



## Private Client Services

7100 Forest Avenue, Suite 301

Richmond, VA 23226

(804)648-3500

(804)648-3523(Fax)

[www.thecapgroup.com](http://www.thecapgroup.com)

Email: [questions@thecapgroup.com](mailto:questions@thecapgroup.com)

August 1, 2012

This Brochure provides information about the qualifications and business practices of CapGroup Advisors, LLC ("CapGroup") relating to its Private Client Services. If you have any questions about the contents of this Brochure, please contact us at (804) 648-3500 or at [questions@thecapgroup.com](mailto:questions@thecapgroup.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.

CapGroup Advisors, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. CapGroup's oral and written communications are provided to assist investors in a determination to hire or retain CapGroup.

Additional information about CapGroup Advisors, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 2 - Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the requirements for the disclosure document, called our Brochure, which we provide to clients. Pursuant to SEC Rules, we are hereby providing a summary of the material changes in our current Brochure as compared to our original Brochure as filed in March of 2011:

### **Changes to Item 4 – Advisory Business**

#### **Sub-Advisory Services and Turnkey Asset Management Services**

In addition to the Investment Advisory Services CapGroup provides for its own Clients, we may also act as a sub-advisor to other independent registered investment advisers (“RIAs”) and their clients. As a sub-advisor, CapGroup is hired by the independent RIA to provide investment advisory services to the clients of the independent RIA through the engagement of CapGroup’s Investment Advisory Process, as applicable, for each client. The independent RIA will work with the client to determine the range of investment advisory services required, to identify the assets that are appropriate for sub-advisory services, and to monitor the investment advisory services provided by CapGroup.

CapGroup may also provide Turnkey Asset Management Services to assist select independent RIAs in providing investment management services to their investors. CapGroup educates independent RIAs on the use of its Investment Advisory Process as a methodology for structuring investment portfolios and provides participating independent RIA’s with multiple-asset class model investment portfolios for the independent RIAs to adopt for their clients. For selected independent RIAs, CapGroup may provide more customized portfolio management solutions for their use with their clients.

### **Changes to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

While the CapGroup investment philosophy and process has not materially changed, we have reorganized our investment research under the auspices of a formal Investment Committee which formulates investment strategies for use by our Client Advisors in working with our Clients. The Investment Committee meets formally on a bi-weekly basis to discuss market conditions and trends, to evaluate existing client investment strategies and to review analyses of prospective investment approaches and investment management products.

Recognizing that no single research resource can cover the entire investment management spectrum, CapGroup maintains an open source research platform in collaboration with Focus Financial Advisors, LLC and other Focus Member Firms. Given the significant scope and depth of investment consulting research and technologies available to CapGroup from a range of other sources, CapGroup’s senior management determined that the research

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services of Callan Associates were no longer needed to support the high services standards provided by CapGroup to its clients. Therefore, CapGroup terminated its membership in the Independent Advisor Group of Callan Associates, Inc. as of July 2012.

If not provided with our current summary of material changes herewith, our entire current Brochure may be requested free of charge by contacting Richard Smith, Chief Compliance Officer at (804) 565-9280 or at [questions@thecapgroup.com](mailto:questions@thecapgroup.com). Our Brochure is also available on our web site at [www.thecapgroup.com](http://www.thecapgroup.com).

**Additional information about CapGroup Advisors, LLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with CapGroup Advisors, LLC who are registered, or are required to be registered, as investment adviser representatives of CapGroup Advisors, LLC.**

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## Item 4 – Advisory Business for Private Client Services

CapGroup offers to provide Investment Advisory Services that are designed to assist individuals, families and related business entities in meeting their long-term financial goals. These clients are served by CapGroup's Private Client Practice with Investment Advisory Services that combine individualized financial planning with portfolio management. CapGroup acknowledges that it is held to a fiduciary standard of care in the performance of its services to clients.

CapGroup has been in business as an SEC registered investment advisor since September of 1983 and is owned by Focus Financial Partners, LLC. In addition to the services described in this Brochure for the clients of its Private Client Practice, CapGroup also provides Investment Advisory Services for small to mid-sized institutions, including charitable foundations, endowments, associations, corporations and qualified retirement plans. These services are described in a separate Brochure that is available upon request. As of December 31, 2011, CapGroup managed total assets of \$226,468,580 on a discretionary basis and \$719,957,894 on a nondiscretionary basis.

### Investment Advisory Process

In providing its Investment Advisory Services, CapGroup follows an interactive four-step process that is modeled after the Fiduciary Quality Management System ("FQMS") to facilitate conformance with the investment best practices under the Global Fiduciary Standard of Excellence ("GFSE")<sup>1</sup>:



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<sup>1</sup> The GFSE and the FQMS are described in the handbook, Prudent Practices for Investment Stewards, by Fiduciary360, 2009 ([www.fi360.com](http://www.fi360.com)).

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The steps in CapGroup's Investment Advisory Process are summarized as follows:

- I. Organize** – the gathering of client data and the establishment of the client's investment goals and objectives and the evaluation of current investment programs.
- II. Formalize** – strategic asset planning, as needed, and the documentation of the client's investment strategy in a written Investment Policy Statement.
- III. Implement** – the execution of the client's investment strategy according to the terms of the approved Investment Policy Statement.
- IV. Monitor** - the ongoing supervision of the client's investment strategy, including the monitoring and reporting of performance.

### **Financial Planning Services**

The full execution of the Investment Advisory Process is normally preceded by an engagement for Financial Planning Services which encompass Step I (Organize) and Step II (Formalize) of the process. These Financial Planning Services lead to the development of the client's *Strategic Asset Plan* which summarizes the client's financial resources, projects future income streams and net worth levels and establishes a written investment policy statement(s) and other protocols that guide future investing. This financial planning work may also include other related services, such as estate planning analysis, insurance/risk management reviews, investment tax planning and investment manager evaluations.

For its initial Financial Planning Services, CapGroup charges a flat dollar amount fee that varies according to the level and scope of the services required. This fee typically ranges from \$2,500 to \$10,000 and is described in a Financial Planning Agreement between the client and CapGroup. If the client terminates CapGroup's Financial Planning Services before the services are completed, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Beyond the initial financial planning engagement, the costs for reviewing and updating the client's strategic asset planning are normally included in CapGroup's annual retainer fee for Investment Advisory Services as described below. Otherwise, the client and CapGroup may agree on another basis for compensating CapGroup for strategic asset planning updates.

### **Investment Advisory Services**

Clients employ CapGroup as an investment advisor for specific portfolios or investment accounts, usually after CapGroup has completed its initial Financial Planning Services as described above. These services encompass CapGroup's execution of the full Investment Advisory Process on an ongoing basis and normally include annual reviews and updates of the client's *Strategic Asset Plan*.

In performing its Investment Advisory Services, CapGroup develops and supervises portfolio strategies in accounts that are comprised of multiple asset classes and implemented with combinations of professional investment managers ("Managers"). See **Item 8** below for a more detailed explanation of our investment management process. The

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client may impose restrictions on the securities or certain types of securities to be managed in the client's account(s).

### **Sub-Advisory Services**

CapGroup may act as a sub-advisor to other independent RIAs and their clients. As a sub-advisor, CapGroup is hired by the independent RIA to provide investment advisory services to the clients of the independent RIA through the engagement of CapGroup's Investment Advisory Process, as applicable, for each client. The independent RIA will work with the client to determine the range of investment advisory services required, to identify the assets that are appropriate for sub-advisory services, to interact with CapGroup as a servicing agent for the client and to monitor the investment advisory services provided by CapGroup.

### **Turnkey Asset Management Program ("TAMP") Services**

CapGroup assists select independent RIAs who provide investment management to investors. CapGroup educates independent RIAs on the use of its Investment Advisory Process as a methodology for structuring investment portfolios with long-term investment goals. CapGroup also provides investment advisors with multiple-asset class model investment portfolios that investment advisors may use to manage investment accounts for their investment clients.

CapGroup maintains a series of ETF (Exchange Traded Funds)-based investment models called the *AlphaDynamic Strategies* that are implemented on the Adhesion Wealth Advisor Solutions Unified Managed Accounts platform. The AlphaDynamic Strategies provide investors with dynamic asset allocation strategies that are designed to consistently outperform their benchmarks with reduced downside risk. Diversification and cost efficiency are provided through the exclusive use of ETFs for strategy execution. Underlying managers are selected based on their demonstrated use of an active asset allocation process consistently to deliver market type returns in rising markets and enhanced stability of portfolio values in declining markets.

For certain independent RIAs, CapGroup may offer expanded TAMP support services that provide additional customization to the Standard TAMP Services based on the individual requirements of the independent RIA. In its Expanded TAMP Services, CapGroup provides supplementary support services for designing and implementing portfolio solutions which includes, but are not limited to:

1. Administrative assistance with qualified custodians to open and maintain investment advisor master accounts and to assist with investment advisor's client accounts, including supplying investment advisor with all custodial documentation required for clients of the investment advisor to open and maintain accounts.
2. Access to customized portfolio accounting and reporting services in conjunction with the services of Adhesion Wealth Advisor Solutions.

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3. Access to model Client Questionnaires and Investment Policy Statements Templates, with updates as appropriate.
  4. Samples of investment advisor's client agreement templates (which should be reviewed by local counsel prior to use).
  5. Assistance for the independent RIA with providing its clients with access to investment management products available to investment advisors but not generally available to the public.
  6. To the extent available, access to trading costs and fee structures with authorized broker-dealer/custodian(s) that take advantage of CapGroup's collective arrangements.
  7. Collecting and remitting net fees (gross fees minus fees due CapGroup from investment advisor) to investment advisor on a quarterly basis.

### **Item 5 – Fees and Compensation**

Investment Advisory Services are provided for an ongoing annual fee that is charged as a percentage of assets under management according to the following CUMULATIVE schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>
On amounts up to \$500,000	1.25%
On amounts from \$500,000 to \$1,000,000	1.00%
On amounts from \$1,000,000 to \$2,000,000	.75%
On amounts from \$2,000,000 to \$5,000,000	.50%
On amounts from \$5,000,000 to \$10,000,000	.40%
On amounts from \$10,000,000 to \$20,000,000	.30%
On amounts above \$20,000,000	.20%

The fees are billed quarterly, in arrears, at the beginning of each quarterly cycle based upon the value (market value or fair market value in the absence of market value) of the client's account at the end of the previous quarter. CapGroup generally requires a minimum annual fee of \$10,000. Exceptions to the minimum fee and fee schedule may be separately negotiated on a case by case basis. CapGroup may agree to provide supplemental financial planning and investment advisory services on a retainer fee basis that is acceptable to the client. These services may include reporting and recommendations on investment accounts held outside of CapGroup's direct supervision.

### **General Information on Fees and Services**

The specific manner in which fees are charged by CapGroup is established in a client's written agreement with CapGroup. CapGroup will generally bill its fees on a quarterly basis in arrears. Clients normally authorize CapGroup to directly debit fees from client accounts, but clients may also elect to be billed directly for fees. Investment advisory fees

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are not prorated for each capital contribution or withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

CapGroup's fees are in addition to brokerage commissions, transaction fees, and other related costs and expenses which will be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by investment managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees and operating costs, which are disclosed in a fund's prospectus or other disclosure document as required by securities regulations. Such charges, fees and commissions are exclusive of and in addition to CapGroup's fee, and CapGroup will not receive any portion of these commissions, fees, and costs.

Item 12 below further describes the factors that CapGroup considers in selecting or recommending broker-dealers for client transactions and for determining the reasonableness of their compensation (*e.g.*, commissions).

### **Termination of an Advisory Relationship**

A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days prior written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

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

CapGroup does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) and does not engage in side-by-side investment management practices.

## **Item 7 – Types of Clients**

CapGroup provides Investment Advisory Services for individuals, families, associated privately owned businesses and fiduciary accounts, such as trusts and estates.

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

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The CapGroup investment philosophy is based on the fundamental premise that success in managing investments is predicated on effective risk management. Investment risk is manifested in many different forms, but to most investors risk is understood as a *severe and permanent loss of capital*, one that would be large enough to compromise the achievement of the investor's outcome goals.

CapGroup seeks to build client investment strategies that avoid such losses and develop long-term returns that satisfy the investor's outcome goals. To that end, CapGroup's process seeks to control investment risk by managing four elemental risk factors:

1. Diversification Risk – inordinate concentrations and exposures to certain asset classes or individual securities.
2. Manager Risk – sometimes called active management risk, the risk that an investment manager or combination of managers will underperform the asset class returns that can be captured with index funds.
3. Liquidity Risk – investing disproportionately in investments that are illiquid and can't be used in a timely manner to satisfy income needs, emerging liabilities, or capital funding mandates.
4. Tax Risk – for taxable accounts, the use of investment vehicles and practices that generate excessive exposure to income taxes.

### **CapGroup Investment Process – Adaptive Asset Allocation**

CapGroup primarily invests for relatively extended time horizons, usually for periods exceeding five years, by employing globally diversified investment strategies implemented with multiple specialist investment managers. Client investment strategies are tailored to client outcome goals and are based on the four fundamental tenets of CapGroup's *Adaptive Asset Allocation* process:

1. Diversify broadly in traditional and non-traditional investments. Using a modular portfolio construction approach, client investment strategies include core positions in traditional global stocks and bonds, as well as dedicated allocations to so-called "alternative investment strategies" which include investments that are managed to provide differentiated sources of risk and return (for example, hedging strategies, global tactical asset allocators, managed commodities futures and real assets), as compared to traditional investments.
2. Seek excess returns with synergistic manager structures. For each of four major asset classes (*Domestic Equities, Foreign Equities, Global Fixed income and Alternative Investments*), we construct multiple manager modules comprised of investment managers/funds that are expected to have complementary strategies and/or investment processes. Investment managers may be engaged to manage

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mutual funds, separate accounts or ETF portfolios, including both active and passive investment management approaches. Our analyses of managers generally include a review for each selected manager of:

- The investment management team;
- The historical risk and return characteristics;
- The exposure to sectors and individual issuers;
- The expected synergistic effect on the asset class module;
- The fee structure; and
- Any other factors considered relevant.

3. Actively manage asset class exposures. Rather than follow a static asset allocation approach, we actively manage the modular asset mix and/or internal manager structures to further mitigate downside risk. Our opinions may be expressed either as shifts in the asset mix among the major asset category modules and/or by changing the types and/or levels of market risk within the different asset class modules by altering the risk exposures of the manager structures.
4. Actively manage for high levels of tax efficiency. For taxable investment accounts, CapGroup may employ tax management overlay programs to periodically harvest capital losses that occur due to market volatility. In addition, taxable investor portfolios seek to limit income tax exposure with tax exempt bond Managers and other Managers employing an investment process that promotes high levels of tax efficiency.

### **Delivery of CapGroup Investment Advisory Services**

CapGroup's investment advisory services are delivered to the client by one or more of CapGroup's Client Advisors ("Advisors") – see Part 2B of this Brochure for summaries of individual Advisor qualifications. These advisory services are supported by the work of CapGroup's Investment Committee, which is responsible for the development of asset allocation strategies and the selection of investment managers. The Investment Committee is comprised of senior professionals of CapGroup and meets formally on a bi-weekly basis to discuss existing and prospective investments.

The asset allocation and manager selection decision making responsibilities of the Investment Committee are supported by CapGroup's Research Team, which is a unit comprised of a team of investment analysts who perform asset allocation studies and provide in-depth analyses on investment management products ("Managers"), including separate/private accounts, mutual funds, ETFs and partnerships.

### **Open Source Research Platform**

In performing the investment research described above, CapGroup maintains an open source research platform in collaboration with Focus Financial Partners and other Focus Member Firms. Recognizing that no single research resource can cover the entire

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investment management spectrum, CapGroup and Focus employ the services of over a dozen providers with various research services in the following primary areas:

- Ongoing capital markets and economic research;
- Periodically updated capital markets projections relating to forward estimates of returns, risks and correlations for a wide range of traditional and non-traditional asset classes;
- Asset allocation modeling and simulation software;
- Investment management product research and due diligence on mutual funds, separate account managers and hedge funds-of-funds;
- Access to select investment management products on a preferred basis;
- Negotiated institutional custody services with multiple custodians;
- Performance measurement analytics and reports; and
- Access to a range of fully integrated investment management systems.

Different types of investments involve varying degrees of risk, and no client should assume that future performance of any specific investment strategy (including those designed and implemented by CapGroup) will be profitable or achieve any specific performance levels. All investments represent some level of risk, and an investor should understand that losses of investment capital can and do occur.

## **Item 9 – Disciplinary Information**

CapGroup has not been the subject of any disciplinary actions.

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

CapGroup is a subsidiary of Focus Financial Partners, LLC (“Focus”). Focus also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial services firms (the “Focus Partner Firms”). The Focus Partner Firms provide wealth management and benefit and investment consulting services, serving individuals, families, employers, and institutions. CapGroup’s management does not feel that this relationship poses a material conflict to clients. The Focus Partner Firms do not share client information amongst each other without prior client consent. The Principals of the other Focus Partner Firms are not involved in the management of CapGroup.

CapGroup is licensed as a life and health insurance agency by the Commonwealth of Virginia in order to accommodate the needs of certain clients who request CapGroup’s assistance in acquiring appropriate insurance coverages to meet their financial planning needs. Clients, however, are not under any obligation to engage this service when considering the implementation of any insurance plans recommended by CapGroup. The compensation earned by CapGroup for facilitating insurance product acquisitions are the

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normal and customary commissions that are built into the product's pricing and are paid to CapGroup by the insurance company. The purchase of any insurance product recommendation is solely at the discretion of the Client.

In concert with certain Focus Partner Firms, CapGroup offers to provide investment sub-advisory services to institutional clients of the Focus Partner Firm. CapGroup provides these services through a sub-advisory agreement as described in *Item 4 – Sub-Advisory Services* on page 11 of this Brochure. There are no requirements for the Focus Member Firm to use CapGroup's services in lieu of its own services for these institutional clients, as the use of CapGroup's sub-advisory services is entirely at the discretion of the Focus Member Firm and is based entirely on the Focus Member Firm's judgment regarding the most effective and appropriate service for the subject client. CapGroup provides the same level of service and the same impartial advice to all clients' accounts and does not give differential treatment or preference to clients of firms affiliated with Focus Financial Partners.

CapGroup has entered into agreements with Adhesion Wealth Advisor Solutions ("Adhesion"), a registered investment adviser located in Charlotte, NC, to design and support a series of model investment portfolio for use by a nationwide network of independent registered investment advisers in providing investment management services for their clients. CapGroup receives a fee from Adhesion for its model management services and other advisor support services.

## **Item 11 – Code of Ethics**

CapGroup has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. CapGroup's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients, and sets forth CapGroup's practice of monitoring the personal securities transactions of supervised persons with access ("access persons") to client information. Individuals associated with CapGroup may buy or sell securities for their personal accounts identical to or different than those recommended to clients. It is the expressed policy of CapGroup that no person employed by CapGroup shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients. To supervise compliance with its Code of Ethics, CapGroup requires that all access persons provide duplicate brokerage statements and report quarterly all personal securities transactions to the firm's Chief Compliance Officer, Richard Smith.

CapGroup requires that all individuals must act in accordance with all applicable Federal and State regulations governing the practices of registered investment advisers and their employees. CapGroup's Code of Ethics further includes the firm's policy prohibiting the use

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of material non-public information. Any individual not in observance of the above may be subject to disciplinary measures.

CapGroup will provide a complete copy of its Code of Ethics to any client or prospective client upon request to the Chief Compliance Officer, Richard Smith, at CapGroup's principal address.

## **Item 12 – Brokerage Practices**

CapGroup does not have the discretionary authority to determine the broker/dealer to be used or commission rates to be paid, so clients must direct CapGroup as to the broker/dealer they wish to use. In directing the use of a particular broker or dealer, it should be understood that CapGroup will not have authority to negotiate commissions among various brokers or obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to other clients.

### **Recommended Brokerage Services**

In providing its advisory services, CapGroup has negotiated a suite of services and pricing for its clients with two firms ("recommended custodians") that hold client funds, effect trades, collect investment income and report holdings monthly. In selecting the recommended custodians, CapGroup endeavors to act in its client's best interests and seeks to leverage its clients' assets in the aggregate to obtain benefits for all CapGroup clients. Broker/dealers and licensed trust companies that provide services to the clients of independent registered investment advisers, such as CapGroup, typically provide the advisers with ancillary services intended to assist the adviser in managing and further developing its investment operations platform.

Charles Schwab & Co. CapGroup may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc., a registered broker/dealer, Member SIPC/NYSE. Schwab Advisor Services provides CapGroup with access to its institutional trading and operations services, which are typically not available to Schwab retail investors. These services are generally available to independent investment advisers at no charge to them, so long as a total of at least \$10 million of the adviser's clients' account assets are maintained at Schwab Advisor Services.

Schwab Advisor Services' support services include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment. Schwab Institutional also makes available to CapGroup other products and services that benefit CapGroup but may not benefit its clients' accounts directly. Some of these other products and services assist CapGroup in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as

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trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of CapGroup's fees from its clients' accounts, and assist with back-office support, recordkeeping and client reporting. Some of these services generally may be used to service a substantial number of CapGroup's accounts, including accounts not maintained at Schwab Advisor Services.

Schwab Advisor Services may also provide CapGroup with other services intended to help CapGroup to manage and further develop its business enterprise. These services may include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab Advisor Services may make available, arrange and/or pay for these types of services to CapGroup by independent third parties. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to CapGroup.

**SEI Investments.** CapGroup may recommend that clients establish custody accounts with SEI Investments and SEI Private Trust Company ("SEI"), a licensed trust company, to maintain custody of clients' assets and to effect trades for their accounts. SEI provides CapGroup with access to its adviser trading and operations services, which are generally not available to retail investors. SEI's services include research, custody, trading and access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment.

SEI also makes available to CapGroup other products and services that benefit CapGroup but may not benefit its clients' accounts directly. Some of these other products and services assist CapGroup in managing and administering clients' accounts. These include software and other technology that provide access to client account data, provide research, pricing information and other market data, facilitate payment of CapGroup's fees from its clients' accounts, and assist with back-office support, recordkeeping and client reporting. Some of these services generally may be used to service a substantial number of CapGroup's accounts, including accounts not maintained at SEI.

## **Item 13 – Review of Accounts**

For those clients for whom CapGroup provides investment advisory services, account reviews are conducted regularly. Each client's CapGroup Advisor reviews client account holdings monthly and performance is reviewed quarterly. Quarterly reviews include evaluation of the client's asset allocation targets and IPS conformance. All clients (in person or via telephone) are encouraged to review with their CapGroup Advisor financial planning issues (to the extent applicable), investment objectives, account performance, and any personal or financial changes on at least an annual basis.

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In addition, CapGroup may conduct account reviews upon the occurrence of a triggering event, such as a change in investment objectives and/or financial situation, market corrections, manager or portfolio structure changes, and client requests.

The account custodian provides detailed account statements to clients on at least a quarterly basis, and CapGroup may provide interim reports as requested by the client. The custodian statements include all transactions for the period including details of advisory fees charged by CapGroup, where applicable. CapGroup also provides a quarterly performance report to each client, which contains summary information on account holdings including current asset allocation percentages and current and historical performance data. Clients are encouraged to compare the quarterly performance reports from CapGroup with the account statements received from the custodian. Should there be any material discrepancy in asset valuations, the custodian's report should be relied upon.

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

There may be occasions when CapGroup pays a percentage of the fee we receive from a client account to a person making the referral (a “solicitor”) of the client. The solicitor typically shares from 15% to 25% of fees for a limited period. Specifics of the referral arrangement are disclosed to each client beforehand through a written disclosure statement. Clients introduced to CapGroup in this manner pay the same fees and receive the same services and priorities as all other CapGroup clients.

#### **Item 15 – Custody**

CapGroup does not have custody of clients' cash or securities. All clients' cash and securities are held with an independent qualified custodian (see Item 12 above). Clients will receive at least quarterly statements from the broker/dealer, bank or other qualified custodian (Charles Schwab, SEI, etc.) that holds client investment assets.

#### **Item 16 – Investment Discretion**

CapGroup usually receives authority from the client at the outset of an advisory relationship to select the identity and amount of client investment funds to be allocated to individual Managers, or other securities to be bought or sold, without prior consent (“discretionary authority”). When selecting Managers and/or securities and determining amounts, CapGroup observes the client's investment policies, limitations and restrictions, as set forth in the written Investment Advisory Agreement between the client and CapGroup, as well as the client's written Investment Policy Statement. Investment

instructions, guidelines and restrictions must be provided to CapGroup in writing, either electronically or in hard copy.

Alternatively, the client and CapGroup may agree to limit CapGroup's discretionary authority. Such limitations are established in the Investment Advisory Agreement between the client and CapGroup. The client should understand that the limiting of CapGroup's discretionary authority may increase the financial risk associated with the timely and efficient execution of CapGroup's recommendations.

### **Item 17 – Voting Client Securities**

As a matter of firm practice and policy, CapGroup does not take responsibility for voting proxies for securities owned in client accounts. To the extent that proxy voting responsibilities are not assumed by Managers engaged by CapGroup on behalf of the client, the custodian of the client's account (Schwab, SEI, etc.) is instructed to forward all proxies and shareholder communications directly to the client.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about CapGroup's financial condition. CapGroup has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

### **Brochure Supplement (Part 2B of Form ADV)**

#### **Client Advisor Information – Private Client Services**

- Clay T. Eubank, Jr.
- Carl A. Loden
- Lisa C. Longest
- W. Richard Smith, III
- Nicholas P. Zizzo