (a registered investment advisory firm), separately Christopher Rowe is the owner of Rowe Research LLC, also known as True Market Insiders, which is a subscription-based



Financial Publisher that sells analysis, education, price data, indicators, and tools to be used by self-directed and professional investors. Rowe Research LLC/True Market Insiders is an issuer of securities of its own company and has issued equity as well as convertible debt to minority investors.

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

Avalon does not utilize nor select third-party investment advisers. All assets are managed by Avalon management.

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

#### **A. Code of Ethics**

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

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

Avalon does not recommend that clients buy or sell any security in which a related person to Avalon or Avalon has a material financial interest.

#### **C. Personal Trading in the Same Securities as Clients**

From time to time, representatives of Avalon may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of Avalon to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. Avalon will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

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

From time to time, representatives of Avalon may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of Avalon to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, Avalon will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

# **Item 12: Brokerage Practices**

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

Custodians/broker-dealers will be recommended based on Avalon'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 Avalon 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 Avalon. Avalon will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian.

Avalon currently works with accounts custodied at TD Ameritrade Institutional, a division of TD Ameritrade, Inc. Member FINRA/SIPC and Schwab Institutional, a division of Charles Schwab & Co., Inc. (CRD # 5393).

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

While Avalon has no formal soft dollars program in which soft dollars are used to pay for third party services, Avalon may receive 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. Avalon benefits by not having to produce or pay for the research, products or services, and Avalon will have an incentive to recommend a broker dealer based on receiving research or services. Clients should be aware that Avalon's acceptance of soft dollar benefits may result in higher commissions charged to the client.

## **2. Brokerage for Client Referrals**

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

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

Avalon will not allow clients to direct brokerage. Avalon will recommend custodians to the client.

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

If Avalon buys or sells the same securities on behalf of more than one client, it might, but would be under no obligation to, aggregate or bunch, to the extent permitted by applicable law and regulations, the securities to be purchased or sold for multiple Clients in order to seek more favorable prices on behalf of all clients, lower brokerage commissions or more efficient execution. In such case, Avalon would place an aggregate order with the broker on behalf of all such clients in order to ensure fairness for all clients; provided, however, that trades would be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy. Avalon would determine the appropriate number of shares to place with brokers and will select the appropriate brokers consistent with the Adviser's duty to seek best execution, except for those accounts with specific brokerage direction (if any).

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

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

All client portfolio management accounts are reviewed at least quarterly by Christopher Rowe, Chief Executive Office / Chief Investment Officer and Michael Reilly, Chief Compliance Officer with regard to clients' respective investment policies and risk tolerance levels.

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

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).

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

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.

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

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

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

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

Avalon may enter into written arrangements with third parties to act as solicitors for the Adviser's investment management services. All compensation with respect to the foregoing will be fully disclosed to each Client to the extent required by applicable law. Avalon will ensure that solicitors are in compliance with NYS filing requirements where NY clients are involved.

## **Item 15: Custody**

Avalon When it deducts fees directly from client accounts at a selected custodian, Avalon 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. Custody is also disclosed in Form ADV because Avalon has authority to transfer money from client account(s), which constitutes a standing letter of authorization (SLOA). Accordingly, Avalon will follow the safeguards specified by the SEC rather than undergo an annual audit

## **Item 16: Investment Discretion**

Avalon provides discretionary (and, from to time, non-discretionary) investment advisory services to clients. The Investment Advisory Contract established with each client outlines the discretionary authority for trading. Where investment discretion has been granted, Avalon generally manages the client's account and makes investment decisions without consultation with the client as to what securities to buy or sell, when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, or the price per share. In some instances, Avalon's discretionary authority in making these determinations may be limited by conditions imposed by a client (in investment guidelines or objectives, or client instructions otherwise provided to Avalon.

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

Avalon will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Avalon neither requires nor solicits prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

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

Neither Avalon nor its management has any financial condition that is likely to reasonably impair Avalon's ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

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

## **Item 19: Requirements For State Registered Advisers**

### **A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background**

Avalon currently has management persons/executive officers: Christopher Rowe and Michael Reilly. Education and business background can be found on the Form ADV Part 2B brochure supplement for such individual.

### **B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)**

Other business activities for representatives can be found on the individual's Form ADV Part 2B brochure supplement.

### **C. How Performance-based Fees are Calculated and Degree of Risk to Clients**

Avalon accepts performance-based fees, fees based on a share of capital gains on or capital appreciation of the assets of a client.

#### **Dynamically Hedged Sector RS Model**

Qualified investors are charged an asset-based management fee as shown above for Model 5, in addition to a performance fee of 15% of any net profits to the account for the month over the 10-year treasury yield. The account base will be reset each month net of the performance fee charged. This reset will become the high-water mark for Avalon to exceed the next month in order to charge additional performance fees.

#### **Options Model**

Qualified investors are charged an asset-based management fee as shown above for Model 14, in addition to a performance fee of 20% of any net profits to the account for the month. This reset will become the high-water mark for Avalon to exceed in the next month in order to charge additional performance fees.

#### **Individual Stock Commodity Model**

Qualified investors are charged an asset-based management fee as shown above for Model 19, in addition to a performance fee of 20% of any net profits to the account for the quarter. This reset will become the high-water mark for Avalon to exceed in the next quarter in order to charge additional performance fees.

Additionally, new qualified clients will be offered the option to choose to be charged no asset management fee but in return pay a 20% performance fee charged quarterly by the same formula and high-water mark. This offer will be for the first twelve months and then the account will revert to the fee schedule and performance fee stated in Item 5.

Clients that are paying a performance-based fee should be aware that investment advisers have an incentive to invest in riskier investments when paid a performance-based fee due to the higher risk/higher reward attributes.

### **D. Material Disciplinary Disclosures for Management Persons of this Firm**

In 1995, Michael James Reilly placed a client in a fixed annuity that was not approved by his employer. Michael James Reilly consented to the findings that he (1) violated Exchange Rule 346(b) in that he engaged in an outside business activity, and received compensation from a person other than his employer, without the prior written consent of his member organization; and (2) engaged in conduct inconsistent with his member organization's policies. Michael James Reilly stipulated to a six-week suspension with the NYSE Division of Enforcement. This was not a client-initiated issue or complaint. This was an administrative issue that came about as a result of a review.

**E. Material Relationships That Management Persons Have With Issuers of Securities (If Any)**

In addition to being the sole owner of Rowe Wealth Management LLC, also known as Avalon (a registered investment advisory firm), separately Christopher Rowe is the owner of Rowe Research LLC, also known as True Market Insiders, which is a subscription-based Financial Publisher that sells analysis, education, price data, indicators, and tools to be used by self-directed and professional investors. Rowe Research LLC/True Market Insiders is an issuer of securities of its own company and has issued equity as well as convertible debt to minority investors.