

A Summary of Your Investment Advisory Relationship with Kahala Financial Advisors, LLC

Item 1: Introduction

Kahala Financial Advisors, LLC (KFA) is registered with the U.S. Securities & Exchange Commission (SEC) as an Investment Advisor. We are “fee-only” and hired by our clients for objective advice with no product sales.

Investment firms may be registered with the SEC as Broker-Dealers and/or as Investment Advisors. The services and fees offered by each type are different and is important for retail investors to understand the differences. Free and simple tools as well as educational materials about broker-dealers, investment advisers and investing are available at Investor.gov/CRS.

Item 2: Relationship and Services

What investment services and advice can you provide me?

KFA offers investment advisory services to retail investors who have at least \$500,000 to invest. Our client accounts are held at Charles Schwab & Company (Schwab), a discount broker. KFA employs a long-term buy and hold strategy using low-cost, mutual funds (regulated investment companies) consisting of stocks, bonds and cash equivalents. KFA offers several model portfolios with different risk/return characteristics. Accounts are monitored daily and are rebalanced as needed to maintain their prescribed allocations. All work is done in-house. For trading and service efficiency, KFA requires discretionary trading authority from all clients.

KFA also offers personal financial planning services to its investment advisory clients at no additional cost.

Given my financial situation, should I choose an investment advisory service? Why or why not?

KFA offers personalized service for investors who lack the time, training and temperament to effectively manage their own money. We offer a disciplined and hassle-free approach to investing. We help clients to build, monitor and rebalance their portfolios on an on-going basis. Investment performance is not guaranteed, however.

How will you choose investments to recommend to me?

We offer various model portfolios consisting of a blend of well-diversified, style-specific, low-cost, mutual funds. We will recommend the appropriate risk/return model(s) for each client.

Our firm is approved by the Dimensional Fund Advisors (DFA) to invest in any of its exclusive mutual funds. The DFA funds are not available to broker-dealers and unapproved investment advisors.

What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?

Greg Miyashiro and Ryan Miyashiro are qualified by education and experience to manage money. Both hold finance degrees from the University of Hawaii and both are Certified Financial Planner® (CFP®) licensees since 1983 and 2007, respectively. Greg has over 42 years of financial planning experience and Ryan has over 16 years.

Item 3: Fees, Costs, Conflicts and Standards of Conduct

What fees will I pay?

There is no free ride when it comes to investing. 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. Please make sure you understand what fees and costs you are paying.

Advisor: Our non-negotiable (for fairness) annual fee is 1.00% on the first \$500,000 of assets under management, 0.75% on the next \$500,000 and 0.50% over \$1 million. Each household's accounts are bundled to calculate the lowest fees. Fees are calculated at the start of each calendar quarter and automatically deducted from each account. The State of Hawaii's General Excise Tax of 4.712% (on the fee amount) is also deducted.

Custodian: Schwab charges a flat mutual fund transaction fee of \$15 per trade. Schwab also earns management fees on its sweep money market funds and the interest-rate spread on its Schwab Bank sweep accounts.

Mutual Funds: The mutual funds we select have operating expenses that are well below the industry averages. The actual fees for each mutual fund (including Schwab's money market funds) are available upon request.

Help me understand how these fees and costs 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?

Our management fee would be \$25 for the first quarter. If we purchase a stock fund and a bond fund, Schwab's transaction fees would total \$30. After deducting \$55 (\$25 plus \$30), the net initial investment would be \$9,945 (99.45%). Thereafter, our quarterly management fees and Schwab's transaction fees, if any, would apply.

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 interest and not put our 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. Since we recommend Schwab to custody your assets, we receive support services and/or products from Schwab, certain of which assist us to better monitor and service your account while a portion may be for the benefit of our firm. We do not receive special payments, kickbacks, bonuses or special favors from Schwab or any other entity.

How might your conflicts of interest affect me, and how will you address them?

Encouraging clients to invest monies with us may be a conflict if it results in that client paying higher fees, such as moving monies from a 401(k) plan to us. Investors should weigh the benefits of our services against our costs.

How do your financial professionals make money?

We are paid solely by our clients. Our compensation arrangement aligns our interest with our clients since our fee income rises and falls along with the value of our clients' accounts. As owners of KFA, Greg and Ryan share the net profits of the firm, generally taken quarterly as draws. Our employee is paid by the hour.

Item 4: Disciplinary History

Do you or your financial professionals have legal or disciplinary history?

No. We have no history of any legal or disciplinary actions and are not aware of any pending actions. See Investor.gov/CRS to research us as well as other financial professionals.

Item 5: Additional Information

Who is my primary contact person? Is he or she a representative of an investment advisor or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?

As investment advisor representatives, Greg and Ryan work as a team. Clients are welcome to work with either or both of us.