JSK ASSOCIATES INC.
"The Holistic Financial Planning Company ™"

International Equity Services Inc.
Member SIPC/FINRA

Disclosure Compilation:
Mutual Fund Share Classes & JSK/IES Business Practices

1. SUMMARY: JSK ASSOCIATES INC (JSK) & INTERNATIONAL EQUITY SERIVCES INC (IES)

As compliance scrutiny continually increases within the financial services industry, we have prepared a compilation of required disclosures supporting our JSK Associates Inc (JSK) business model and practices as registered investment advisor (RIA) with affiliated broker-dealer, International Equity Services Inc (IES).

Clients have read or received from us disclosures or narratives within our periodic market and compliance updates, portfolio adjustments and investment recommendations, website (investtowin.com), customer information and business continuity notices, Best Execution & Our Fiduciary Duty to You.pdf, brochures, ad hoc reports, video communications, emails, and Form ADV Part 2A & 2B.pdf.

JSK, as a RIA with an affiliated broker-dealer (IES), we are regulated by several governing bodies including Financial Industry Regulatory Authority (FINRA), formerly National Association of Securities Dealers (NASD), Securities and Exchange Commission (SEC), the various States where we hold significant client assets, and most recently the Department of Labor (DOL). Various regulations, specifically by the SEC, require RIAs to disclose and address conflicts of interest as it relates to the firm's investment advisory clients.

With ever increasing regulatory mandates, it is monumental and costly for small firms to exist as compliance is our second largest expense.

2. MUTUAL FUNDS, MARKETING & ADVERTISING

Since the core of our portfolio construction and investment recommendations centers on mutual funds, let us explore the wide landscape of this investment.

Mutual funds are pooled investment vehicles of monies collected from many investors. Ownership of the fund, gives an investor or shareholder access to professionally managed, diversified and/or sector-pointed portfolios of equities, bonds, and other securities (e.g. Blackrock Health Sciences Opportunities fund), which would otherwise be difficult for an individual to create with limited capital.

Each shareholder participates proportionally in the gain or loss of the fund. Portfolio managers are tasked with attempting to generate income or growth for shareholders, in accordance with the investment objective or principal investment strategy detailed in the mutual fund prospectus (e.g. Blackrock Health Sciences Opportunities fund). Decline in value and capital loss always exists, as risk is inherent to all investing.

An investor pays shareholder fees and annual fund operating expenses to buy and hold fund shares. These fees or loads (sales charge or contingent deferred sales charge) are paid directly from one's investment. Sales charges are applied when the fund is purchased; deferred sales charges are imposed when one's mutual fund holding is sold.

Annual fund operating expenses are paid yearly as a percentage value of one's investment. Yearly costs include management fees (portfolio manager fees), distribution and service (12b-1) fees, and other expenses.

12b-1 fees are an operational expense included in the fund's expense ratio of annual marketing or distribution fees. Fees are generally between 0.25% and 1.0%.

Mutual fund companies that pay 12b-1 fees generally spend the greater portion of their advertising and promotional budget of those fees to attract money managers and investment advisors, which poses a conflict of interest that we will address once we define mutual fund class shares and common financial services models.

3. MUTUAL FUND CLASSES

Various mutual fund share classes are available to investors. Lower internal costs (or expense ratio) translate to higher returns for the investor, especially over the long-term.

3.1. Class A

Will usually have a front-end load or sales charge applied to the initial investment (5% for example). In addition, there are generally breakpoints where the investor receives a discount, if you and your relative invest, or agree to invest within the family of funds. For example, a $25,000 mutual fund purchase offers a discounted sales charge, while a $50,000 buy offers an even bigger percentage discount. A lesser charge may also apply if the investor already holds funds within the same fund family.

Class A shares also tend to have lower 12b-1 fees (about 0.25%). A-shares may make sense for investors with a longer-term investment horizon and who have enough money reach the investment breakpoint thresholds.

3.2. Class B

Does not generally charge a front-end load, but charges a contingent deferred sales charge (CDSC), whenever an investor sells. There is generally a schedule where the longer the shares are held, the lesser the CDSC, with the charge eventually reducing to zero. Class B shares often have a provision where they convert to Class A shares after the CDSC has expired.

This can be beneficial to the investor, since Class B shares have higher 12b-1 expenses on an annual basis than the Class A shares. B-shares are more advantageous for those with limited funds to invest but with a long-term expectation of holding the shares.

3.3. Class C

Primarily functions as a level-load fund. If shares are sold within one year, there is usually back-end load (or early redemption charge of 1%). Class C shares pay the broker-dealer a 12b-1 fee of up to 1%. For that reason, Class C shares could be more expensive to purchase than A or B Class shares, depending on how long these funds are held.

If held longer than 3-5 years, it may be less costly to buy A-shares at full load, since C-shares pay a higher 12b-1 fee to the broker-dealer. Even cheaper A, B, or C shares would be, if the broker-dealer waived its right to receive commissions and 12b-1 fees. Recently, many mutual fund companies instituted automatic share conversions from Class C to Class A of mutual funds owned/held ten (10) years.

3.4. Class D
Class D mutual funds are often similar to no-load funds in that they are a mutual fund share class created as an alternative to the traditional and more common A share, B share and C share funds that are either front-load, back-load or level-load, respectively.

3.5. Class Adv
Adv share class mutual funds are only available through an advisor, hence the abbreviation "Adv." These funds are typically no-load (or what is called "load waived") but can have 12b-1 fees up to 0.50%. If you are working with an investment advisor or other financial professional, the Adv shares can be your better option, because expenses are often lower.

3.6. Class Inst
Inst funds (Class I, Class X, Class Y or Class Y) are generally only available to institutional investors with minimum investment amounts, which can be US$1million.

3.7. Class R
Often called retirement shares, are usually available through an employer sponsored retirement account, and cannot be purchased in the open market. R-share mutual funds do not have a load (i.e. front-end load, back-end load or level load) but they do have 12b-1 fees ranging from 0.25% to 0.50%.

3.8. Load-Waived
Are identified by ".LW" fund name suffix. Does not require its investors to pay fees (such as front-end loads), thereby retaining all of their investment's return instead of losing a portion of it to fees. In most cases, mutual fund companies will limit the number of load-waived funds available, restrict to defined contribution retirement plans, and/or to those who invest substantial monies in the company's mutual funds, such as institutional investors. LW fund offered by an advisor or broker still gets paid the 12b-1 fee, even though they waive the load.

3.9. 'No Load'
Sometimes referred to as 'no help' shares, because 'no load' mutual fund shares are generally intended for investors who manage their own portfolios. Shares in a no-load fund can be bought or redeemed after a certain length of time without a commission or sales charge. These are all costs that come from the monies invested in mutual funds and are noted as internal costs of the mutual fund.

3.10. Recommending Class C
As with any business that exists for profit, advisors, RIAs and broker-dealers are free to offer services and charge rates at which the financial services market can bear AND as permitted by regulators. As detailed in the JSK investment advisory agreement, our compensation is composed of an investment advisory fee, and 12b-1 fees, commissions, mark ups and mark downs, credit interest and other forms of compensation, in lieu of a higher investment advisory fee.

Conflict of interest is inherent to being remunerated for investment advice and implementation. Mandated to offer proactive advice, we seek quality investments that can be held for 1-5 years. However, given the speed of information, volatility within the markets ultimately dictates the asset holding period.

Although an advisor may use any applicable mutual fund share class, we can not be certain that Class C shares (which carry a higher expense ratio and pay a larger 12b-1 fee to the broker-dealer) will be held for less than 5 years, to do so will be more expensive than other shares. This is consistent with our obligation to seek best execution while implementing our advice as we.

Our clients are permitted to implement our advice with any broker-dealer.

The SEC and Morningstar have comprehensive publications on mutual fund share classes.
'Morningstar-Getting the Best Deal on Fund Share Classes'
http://news.morningstar.com/articlenet/article.aspx?id=269384

'SEC-Investor Bulletin: Mutual Fund Classes'
https://www.sec.gov/oiea/investor-alerts-bulletins/ib_mutualfundclasses.html

4. FINANCIAL ADVISORY MODELS SERVICES & COST

Financial advisory business models vary in services offered, compensation, money management style and strategy. Here we will try to address only the major variation and how our firm compares.

4.1. Discretionary vs Non-Discretionary

With previous written disclosure and approval, a discretionary account permits a broker or advisor to transact securities within a client account. Discretionary accounts are most common today, as they are easier to manage assets, because the client is removed from the on-going decision process. Firms that use discretionary accounts do less personalized advising and more asset-gathering (sales).

Non-discretionary accounts are more difficult and costly to manage, as it requires seeking and documenting client approval prior to an investment transaction. A great deal of time and resources are allocated to keeping the client involved and informed to allow the advisor to efficiently manage the portfolio (especially during tumultuous markets like 2008/2009/2011/2014/2018).

4.2. Robo-Advisor

Financial technology for investment management has existed for nearly 15 years. However, online, direct-to-consumer, automated, algorithm-based investment platforms surfaced in 2008. This investment approach is cheap (usually a flat fee of 0.2%-0.5%), as it requires little to no human supervision. A computer runs 24 hours a day without rest or encouragement, is not concerned with your specific financial, retirement or estate plan, whether your pension is in peril, or if you are feeling anxious about the market.

Since Robo-service companies aim for enormous transaction and asset volume to generate profit, we suspect big firms will offer Robo-advising for 'free', since large financial firms can make money in ways that are not transparent and need not be disclosed. High frequency trading, for example, enables a firm to extract a tiny premium from each trade, multiplied by millions even billions of transactions translates to huge revenue.

4.1. Fee-only Financial Planner

Currently, the financial planner model (who charges a flat or hourly fee for advice but does not implement the advice) is uncommon, cumbersome, and leaves the planner vulnerable to the outside brokerage firm influencing on the client.

4.2. Fee-based Advisor

These financial advisors are (flat fee or hourly fee) paid by their clients for the services they provide. The upside to this is that fee-based advisors offer a variety of services beyond the scope of investments such as tax, estate and retirement planning.

Fee-based advisors follow the suitability rule for their clients, meaning they cannot sell clients an investment product that does not suit their needs and objectives. They also have a fiduciary duty to their clients over any duty to a broker, dealer or other institution.

Even though other firms or platforms are involved in the management of client assets implementing advice comes with additional, nontransparent costs. Fee-only advisor is an asset-gatherer, who primarily prospects, placing client assets into discretionary investment platforms that transacts without client approval. Since the platform does not share its fee or earnings with the advisors, these costs are not disclosed. This type of advisor business model aims for large client numbers (many hundreds or thousands).

4.1. Commission-based Advisor

Commission-based financial advisors deal strictly with investment strategies. They operate similar to stock brokers in that they actively buy and sell securities for their clients. A commission-based advisor's income is earned entirely on the products sold or accounts established. For a commission-based advisor, the more transactions completed or the more accounts opened, the more revenue is generated.

In recommending investments, commission-based advisors must follow the suitability rule for their clients. They do not have a legal duty to their clients; instead they have a duty to their employing brokers or dealers,and conflict of interests do not have to be disclosed

4.2. Hybrid Advisors

Hybrid advisor includes both investment advice rendered as an investment advisor representative of a registered investment advisory firm, as well as brokerage services, which may include advice, as a registered representative of an independent broker-dealer.

A hybrid advisor, can offer fee-only financial planning and still have access to investment options and products that pay commissions. This opens the door for a more profitable business, along with more services to offer. Hybrids are large (Merrill Lynch and Fidelity) and small (JSK) are heavily scrutinized by the regulators because they can earn fees and commissions that must be disclosed.

5. CONFLICT OF INTEREST

5.1. JSK/IES, a Hybrid Advisor

SEC Rule 12b-1 and Section 206(2) of the Investment Advisers Act of 1940, requires us to disclose lower-costs mutual funds available to clients.
https://www.sec.gov/enforce/announcement/scsd-initiative

JSK routes orders via IES, our affiliated broker/dealer. The fees and commissions our RIA and affiliated broker/dealer receive, creates a conflict of interest that may incentivize advice based on remuneration rather than the client's best interest.

This conflict applies to all compensation IES receives, including 12b-1 fees on C-shares. We mitigate this conflict of interest by fully disclosing our remuneration arrangement to clients. Further, all of our trades are implemented on a **non-discretionary** basis. See Item 16 – Investment Discretion in
FormADVPart2A&2B.pdf

Some advisors permit multiple broker-dealers and allow clients to select the broker-dealer. JSK has considered this and determined one primary brokerage platform (IES with Hilltop Securities Inc) for managing securities accounts streamlines operational and trading services. JSK believes multiple brokerage arrangements would necessitate additional staff and technology that can increase internal costs, and in turn fees charged to JSK clients. However, should the current brokerage platform approach change, clients will be notified.

Clients are not obligated to route transactions through our investment advisor representatives, RIA or broker dealer. Addtitional details on our services and compensation:

- Form ADV Part 2A & 2B
- Best Execution & Our Fiduciary Duty to You
- MutualFunds101:ClassShareDisclosure.pdf
- Investment Advisory Agreement

5.2. Best Execution and Our Fiduciary Duty to You

As the Office of Compliance Inspections and Examinations (OCIE) states, an investment advisor has the fiduciary duty under Section 206 of the Advisers Act that obligates it to act in the client's best interest, and to seek best execution for client transactions (i.e., "to seek the most favorable terms reasonably available under the circumstances").
https://www.sec.gov/ocie/announcement/ocie-risk-alert-2016-share-class-initiative.pdf

The regulators want us to evidence, given the circumstances, clients receive best execution and that we disclose in a clear format any conflicts of interest. In particular mutual funds are heavily scrutinized for best execution and fiduciary duty.

The cheapest mutual fund shares are no-load mutual fund shares. JSK would not generally recommend these shares because they generate little or no revenue to IES. Clients can always implement our advice with another broker-dealer. JSK routes orders via our affiliated broker/dealer, and it will charge its own schedule of commissions and fees as outlined in our IAA, form ADV, and investment recommendations.

Lastly, since best execution is not defined by price alone, we believe the JSK/IES compensation structure encompasses the principle of best execution and great value to clients. As stated within the JSK Form ADV, the baseline investment advisory fee is three percent (3%). By reducing our advisory fee by 1.5% to offset a 1% (or lower) 12b-1 fee, we provide clients with a substantial discount, thereby meeting our requirement to provide clients with best execution. This reduction remains even during periods when part or substantial amounts of assets are held in money market account, which compensates our broker-dealer, IES with minimal credit interest or no 12b-1 fees.

6. JSK & IES BUSINESS MODEL & PRACTICES

6.1. Consideration More Than Just Cost

Ultimately for any service, cost is not the only consideration. JSK is a small-scale boutique advisory firm that provides personalized financial services. Relationship, performance and service are considerations for what is most appropriate for a client in our fiduciary duty and quest for best execution.

By choice we are non-discretionary, because it involves the client in transactions and investment decisions. As a consequence, we spend more time informing and educating clients on various assets classes (e.g. meeting about risk and investment classes). This all adds more work, technology, and expense than discretionary models.

We believe, while using C-shares to implement mutual fund recommendations, we meet our duty to offer best execution (to the best of our ability) while seeking the most favorable terms reasonably available given all circumstances. In addition, the one percent (1%) 12b-1 fee IES earns, enables it to operate and implement our advice without interference of outside broker-dealer mandate, quotas, or products.

We offer pro-active investment advice and given the pace of information and financial markets, it is unlikely that clients will hold investments more than 3-5 years. However, should an exceptional mutual fund C-share holding exist (beyond 5 years), we will not liquidate the position to merely satisfy these time and cost guidelines.

6.2. Self-Managing

Should a prospective client intend to own or believe in holding investments for over 5-years, we suggest self-managing and using no-load index funds. We believe that an advisor who simply recommends a buy and hold strategy and does not proactively manage, cannot justify their fees and costs.

Therefore, if a client or prospective client would like to hold investments for periods exceeding 3 to 5 years, we may not be the best investment advisory service to hire. Alternatively, consider contracting JSK as advisor and implementing our advice with an unaffiliated broker-dealer for whatever they charge and pay us the advisory fee separately.

6.3. Holistic Wealth Management

For nearly 40 years (since 1980), we have concerned ourselves with much more than client assets. As a full-service advisor, we provide a holistic approach to wealth management. We currently manage the financial affairs of less than 150 family households.

Are we better or worse than other advisory firms? Neither. We are best suited for the client that wants very proactive advice, who does not want to simply buy and hold for ever nor, does not wants to constantly trade their portfolio, but still wants the convenience of a consolidated reporting, direct implementation of investment advice by the same advisory people--not an unknown back office or platform.

We do financial, retirement and estate planning, we meet with clients regularly in-person, we are proactive in communicating when markets are volatile, we help plan for college expenses, we monitor pension and 401(k) allocations for circumstance that could affect performance or payout, we help sort out client liability exposure and insurance needs, and much more.
JSK and IES are paid on a combination of fees and commissions and we disclose those earnings to clients on an ongoing basis. JSK fits a specific niche boutique advisory firm, working only for a very small number of families on a personal basis offering a high level of services.

7. SOURCES

PDF or HTM	Web Link
Best Execution & Our Fiduciary Duty to You.pdf	n/a
Form ADV Part 2A & 2B.pdf	n/a
MutualFunds101:ClassShareDisclosure.pdf	n/a
Investment Advisory Agreement	n/a
Blackrock Health Sciences Opportunities fund	n/a
SecShareClass.pdf	https://www.sec.gov/enforce/announcement/scsd-initiative
MSBestDeal.pdf	http://news.morningstar.com/articlenet/article.aspx?id=269384
SecMFClasses.pdf	https://www.sec.gov/oiea/investor-alerts-bulletins/ib_mutualfundclasses.html
OCIEAlert2016.pdf	https://www.sec.gov/ocie/announcement/ocie-risk-alert-2016-share-class-initiative.pdf
ValuelineAZ.pdf	http://www.valueline.com/Tools/Educational_Articles/Funds/Fund_Share_Classes_%E2%80%93_From_A_to_Z.aspx#.WqlsAcPwapo
10KeyMFDef.pdf	https://www.thebalance.com/key-mutual-fund-terms-defined-2466595
UnderMFFees.pdf	https://www.thebalance.com/understanding-mutual-fund-fees-2466614
BestABCShares.pdf	https://www.thebalance.com/is-it-best-to-buy-a-b-or-c-shares-4039035
LoadNoLoadMF.pdf	https://www.investopedia.com/ask/answers/125.asp
12B1Fee.pdf	https://www.investopedia.com/terms/1/12b-1fees.asp
LoadMFLoadWaived.pdf	https://www.thebalance.com/no-loads-vs-load-waived-funds-2466716
MSDealMFClasses.pdf	http://news.morningstar.com/articlenet/article.aspx?id=269384
PayFeeOrComm.pdf	https://www.investopedia.com/articles/basics/04/022704.asp
AdvCompModels.pdf	https://www.investopedia.com/financial-advisor/how-advisor-compensation-models-are-evolving/

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