

**CAP STRAT**  
***CAPITAL STRATEGIES INVESTMENT GROUP, LLC***

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**March 2022**

**This brochure provides information about the qualifications and business practices of Capital Strategies Investment Group, LLC (“CAP STRAT”), a registered investment adviser. If you have any questions about the contents of this brochure, please contact us at 630-320-5100 or at [info@capstratig.com](mailto:info@capstratig.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 CAP STRAT also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Registration of an investment adviser with the United States Securities and Exchange Commission does not imply a certain level of skill or training.**

## **ITEM 2 – MATERIAL CHANGES**

Since our last Annual Amendment was filed in March 2021, we have made no material changes to this brochure.

We will ensure that you receive a summary of any material changes to this and subsequent disclosure brochures within 120 days after our firm's fiscal year ends. Our firm's fiscal year ends on December 31, so you will receive the summary of material changes no later than April 30 each year. At that time, we will also offer or provide a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes, as necessary.

### ITEM 3 – TABLE OF CONTENTS

<b><u>Item</u></b>		<b><u>Page</u></b>
2	Material Changes	2
3	Table of Contents	3
4	Advisory Business	4
5	Fees and Compensation	9
6	Performance-Based Allocation and Side-by-Side Management Fees	11
7	Types of Clients	11
8	Methods of Analysis, Investment Strategies and Risk of Loss	12
9	Disciplinary Information	14
10	Other Financial Industry Activities and Affiliations	14
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	14
12	Brokerage Practices	15
13	Review of Accounts	16
14	Client Referrals and Other Compensation	16
15	Custody	16
16	Investment Discretion	17
17	Voting Client Securities	17
18	Financial Information	17

## ITEM 4 – ADVISORY BUSINESS

CAP STRAT is a registered investment adviser founded in 2009 by Will Woodall, Barbara Best and Nancy Rizzuto. CAP STRAT provides institutional investors, corporate retirement plans (defined contribution and defined benefit), high net worth individuals, trusts, and estates with both discretionary and non-discretionary consulting and investment advisory services, including manager recommendations and monitoring, asset allocation, investment policy, financial planning and portfolio management services based on customized asset allocations that CAP STRAT designs based upon clients' individual investment goals, policies, objectives and risk tolerances. We provide these services both in a one-time report outlining CAP STRAT's conclusions and recommendations, and on a continuous basis. In addition, CAP STRAT provides general consulting services to corporate retirement plans including plan design, fee analysis and negotiation, employee education and provider management.

Will Woodall, Nancy Rizzuto, Alison Bettonville, Barbara Best, Mike Rarey, Mike Warford, and Neil Davies are principal owners of CAP STRAT.

As of December 31, 2021, CAP STRAT had a total of approximately \$20,374,972,272 in assets under management. \$7,937,919,484 is managed on a discretionary basis and \$12,437,052,788 is managed on a non-discretionary basis.

### **Portfolio advisory and management**

CAP STRAT works with clients to develop an individually tailored, overall investment strategy. Based on information provided by a client and on a thorough analysis of the client's investment objectives, policies, constraints and risk tolerance, we develop a customized strategy that is designed to help each client meet their desired investment goals. We document the resulting investment strategy in a written Investment Policy Statement ("IPS"), which includes a general investment plan and recommends an asset allocation (the percentage of assets to be invested in cash, bonds and stocks) that is designed to identify the mix of asset classes best suited for the client (in terms of risk and return). CAP STRAT invests clients' accounts in a mix of no-load mutual funds, exchange-traded funds ("ETFs"), collective trusts, limited partnerships, cash equivalents and fixed income and equity securities. For more information on the strategies and investments that CAP STRAT may use when implementing the investment strategies it develops with clients, see Item 8, "Methods of Analysis, Investment Strategies and Risk of Loss."

### ***Asset Management Services***

CAP STRAT offers asset management services, which involves CAP STRAT providing you with continuous and ongoing supervision over your specified accounts. You must appoint our firm as your investment adviser of record on specified accounts (collectively, the "Account"). The Account consists only of separate account(s) held by qualified custodian(s) under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by us based on your financial situation, investment objectives and risk tolerance. We actively monitor the Account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account.

We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial

situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however, we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities.

It is important that you understand that we manage investments for other clients and give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we buy, sell or recommend for any other clients or for our own accounts.

Conflicts can arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

### ***Investment Consulting Services***

We are available to provide financial and investment consultations on accounts not managed or maintained by us. Only accounts in which we are not "Investment Advisor" of record and therefore we do not have trading authority on the account are eligible for this service. Accounts are reviewed based upon your specific needs and desires for future financial goals and/or objectives. General or specific recommendations are provided to the client by CAP STRAT. The service provides continuous and regular consultations provided on a quarterly or more frequent basis.

Through this service, we will not have any authority or responsibility to implement our recommendations. All final decisions to accept our advice and implement our advice are the responsibility of the client. If you have accounts reviewed by our firm and are unable to implement our investment recommendations, it is important to notify us so that we can properly adjust future recommendations.

Clients are always responsible for notifying CAP STRAT of any changes to their financial situation or investment objectives. We will meet with the client as often as needed to determine the client's financial situation and investment objectives and to find out if the client would like to impose and/or modify any reasonable restrictions on their accounts.

It is important that you understand that CAP STRAT provides investment advice to other clients and gives them advice or take actions for them or for our personal accounts that is different from the advice we provide to you. We are not obligated in any way to recommend to you any security or other investment that we buy, sell or recommend for any other clients or for our own accounts.

There can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

### **Manager recommendations**

Beyond our discretionary investment advisory services, we also offer non-discretionary services whereby we recommend to a client one or more unaffiliated investment managers who will manage a portion of the client's account. CAP STRAT will provide the client with an Investment Manager Search Report that contains a list of investment managers whose investment philosophies and policies are, in our judgment, compatible with the client's investment objectives, policies, constraints and risk tolerance outlined in their IPS. The search reports are designed to assist clients with interviewing the investment managers that we recommend, and, if necessary, we will coordinate those interviews between our clients and those recommended investment managers. These interviews enable the client to gain additional information regarding the investment managers' investment philosophies, policies and business operations. We perform ongoing monitoring of investment managers that the client selects.

### **Retirement Plan Services**

CAP STRAT offers retirement plan services to retirement plan sponsors and to individual participants in retirement plans. We offer our services to various types of retirement plans and participants (i.e. individual account holders) that include, but are not necessarily limited to:

- 401(k) Plans
- Self-Directed Profit-Sharing Plans
- Employer Sponsored Group Profit Sharing (i.e. Defined Contribution) and Pension (i.e. Defined Benefit) plans

Our retirement plan services can include the following services. The exact service and levels of services provided to each client will be outlined in the client's agreement for services.

### ***Fiduciary Management 3(38) Services***

CAP STRAT provides clients with the following Fiduciary Retirement Plan Management Services:

- **Discretionary Management Services.** CAP STRAT will provide you with continuous and ongoing supervision over the designated retirement plan assets. This service can be provided at the Plan level or on an individual participant account level. CAP STRAT will actively monitor the designated retirement plan assets and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Plan. We have discretionary authority to make all decisions to buy, sell or hold securities, cash or other investments for the designated retirement plan assets in our sole discretion without first consulting with you. We also have the power and authority to carry out these decisions by giving instructions, on your behalf, to brokers and dealers and the qualified custodian(s) of the Plan for our management of the designated retirement plan assets.

- **Discretionary Investment Selection Services.** CAP STRAT will monitor the investment options of the Plan and add or remove investment options for the Plan. CAP STRAT will have discretionary authority to make all decisions regarding the investment options that will be made available to Plan participants.

- **Default Investment Alternative Management.** CAP STRAT will develop and actively manage qualified default investment alternative(s) ("QDIA"), as defined in DOL Reg. Section 2550.404c-

5(e)(4)(i), for participants who are automatically enrolled in the Plan or who otherwise fail to make an investment election.

- **Investment Management via Model Portfolios.** CAP STRAT will provide discretionary management via model portfolios. CAP STRAT manages Model Portfolios which are investment options available to Plan participants. If a Plan has elected to include CAP STRAT's Model Portfolios as available options for the qualified retirement plan, then each Plan participant will have the option to elect or not elect the Model Portfolios managed by CAP STRAT and will be allowed to impose reasonable restrictions upon the management of each account by written instructions to CAP STRAT.

If you elect to utilize any of CAP STRAT's Fiduciary Management Services, then CAP STRAT will be acting as an Investment Manager to the Plan, as defined by ERISA section 3(38), with respect to our Fiduciary Management Services, and CAP STRAT hereby acknowledges that it is a fiduciary with respect to its Fiduciary Management Services.

### ***Fiduciary Consulting 3(21) Services***

CAP STRAT provides the following Fiduciary Retirement Plan Consulting Services:

- **Investment Policy Statement Preparation.** CAP STRAT will help you develop an investment policy statement. The investment policy statement establishes the investment policies and objectives for the Plan. You will have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the investment policy statement.

- **Non-Discretionary Investment Advice.** CAP STRAT will provide you with general, non-discretionary investment advice regarding assets classes and investment options, consistent with your Plan's investment policy statement.

- **Investment Selection Services.** CAP STRAT will provide you with recommendations of investment options consistent with ERISA section 404(c).

- **Investment Due Diligence Review.** CAP STRAT will provide you with periodic due diligence reviews of the Plan's reports, investment options and recommendations.

- **Investment Monitoring.** CAP STRAT will assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformation to the guidelines set forth in the investment policy statement and CAP STRAT will make recommendations to maintain or remove and replace investment options.

- **Default Investment Alternative Advice.** CAP STRAT will provide you with non-discretionary investment advice to assist you with the development of qualified default investment alternative(s) ("QDIA"), as defined in DOL Reg. Section 2550.404c-5(e)(4)(i), for participants who are automatically enrolled in the Plan or who otherwise fail to make an investment election. You will retain the sole responsibility to provide all notices to participants required under ERISA section 404(c)(5).

- **Individualized Participant Advice.** Upon request, CAP STRAT will provide one-on-one advice to Plan participants regarding their individual situations. We can also meet with individual participants to discuss their specific investment risk tolerance, investment time frame and investment selections.

For Fiduciary Consulting Services, all recommendations of investment options and portfolios will be submitted to you for your ultimate approval or rejection. For retirement plan Fiduciary Consulting Services, the retirement plan sponsor client or the plan participant who elects to implement any recommendations made by us is solely responsible for implementing all transactions.

Fiduciary Consulting Services are not management services, and CAP STRAT does not serve as trustee of the plan. CAP STRAT does not act as custodian for any client account or have access to client funds or securities (with the exception of, some accounts, having written authorization from the client to deduct our fees).

### ***Non-Fiduciary Services***

Although an investment adviser is considered a fiduciary and required to meet certain fiduciary duties, the services listed here as non-fiduciary should not be considered fiduciary services for the purposes of ERISA since Advisor is not acting as a fiduciary to the Plan as the term “fiduciary” is defined in Section 3(21)(A)(ii) of ERISA. The exact suite of services provided to a client will be listed and detailed in the Qualified Retirement Plan Agreement.

CAP STRAT provides clients with the following Non-Fiduciary Retirement Plan Consulting Services:

- **Participant Education.** CAP STRAT will provide education services to Plan participants about general investment principles and the investment alternatives available under the Plan. CAP STRAT’s assistance in participant investment education will be consistent with and within the scope of DOL Interpretive Bulletin 96-1. Education presentations will not take into account the individual circumstances of each participant and individual recommendations will not be provided unless otherwise agreed upon. Plan participants are responsible for implementing transactions in their own accounts.
- **Participant Enrollment.** CAP STRAT will assist you with group enrollment meetings designed to increase retirement plan participation among employees and investment and financial understanding by the employees.
- **Qualified Plan Development.** CAP STRAT will assist you with the establishment of a qualified plan by working with you and a selected Third-Party Administrator. If you have not already selected a Third-Party Administrator, we shall assist you with the review and selection of a Third-Party Administrator for the Plan.
- **Due Diligence Review.** CAP STRAT will provide you with periodic due diligence reviews of your Plan’s fees and expenses and your Plan’s service providers.
- **Fiduciary File Set-up.** CAP STRAT will help you establish a “fiduciary file” for the Plan which contains trust documents, custodial/brokerage statements, investment performance reports, services agreements with investment management vendors, the investment policy statement, investment committee minutes, asset allocation/asset liability studies, due diligence fields on funds/money managers and monitoring procedures for funds and/or money managers.
- **Benchmarking.** CAP STRAT will provide you benchmarking services and will provide analysis concerning the operations of the Plan.



## ***General Information***

Securities and other types of investments all bear different types and levels of risk. Those risks are typically discussed with clients in defining the investment policies and objectives that will guide investment decisions for their qualified plan accounts. Upon request, as part of our retirement plan services, we can discuss those investments and investment strategies that we believe may tend to reduce these risks for a particular client's circumstances and plan participants.

Plan sponsors and participants must realize that obtaining higher rates of return on investments entails accepting higher levels of risk. Based upon discussions with the client, we will attempt to identify the balance of risks and rewards that is appropriate and comfortable for the client and other employees. It is still the clients' responsibility to ask questions if the client does not fully understand the risks associated with any investment. All plan participants are strongly encouraged to read prospectuses, when applicable, and ask questions prior to investing.

We strive to render our best judgment for clients. Still, CAP STRAT cannot assure that investments will be profitable or assure that no losses will occur in their portfolios. Past performance is an important consideration with respect to any investment or investment advisor, but it is not necessarily an accurate predictor of future performance.

## **ITEM 5 – FEES AND COMPENSATION**

### **Asset Management and Investment Consulting Services**

Our annual fee for asset management services and investment consulting services are between 0.05% and 1.00% or a flat dollar fee and are negotiable based on the total amount of assets under management for the client, scope of services to be provided and the complexity of the client's situation. CAP STRAT does not charge performance-based fees for accounts that it manages.

Fees for our asset management services are charged based on a percentage of assets under management, billed on a monthly or quarterly calendar basis and calculated based on the fair market value of your account during the month or quarter. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period.

Fees can be collected in advance or in arrears as agreed upon by CAP STRAT and the client. If collected in advance, this means the annual fee is divided and billed and then collected in advance of each period. If collected in arrears, this means the annual fee is divided and billed in arrears and then collected at the end of each period.

Unaffiliated investment manager fees are always charged separately from CAP STRAT's fee. Unaffiliated investment managers are responsible for calculating and collecting their fees directly from clients. CAP STRAT is not responsible for the collection of unaffiliated investment manager fees. The exact fee charged by an unaffiliated investment manager will be in accordance with the unaffiliated investment manager's current fee policies and arrangements. Clients need to refer to the unaffiliated investment manager's Form ADV Disclosure Brochure for full details.

You can choose how to pay your CAP STRAT investment advisory fees. The investment advisory fees can be deducted from your account and paid directly to our firm by the qualified custodian(s) of your account or you can pay our firm upon receipt of a billing notice sent directly to you.

If you choose to have the investment advisory fees deducted from your account, you must authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to CAP STRAT. Our firm will send you a billing statement prior to the time that fee deduction instruction is sent to the qualified custodian(s) of your account. The billing statement will detail the formula used to calculate the fee, the assets under management and the time period covered.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

If you choose to pay the fees after receiving a statement, fees are due upon your receipt of a billing notice sent directly to you. The billing notice will detail the formula used to calculate the fee, the assets under management and the time period covered. Fees for the services of our firm will be due immediately after your receipt of the billing notice.

Asset management services continue in effect until terminated. You may terminate the services by providing CAP STRAT with notice. Any prepaid, unearned fees will be promptly refunded by CAP STRAT to you. Clients paying for services in arrears will be charged a final fee payment based on the value of assets under management as of the date of termination. Fee refunds and final fee payments will be determined on a pro-rata basis using the number of days services are actually provided during the final period.

### **Retirement Plan Services**

For retirement plan sponsor clients, CAP STRAT will charge either a flat dollar fee or an annual fee that is calculated as a percentage of the value of plan assets. Our standard fee ranges between 0.025% and 1.00% annually and is negotiable based upon the size of the Plan, number of employees, complexity of the Plan and the types of services provided.

Fees are billed on a monthly or quarterly calendar basis and calculated based on the value of Plan assets during the month or quarter. Fees are prorated (based on the number of days service is provided during the initial billing period) for new agreements executed at any time other than the beginning of the billing period.

Fees can be collected in advance or in arrears as agreed upon by CAP STRAT and the client. If collected in advance, this means the annual fee is divided and billed and then collected in advance of each period. If collected in arrears, this means the annual fee is divided and billed in arrears and then collected at the end of each period.

Clients can elect to have the fee deducted from their account or billed directly and due upon receipt of the billing notice. Our firm will send you a billing statement prior to the time that fee deduction instruction is sent to the qualified custodian(s) of your account. The billing statement will detail the formula used to calculate the fee, the assets under management and the time period covered.

If you choose to pay the fees after receiving a statement, fees are due upon your receipt of a billing notice sent directly to you. The billing notice will detail the formula used to calculate the fee, the assets under management and the time period covered. Fees for the services of our firm will be due immediately after your receipt of the billing notice.

You may terminate the services upon providing CAP STRAT with notice. Clients paying for services in arrears each quarter will be charged a final fee payment based on the value of plan assets as of the date of termination.

Fees and expenses by the qualified custodian, Third Party Administrator, and other service providers to the Plan are billed directly to you by the third party. In addition, you may incur certain charges imposed by third parties other than CAP STRAT in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by CAP STRAT are separate and distinct from the fees and expenses charged by investment company securities that are recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

CAP STRAT does not reasonably expect to receive any other compensation, direct or indirect, for its services include fees and expenses charged to the Plan by a third-party. If we receive any other compensation for such services, we will (i) offset that compensation against our stated fees, and (ii) will disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

#### ***Additional Fees and Expenses***

As part of the investment advisory services that we provide, we can invest, or recommend that you invest, in mutual funds, collective trusts, limited partnerships and ETFs. The fees that you pay to us for our services are separate and distinct from the fees and expenses that mutual funds, collective trusts, limited partnerships or ETFs charge to their shareholders. These fees generally will include a management fee and other expenses due to the underlying money manager.

The management fees described above do not include any custodial fees or transactional costs your account will incur, which are charged by the custodian or broker that maintains your account. You will incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees typically are imposed by the broker-dealer or custodian through which your account transactions are executed. You will incur certain charges imposed by custodians, brokers and other service providers and other third parties, such as custodial fees, brokerage commissions, transfer taxes, wire transfer and electronic fund fees. CAP STRAT does not share in any portion of these fees, commissions or costs. Additionally, CAP STRAT does not receive or accept and compensation for the sale of securities or investment products. For more information, see Item 12, "Brokerage Practices," below for a description on the factors that CAP STRAT considers in recommending broker-dealers to clients.

#### **ITEM 6 – PERFORMANCE-BASED ALLOCATION AND SIDE-BY-SIDE MANAGEMENT FEES**

CAP STRAT does not charge performance-based fees for its investment advisory services.

#### **ITEM 7 – TYPES OF CLIENTS**

As discussed above in Item 4, "Advisory Business," we provide investment advisory services to institutional investors, corporate retirement plans (defined contribution and defined benefit), high net worth individuals, trusts, and estates.

CAP STRAT does not impose a minimum dollar value to establish or maintain an account.

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

In developing individualized strategic investment plans for clients, we emphasize a long-term investment philosophy and a diversified portfolio of investments designed to provide the highest expected return consistent with the client's risk tolerance. We attempt to achieve diversification over time, across and within asset classes, across investment management styles and by industry sector and geographic region. For all clients, CAP STRAT invests in a wide variety of securities and financial instruments, including no-load mutual funds, ETFs, collective trusts, limited partnerships, cash equivalents, and equity and fixed income securities. We may use long- and short-term investment strategies for all accounts.

We may recommend other types of securities to clients, after a thorough quantitative and qualitative screening, to achieve a specific tactical or strategic asset allocation that is best suited for a particular client. We usually do not recommend a particular type of security. An individual recommendation of an investment manager or an investment in a specific security may be non-diversified and may carry a relatively high-risk level. (See the discussion on "Concentration risk" below.)

For clients we advise, CAP STRAT also may utilize derivative instruments, including options. We may purchase and write put and call options, or any combination thereof, that are traded on national securities exchanges or in the over-the-counter markets. We believe that the use of options should help reduce risk and enhance investment performance of client accounts.

For non-discretionary clients, we provide objective investment consulting services on unaffiliated investment managers who execute the investment strategy for the client's account. In recommending those managers, we consider a variety of criteria, including but not limited to:

- performance relative to benchmarks,
- consistency of performance,
- volatility,
- fees and expenses,
- consistency of investment style,
- assets under advisement, and
- tax efficiency.

We obtain information about investment managers from a variety of third-party sources in addition to performing our own proprietary research. We base our assessment of investment managers on qualitative criteria including:

- the general reputation of the investment manager,
- stability of the organization and stability and tenure of the company's management team, and
- information obtained through interviews with the managers that CAP STRAT recommends.

## ***Risks***

Investing in securities involves risk of loss that you should be prepared to bear. In managing our clients' accounts, we adhere to individualized strategic investment plans based on each client's objectives, risks tolerances and other factors. Therefore, the performance of each account will vary based on a variety of factors, including, but not limited to:

- the asset allocation of the portfolio,
- any concentration in particular industries or securities,
- customer input on investment levels and individual positions,
- availability of certain investments,
- size of the account, and
- a client's overall financial condition, investment objectives and restrictions, and risk tolerance.

## ***Additional Risks***

- Concentration risk. Concentration risk is the risk that a portfolio will concentrate its investments in a specific industry or type of investment that then underperforms the market. By investing client account in a mix of managed portfolios, no-load mutual funds, ETFs, cash equivalents and fixed income and equity securities, we reduce the risk that the performance of a client's portfolio will be highly dependent on the performance of only a few companies in the overall market.
- Market risk. Market risk is the risk that unfavorable conditions will cause the value of all securities and other investments to decline. Our diversified investment strategy does not reduce or eliminate market risk, because it is possible that, during unfavorable market conditions, the value of all securities will decline.
- Equity securities risks. Equity securities fluctuate in value and such fluctuations can be pronounced. In general, stock values fluctuate in response to the activities of individual companies and in response to general market and economic conditions. Accordingly, the value of the stocks and other securities and instruments that a client holds may decline over short or extended periods.
- Fixed income securities risks. Fixed income securities are subject to interest rate and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. The prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. Credit risk relates to the ability of the issuer to make payments of principal and interest. A client could lose money if the issuer of a fixed income security is unable to pay interest or repay principal when due.
- Options risk. The trading of options may be highly speculative and may entail more risk than those present when investing in other types of securities. Prices of options are

generally more volatile than prices of other types of securities. When trading in options, you may run the risk of losing the entire investment.

We do not represent or guarantee that our services will insulate clients from losses due to market corrections or declines, and we cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future results.

#### **ITEM 9 – DISCIPLINARY INFORMATION**

Neither CAP STRAT nor any of our management persons have been involved in any disciplinary events, material or otherwise, and therefore we have no information applicable to this item.

#### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

CAP STRAT does not have a related person that is a broker/dealer, municipal securities dealer, government securities dealer or broker, an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), another investment adviser or financial planner, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, pension consultant, a real estate broker or dealer, or a sponsor or syndicator of limited partnerships.

As described in Item 4 – Advisory Business and Item 5 – Fees and Compensation, we recommend independent, third-party investment managers through our Asset Management services program.

Unlike other investment advisors, we do not receive a referral fee or solicitor fee from unaffiliated investment managers we recommend for clients. The only compensation we receive is the management fee we charge directly to our clients. Unaffiliated investment managers will also bill clients directly, but our fees are completely separate from the fee charged by unaffiliated investment managers (please refer to Item 5 for more details). This policy helps us avoid selecting unaffiliated investment managers based on our economic interests. Instead, we select unaffiliated investment managers we believe are most appropriate for our clients absent additional economic benefits we could receive from an investment manager.

#### **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

CAP STRAT has adopted a Code of Ethics (the "Code") for all employees, describing CAP STRAT's high standards of business conduct and fiduciary duty to its clients. The Code includes, among other things, provisions concerning the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts, and personal securities trading procedures of CAP STRAT employees and principals. At the commencement of his or her employment (and more often, as the Code is amended), all employees at CAP STRAT must acknowledge the terms of the Code and report each brokerage or other account in which the supervised person has a beneficial interest, controls or shares profits.

The Code permits CAP STRAT, its employees and its principals to purchase and hold mutual funds, ETFs or equity and fixed income securities that are recommended to and purchased for CAP STRAT's clients. Thus, employees can purchase individual securities that are also purchased by the underlying investment managers retained by CAP STRAT's clients or by CAP STRAT itself. The Code

is designed to assure that the personal securities transactions, activities and interests of CAP STRAT and its employees and principals will not interfere with our ability to (i) make decisions in the best interest of our advisory clients and (ii) implement such decisions while, at the same time, allowing our principals and employees to invest for their own accounts. At the commencement of employment and annually thereafter, all employees at CAP STRAT must disclose his or her personal securities holdings to the Chief Compliance Officer.

To identify and avoid any conflicts of interest, the Code requires that CAP STRAT employees report on a quarterly basis all transactions in personal securities to CAP STRAT's Chief Compliance Officer, who reviews such reports to ensure compliance with the Code. Additionally, the Code grants the Chief Compliance Officer the power to grant an exemption from provisions of the Code, prior to any proposed transaction, based upon a determination that the conduct would not interfere materially with the best interest of CAP STRAT's clients. Because the Code permits employees to invest in the same securities as advisory clients, it is CAP STRAT's policy not to give preference to orders for accounts of CAP STRAT and its employees. Accordingly, CAP STRAT's Chief Compliance Officer monitors employee trading to ensure that accounts of CAP STRAT or its employees and principals do not trade ahead of, or receive more favorable treatment than, our clients.

Clients and prospective clients may request a copy of our Code by contacting CAP STRAT directly.

## **ITEM 12 – BROKERAGE PRACTICES**

CAP STRAT does not select brokers or negotiate commissions paid on transactions for its clients' accounts but will recommend brokers to clients as part of its advisory services. In recommending a broker, we choose those brokers that have demonstrated the ability to provide our clients with:

- discounted transaction charges,
- consolidated reporting,
- duplicate monthly statements, and
- special access to some mutual funds, including lower sales charges than for direct purchases and lower minimum purchase amounts.

The same benefits are also afforded to CAP STRAT's principals and employees; however, these benefits to CAP STRAT, its principals and its employees are not material factors in determining which brokers we recommend. Our primary considerations in recommending brokers are the special services and discounted commissions that they provide to the client. We do not expect that clients will pay to recommended-brokers, commissions that are higher than those they obtain from other brokers for comparable services. There can be no assurance that clients will pay the lowest commissions available.

We do not receive research services or other non-monetary benefits from brokers or dealers executing securities transactions on behalf of our client accounts, nor do we receive "soft dollars" to pay for these products and services.

### ***Client Directed Brokerage Arrangements***

While CAP STRAT can recommend a particular brokerage platform, it is our customary practice to allow clients to select a broker/dealer of their own choosing to the extent our firm has the ability to

integrate the broker/dealer's systems into our systems. When a client directs the use of a particular broker/dealer or other custodian, CAP STRAT may not be able to obtain the best prices and execution for the transaction. Clients who direct the use of a particular broker/dealer or custodian can receive less favorable prices than would otherwise be the case if clients had not designated a particular broker/dealer or custodian.

### ***Aggregation of Orders***

For those clients who have given us trading authorization, we will affect transactions for the sale and purchase of investments in those accounts solely through your custodian; accordingly, we will not aggregate client transactions for execution. As a result, you may incur additional fees that you otherwise might not have incurred had the trade been affected in an aggregated trade with another broker. Clients who receive manager recommendations from us should refer to that underlying investment manager's Form ADV to understand the trading and brokerage issues that might be applicable for that investment manager.

## **ITEM 13 – REVIEW OF ACCOUNTS**

The CAP STRAT investment consulting team reviews client accounts periodically to ensure conformity with client objectives and guidelines. In addition to a periodic review, we review client accounts more frequently as conditions dictate, triggered by events such as emerging trends, market volatility, substantial changes in the value of a client's portfolio or changes in a client's investment objectives.

As part of our review, we review the client's overall investment strategy, the performance of the client's portfolio and relevant investment managers. We also provide clients each quarter with written performance reports for each account, as well as other reports as we shall determine in our sole discretion.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

We do not compensate any persons, either directly or indirectly, for client referrals, nor do we receive any additional compensation beyond that described in this Brochure.

## **ITEM 15 – CUSTODY**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

CAP STRAT is deemed to have custody of client funds and securities whenever CAP STRAT is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody CAP STRAT will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which CAP STRAT is deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are



delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from CAP STRAT. When clients have questions about their account statements, they should contact CAP STRAT or the qualified custodian preparing the statement.

#### **ITEM 16 – INVESTMENT DISCRETION**

For its discretionary clients, CAP STRAT has the authority to determine which securities will be bought or sold, and the amount of such securities to be bought or sold, for those clients' accounts without first obtaining client consent or providing prior written notice to a client.

Though we retain authority to determine the type and amount of securities to invest for your account, you will specify your investment objectives and guidelines, select your portfolio strategy and impose certain conditions or investment parameters for your account(s). For example, you will specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. In all cases, we exercise our discretion in a manner consistent with the investment objectives you state for your account and that you document in your IPS.

#### **ITEM 17 – VOTING CLIENT SECURITIES**

With respect to accounts that we manage, we do not have authority to vote, and will not accept responsibility for voting, proxies on your behalf. If you own shares of common stock, ETFs or mutual funds, you remain responsible for exercising your right to vote as a shareholder for all securities maintained in your portfolio. In most cases, you will receive proxy materials or other solicitations directly from the account custodian. Because we do not accept discretion to exercise these powers on behalf of our clients, we do not have direct knowledge of client actions in these matters and do not maintain or make available records of such actions. In addition, we do not offer any advice with respect to voting of proxies.

#### **ITEM 18 – FINANCIAL INFORMATION**

We are required in this item to provide you with any information about CAP STRAT's financial condition that is reasonably likely to impair our ability to meet our contractual and fiduciary commitments to you. There is no such information to disclose, as we have ample capital and resources to meet all of our obligations, and we have not been the subject of a bankruptcy proceeding.