



BTS Asset Management is registered with the Securities and Exchange Commission (SEC) as an investment adviser. Investment advisory services and fees differ from brokerage services, and it is important for you to understand these differences. Free and simple tools are available for you to research firms and financial professionals at [Investor.gov/CRS](https://www.investor.gov/crs), which also provides educational materials about broker-dealers, investment advisers, and investing. Please refer to the Form CRS of our affiliated broker-dealer, BTS Securities Corporation, for information regarding their brokerage services.

Q | WHAT INVESTMENT SERVICES AND ADVICE CAN YOU PROVIDE ME?

We consider ourselves to be a *Third Party Asset Manager*. This means we make our investment advisory services available to retail investors that are referred to us by third party investment advisers, broker-dealers and their respective financial professionals ("Referring Financial Professionals"). Our advisory services include portfolio management of a very specific menu of model asset allocation portfolios that invest exclusively in mutual funds, exchange traded funds, and variable annuity sub-accounts (where applicable for owners of variable annuities).

Trading Authority. When you open an account with us, you give us authority to make and implement investment decisions at our discretion, i.e. without having to get your approval each time. The scope of our discretionary authority is determined by your portfolio, custodian, and our Client Agreement terms and conditions.

In our *Select* portfolios, we have discretion over what mutual funds and exchange traded funds to buy/sell in your account and when the transactions occur. For other portfolio types (for example if you own certain variable annuities or have your money with a mutual fund company already) we are limited to deciding when to make allocation changes to your account using funds you authorize in advance.

Monitoring. As a standard service, we monitor our active tactical asset allocation portfolios on a daily basis. As a standard service for our more passive portfolios, we analyze underlying holdings on a quarterly or seasonal basis and rebalance or reallocate according to the portfolio strategy. All accounts, regardless of the portfolio, are

monitored at least periodically to ensure compliance with the portfolio investment strategy. For this review, our staff uses different manual and automated testing tools to confirm that accounts are allocated in accordance with the current allocation instructions and stated investment strategy of the applicable portfolio.

Limited Investment Offerings. We do not offer specifically tailored or personalized investment advice that falls outside the scope of our model asset allocation portfolios. We can accept certain requirements or restrictions that you note on your account, but only if they don't interfere with our ability to implement the portfolio strategy. For example, we can't purchase individual public company stocks or bonds on your behalf.

Account Minimums and Other Requirements. Each of our portfolios has different account opening and maintenance minimums, starting at \$25,000. As a Third Party Manager, we also require that you maintain an authorized Referring Financial Professional of record on your account at all times.

For additional information about our services and account minimums, refer to Items 4, 7, 13, 14 and 16 in our [Form ADV, Part 2A](#).

Conversation Starters: Ask your financial professional, "Given my financial situation, should I choose an investment advisory service? Why or why not? How will you choose investments to recommend to me? What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean?"

Q | WHAT FEES WILL I PAY?

Principal fees and costs. We charge upfront annual asset-based fees (a percentage of all assets in your account), payable either quarterly or annually, depending upon the terms of your Client Agreement. We pay part of this fee (amount determined by your Client Agreement) to your Referring Financial Professional on an ongoing basis for the life of your account. We will prorate fees based on the length of time we managed your account in the event you opened or terminated your account during a billing period. The more assets there are in your account, the more you will pay in fees, and we, therefore, have an incentive to encourage you to increase the assets in your account and to make riskier investments to increase performance. Ongoing fees will reduce the value of your portfolio over time. Because of the fees you pay, you will have a smaller

amount invested that is earning a return when debited from your account. We encourage you to discuss the impact of fees with your financial professional.

Other fees and costs. In addition to, and separate from, investment advisory fees, you typically will pay other costs and charges in connection with your account or securities transactions, most of which are payable to parties other than us or our affiliates. Common examples include commissions and charges for executing trades through broker-dealers, dealer mark-ups, mark-downs and spreads, exchange fees, taxes, fees imposed in connection with your custodian and other account service fees, like termination fees. When we invest in shares of unaffiliated mutual funds (mutual funds not advised by us), you are subject to account level advisory fees in addition to mutual

fund or exchange traded fund internal advisory fees and expenses, such as redemption fees. Exchange traded funds can trade at prices that vary from their net asset value, sometimes significantly. *When we invest in shares of affiliated mutual funds advised by us (the BTS Funds), you will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time.*

are subject to our internal advisory fees and expenses and the BTS Funds management fees and expenses; however, so that you do not pay us two management fees, we offset the account level advisory fee in proportion to the amount of your account assets invested in the BTS Funds.

For additional information about fees and compensation, please refer to Item 5 in our [Form ADV, Part 2A](#), your BTS Client Agreement, or mutual fund and sub-account prospectuses.

Conversation Starter: *“Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?”*

Q | WHAT ARE YOUR LEGAL OBLIGATIONS TO ME WHEN ACTING AS MY INVESTMENT ADVISER? HOW ELSE DOES YOUR FIRM MAKE MONEY AND WHAT CONFLICTS OF INTEREST DO YOU HAVE?

When we act as your investment adviser, we have to act in your best interests and not place our own interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the investment advice we provide you. Here are some examples to help you understand what this means:

- In addition to portfolios managed for clients not affiliated with us, we also sponsor and act as investment adviser for various proprietary mutual funds (BTS Funds) in which we earn a separate investment management fee. The BTS Funds are included in some portfolios we offer you. To manage this conflict (double management fees), we offset your management fee that you pay directly to us in proportion to the amount your portfolio is allocated to the BTS Funds. We do this so you don't pay us two management fees.
- Because we earn asset-based fees, we earn more money on larger accounts, giving us incentive to recommend increasing the size of your portfolio.
- Other conflicts of interest result from other business activities we engage in and relationships we have with both our third party affiliates and unaffiliated third parties. For example, our primary qualified custodian, E*Trade Advisor Services, makes products and services available to us (*technology that helps us manage and administer accounts that use E*Trade Advisor Services*) that does not directly benefit you or your account. Other examples include conflicts presented by referring Financial Professionals that refer clients to us for compensation, as well as unaffiliated third parties that may be incentivized to refer clients to us because we provide support in the form of payments and reimbursements related to their marketing and sales expenses.

For additional information about our conflicts of interest, please see Items 4, 5, 6, 10, 11, 12 and 14 in our [Form ADV, Part 2A](#).

Conversation Starter: *“How might your conflicts of interest affect me, and how will you address them?”*

Q | HOW DO YOUR FINANCIAL PROFESSIONALS MAKE MONEY?

Our financial professionals responsible for portfolio management are paid a fixed base salary, discretionary bonuses tied to the overall profitability of the firm, and a share of our firm's profits. These professionals are, therefore, incentivized to select riskier investments as a means of increasing our profits, and in turn, their compensation. Financial professionals acting in a sales capacity receive a fixed base salary, discretionary bonuses tied to firm profitability, and sales based compensation, which varies across the products and services sold. These professionals are, therefore, incentivized to favor and promote products they believe contribute most to the firm's profits or that offer them the most favorable product based compensation terms.

Q | DO YOU OR YOUR FINANCIAL PROFESSIONALS HAVE LEGAL OR DISCIPLINARY HISTORY?

Yes, our firm and financial professionals have legal or disciplinary history that we are required to disclose. *You can visit Investor.gov/CRS for a free and simple search tool to research us or our investment professionals.*

Conversation Starter: *“Do you have any disciplinary history? For what type of conduct?”*

ADDITIONAL INFORMATION

If you have any questions, would like up-to-date information about our investment advisory services, or if you wish to request a copy of our Relationship Summary, please contact us at info@btsmanagement.com or 1-800-343-3040. You may also refer to our website, www.btsmanagement.com.

Conversation Starters: *“Who is my primary contact person? Is he or she a representative of an investment adviser or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?”*