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Managing Wealth. Enriching Lives.

**Harvest Capital Management, Inc.**

11 South Main Street, Suite 501  
Concord, NH 03301  
PHONE: (800) 834-0071 or (603) 224-6994  
FAX: (603) 224-7713  
WEBSITE: [www.harvestcap.com](http://www.harvestcap.com)

**March 2, 2017**

**FORM ADV PART 2A  
BROCHURE**

Form ADV, Part 2: our "Brochure" or "Disclosure Brochure" as required by the Investment Advisers Act of 1940 is a very important document between Clients and Harvest Capital. This brochure contains information about the qualifications and business practices of Harvest Capital Management, Inc.

If you have any question about the contents of this brochure, please contact us at 603-224-6994 or [dchadwick@harvestcap.com](mailto:dchadwick@harvestcap.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about Harvest Capital Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Harvest Capital uses the term "registered investment adviser" which means that Harvest is registered with the Securities and Exchange Commission (SEC) but the use of this term is not intended to imply a certain level of skill or training.

## **Item 2 Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

There have been no material changes made to this brochure since its last annual update, dated March 29, 2016.

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## Item 4 Advisory Business

Harvest Capital Management, Inc. (Harvest) was founded in 1995. Harvest is an independent, fee-only firm located in Concord, New Hampshire. We are not related to any other company and sell no products. Marshall G. Rowe is President and Chief Investment Officer. There are four shareholders, with Mr. Rowe owning a majority interest.

Harvest provides personalized investment management and financial planning services to families, pension and profit sharing plans, trusts, estates and charitable organizations. We design and implement personalized strategies for each client based on their individual objectives and needs. Clients may request that we refrain from investing in particular securities or certain types of securities. Clients must provide these restrictions to our firm in writing.

### Types of Advisory Services Offered

Harvest provides portfolio management services on a discretionary basis for discrete clients. There are no pooled accounts. We also provide Financial Planning Services relating to the following topics: retirement planning, tax planning, trust and estate planning, insurance and risk management, education funding, balance sheet and cash flow management, real estate, public and private securities, investment capital projections, investments in other tangible assets and financial asset allocation. Services include the preparation and delivery of specific recommendations on all matters considered. Implementation assistance is also provided during the term of the agreement. While not required, the client may elect to use Harvest to implement Financial Planning recommendations.

Non-discretionary assets reside within qualified retirement plans. Harvest advises the Plan Trustees on fund options and provides performance reporting and investment education to the plan participants.

Harvest does not sell any products nor act as a broker dealer. All Harvest services are covered by a client-agreed-to fee, but that fee does not include the use of third parties to implement recommendations such as legal, accounting and securities transactions. Those fees are agreed to separately by and between the provider and the client and are paid directly by the client to the third party provider.

Harvest does not participate in any wrap fee program.

As of December 31, 2016, we provide continuous and regular supervisory or management services on a discretionary basis to \$531,839,268 in client assets. We also advise on \$24,546,658 in pension plan assets.

## Item 5 Fees and Compensation

For investment management and supervisory accounts, Harvest charges fees based on the total dollar value of assets under management. Fees may be discounted under special circumstances. Harvest's quarterly fees are payable in advance either directly or by the broker-custodian upon authorization by the client and receipt of an invoice from Harvest. All clients are billed during the first month of each quarter and are expected to pay sometime during that quarter. Multiple client accounts are aggregated when calculating fees. The fee schedule is as follows:

	Annual %	Quarterly Basis Points
Up to \$2,500,000	1.25%	31.25

\$2,500,001 - \$ 5,000,000	1.00%	25.00
\$5,000,001 - \$10,000,000	0.75%	18.75
\$10,000,001 +	0.50%	12.50

Fees are non-negotiable; however, may be discounted under special circumstances at the firm's discretion.

The term of an original agreement is one year and shall thereafter automatically be extended for additional three-month terms unless terminated by either party. Either party may terminate an agreement at any time upon written notice which shall be effective when received by the other party. In the case of termination, any advance fee paid prior to termination shall be refunded to the client on a pro-rata basis. The client has the right to cancel an agreement without any penalty or fee for up to five (5) business days from the date of acceptance of the agreement.

### **Other Fees**

Custodians may charge transaction fees on purchases or sales of securities. Mutual funds charge their own fees which are reflected in the NAV or Net Asset Value each day.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, refer to the Brokerage Practices section of this brochure.

Hourly or project fees for special services, including Financial Planning and bill paying services, may be negotiated separately.

## **Item 6 Performance-Based Fees and Side-by-Side Management**

Harvest Capital does not utilize performance-based fees.

## **Item 7 Types of Clients**

Harvest provides investment advice to families, pension and profit sharing plans, endowments and corporate clients. We generally have a minimum account size of \$2,000,000 which can be waived at our sole discretion.

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

### **Investment Philosophy**

Multi-asset class, global capital allocations, tactical reallocations.

Harvest first determines a client's priorities and then designs a specific strategy which has the best risk-adjusted probability of meeting their goals. Our objective is the preservation of capital while seeking growth of principal and income through prudent levels of risk.

We deliver a globally diversified, multi-asset class approach to investing. It incorporates the progressive and rigorous discipline employed by leading endowments but is customized for circumstances that are unique to each client. Based on our research, we choose specific securities, financial instruments and specialized managers that best represent the asset classes and strategies we have selected, then monitor the performance of all investments to ensure they are meeting expectations. Core portfolio diversification complemented by tactical asset reallocation is the foundation of our investment philosophy.

### **Research and Trading**

Harvest utilizes a diverse mix of internal and external professional research resources in our investment process. We subscribe to numerous periodicals, journals and newspapers that provide both real time news and rigorous academic and historical perspective. We utilize systems for analyzing historical performance and correlations of asset classes. We leverage the Web, Bloomberg and Morningstar to access news, research and data. We integrate these external data sources with proprietary databases, spreadsheets and expertise. Our portfolio accounting system, Advent/Black Diamond, provides client level performance, transaction and holdings data. We distill a wide range of sources, insights and perspectives into actionable investment decisions. We do not use soft dollars to pay for research.

The challenge is not access to information but having the experience and insight to understand the inter-relationships of global markets and identify which important trends will influence investment opportunities. Our resources are directed toward the larger issues of asset class diversification, portfolio risk management, performance and correlations, and identifying the best financial instruments and strategies to capture asset class returns at the lowest cost. We have experience analyzing securities and market conditions.

### **Investment Process**

Harvest Capital conducts detailed research to identify and select investments. We utilize a broad range of asset classes and investment vehicles to create globally diversified, multi-asset class portfolios. Portfolios are constructed with index and passive fund strategies, specialty managers and individual securities.

Careful asset allocation is the key to achieving our clients' goals. Core allocations to equities and bonds, complemented by tactical allocations to cash, real assets, real estate, TIPS, high yield debt and alternative strategies form the structure of our investment approach. Reallocation of tactical assets based on price, valuation, return potential, risk parameters and economic conditions is critical to achieving expected returns.

Additionally, our access to specialized investment vehicles adds value to our clients' portfolios. The result is a complementary mix of securities and asset classes appropriate for each client based on their needs and risk tolerance. Securities may include:

- Domestic equities
- International developed market equities
- Emerging market equities
- Commercial real estate (Real Estate Investment Trusts and Private Investments)
- Fixed income securities (government, domestic and international, investment grade corporate

- and high yield bonds, and consumer debt securities)
- Treasury Inflation Protected Securities
- Natural resources, precious metals and agricultural commodities
- Insurance-linked securities (reinsurance)
- Absolute return securities
- Cash and equivalents

In selecting investments and determining allocations, we consider the inter-relation of these factors:

- **How risky is the investment?** Managing risk within a portfolio is the principal goal of portfolio design. Returns on an investment must represent appropriate compensation for taking on its risk, measured both individually and within the portfolio. Specialized investment vehicles are susceptible to further risks including:
  - **Reinsurance-Related Securities Risk:** Natural and non-natural events may occur causing the potential to lose a significant portion of principal invested in the security, though there is no way to accurately predict if a triggering disaster will occur.
  - **Limited History Risk:** There is limited trading history for reinsurance-related securities.
  - **Illiquidity Risk:** Reinsurance-related securities may be difficult or impossible to sell at a particular time, causing investments to be substantially illiquid at any given time.
  - **Valuation Risk:** There is uncertainty in the pricing of reinsurance-related securities due to the inability to predict the occurrence of natural or non-natural disasters.
- **What is the investment's return potential?** We seek investments that offer attractive long-term returns given their risk and fit within the portfolio. This means finding investments that capture the expected return of the asset classes most appropriate for each client.
- **Does the investment contribute to diversification within the portfolio?** To avoid single-issuer risk we use passive or structured index vehicles to broadly diversify our portfolios. We seek investments with low correlations to each other to dampen return volatility within the portfolio, which helps provide protection in difficult markets. We minimize correlations by diversifying globally across asset types that tend to move independently of each other.
- **How liquid is the investment?** Limited liquidity should be counter balanced by higher return potential. We invest in both liquid and limited liquidity securities depending on client return expectation, time horizon, risk profile and cash flow needs. Understanding the liquidity of an investment helps us pursue higher returns, ensure client suitability and appropriate allocations. Certain limited liquidity investments such as managed futures funds and real estate can offer a higher return potential for the appropriate investor but also have a certain degree of risk.
- **What are the investment expenses?** We constantly seek securities that offer the most cost-effective access to the asset class returns we seek. For specialized strategies where we expect excess returns, we thoroughly understand fee structures to ensure clients pay only reasonable fees. We negotiate with specialty providers where possible to ensure a lower cost solution for our clients.

Portfolio investments are constantly being evaluated as markets change. Performance of markets and securities are discussed and reviewed daily. New research is continually integrated into our investment process and outlook. The goal is to create an environment where opinions and outlooks are constantly being examined, questioned and judged against market activity. In terms of formal portfolio evaluation, asset allocation targets are reviewed weekly. Approved securities are reviewed

monthly. Harvest reviews the firm's investment outlook and target asset allocations quarterly. Our goal is to balance the importance of responding proactively to volatile markets while not allowing normal market volatility to sway our long-term strategic asset allocations.

### **Daily Management**

Harvest is responsible for investing the funds in accordance with each client's objectives. The priorities include comprehensive risk management, asset class selection, security selection, specialty manager selection and tactical reallocation of assets. Harvest is directly responsible for the following:

- Investment research
- Portfolio strategy
- Buy/sell decisions
- Executing transactions with the custodian or trading broker
- Reconciling all transactions
- Cash management (distributions/contributions)
- Monitoring all securities and specialty managers
- Measuring performance
- Providing regular communications to each client

### **Risk of Loss**

Harvest's objective is to preserve capital while seeking growth of principal and income. However, all securities entail some degree of risk that principal may be temporarily or permanently lost. Harvest utilizes a strategy of diversification to diminish the possibility that any one security may significantly reduce the overall value of a portfolio. Nonetheless, all securities will fluctuate in price and occasionally lose value.

Harvest also employs securities from multiple asset classes for the purpose of reducing total portfolio volatility and risk of permanent capital loss. Each asset class will exhibit its own volatility and occasional loss of value, but in most cases all asset classes will not persistently lose value at the same time. Building a portfolio of assets that have low correlations to each other reduces total portfolio volatility. This asset class diversification helps to preserve capital during periods of financial uncertainty.

## **Item 9 Disciplinary Information**

Harvest and its employees have not been and are not involved in any disciplinary actions.

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

Harvest and/or certain of its professionals are members of the Family Office Exchange, the CFA Institute, the Financial Planning Association, the Boston Security Analysts Society, the Business Enterprise Institute, the International Association of Registered Financial Consultants and the Chartered Alternative Investment Analyst Association.



## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Harvest has adopted a Code of Ethics and Policies and Procedures designed to detect and prevent insider trading by persons associated with the firm. The purpose of this Code of Ethics is to foster compliance with applicable federal and state statutes and regulatory requirements and to eliminate transactions suspected of being in conflict with the best interest of Harvest's clients.

Harvest may buy or sell securities for clients at the same time that employees or other persons associated with Harvest buy or sell such securities for his or her own account. Harvest may also combine orders to purchase employees' securities with clients' orders to purchase securities ("block trading"). A conflict of interest exists in such cases because Harvest has the ability to trade ahead of clients and potentially receive more favorable prices. To eliminate this conflict of interest, it is Harvest's policy that neither the firm nor persons associated with the firm shall have priority over client accounts in the purchase or sale of securities.

Harvest forbids any officer, director or employee from trading, either personally or on behalf of others, including mutual funds and private accounts managed by Harvest, on material, nonpublic information or communicating material, nonpublic information to others in violation of the law. This policy applies to every officer, director or employee and extends to activities within and outside their duties at Harvest. Harvest will provide a copy of our Code of Ethics to any client or prospective client upon request.

The specific requirements for personal securities transactions are outlined in Harvest's Code of Ethics. In no case may employees execute trades that may benefit from trading activities undertaken on behalf of clients.

## **Item 12 Brokerage Practices**

Harvest does not utilize any soft dollar arrangements.

Each client is asked to select their own broker. If they do not know any, alternatives are suggested. Only brokers who will offer competitive rates are suggested, but those commissions may not be the lowest available. Stability of the brokerage firm, the efficiency with which the transactions will be effected and breadth of access to securities are also considered. Our relationships with recommended brokers may include benefits provided to our firm, including, but not limited to, research, market information, and administrative services that help our firm manage client accounts.

Clients who select their own brokerage relationship may pay higher commissions than those available from Harvest recommended brokers. Retail brokerage arrangements may limit the client's ability to access securities, participate in volume discounts or obtain best execution in some transactions. This may lead to a disparity in commission charges and potential conflicts of interest arising from referrals and directed brokerage. Harvest will work with each client to identify the optimum brokerage arrangement, achieve best execution and avoid potential conflicts of interest. Harvest has a Best Execution Policy which is discussed with all clients upon signing an agreement.

Harvest aggregates trades when executing transactions in multiple accounts that share the same broker as a custodian. In the event that the entire number of shares cannot be executed in the same day, Harvest will apply the executed shares over all accounts on a pro-rata basis, except when it is to the detriment of the clients due to transaction costs.

Harvest has a Prime Broker arrangement at Charles Schwab whereby Harvest can buy or sell securities from any of several brokerage firms and have the trade settled by Schwab. Schwab charges a \$15 fee for this service, however clients may receive better selection and pricing due to competition among many brokerage firms.

### **Item 13 Review of Accounts**

All investment decisions are reviewed by Marshall Rowe. Asset allocations are reviewed weekly by Marshall Rowe and Brian Presti. Accounts are reviewed on a monthly basis to assure compliance with investment objective. On a daily basis, 98% of accounts are reviewed for cash and position reconciliation. Individual securities are monitored on an intra-daily basis.

Harvest provides written reports to clients on a quarterly basis. Such reports include a general market commentary, portfolio overview, portfolio appraisal and a performance summary.

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

Harvest receives referrals from existing clients, lawyers, CPAs and other professionals but does not provide any referral fee.

Prior to June 30, 2006, Harvest participated in the Schwab Advisor Network which was designed to help investors find an independent investment advisor. Subsequent to June 30, 2006, Harvest no longer participates in the Schwab Advisor Network service. However, for the one client that was referred to Harvest through that service, a portion of the fees that Harvest bills that client is paid to Schwab for as long as the accounts are custodied at Schwab. Therefore, this participation fee is paid by Harvest and not by the client.

### **Item 15 Custody**

Harvest is deemed to have custody of client assets because it deducts advisory fees from client accounts. Harvest is also considered to have custody of client assets for other reasons, including that one or more of its investment adviser representatives may serve as trustee or co-trustee for client trust accounts. A surprise, independent audit is conducted each year by the accounting firm, Pavento, Ratcliffe, Renzi & Company, LLC, located in Franklin, Massachusetts.

Clients receive account statements directly from their custodian at least quarterly, and in most cases, monthly. Harvest provides reports to clients on a quarterly basis. Harvest encourages clients to compare and verify the information on their Harvest statements with the information on the statements they receive from their account custodian.

### **Item 16 Investment Discretion**

Harvest has discretionary authority to manage portfolios on behalf of clients. This means that Harvest has the authority to determine securities to be bought or sold without obtaining client consent. In exercising this discretion, authorized in writing by the client, Harvest will manage each client's assets in accordance with the client's stated investment objectives and any reasonable restrictions provided by the client in writing.

## **Item 17 Voting Client Securities**

Harvest Capital Management, Inc. (HCM) is committed to its fiduciary responsibility to manage the client assets entrusted in our care. The firm has adopted a Proxy Voting Policy which is reasonably designed to ensure that proxy votes are cast in the best interests of clients. HCM conducts proxy voting consistent with the policy of the firm.

We will determine how to vote proxies based on our reasonable judgment of the vote most likely to produce favorable financial results for you. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders. Generally, proxy votes will be cast against proposals having the opposite effect. However, we will consider both sides of each proxy issue.

Conflicts of interest between you and our firm, or a principal of our firm, regarding certain proxy issues could arise. If we determine that a material conflict of interest exists, we will take the necessary steps to resolve the conflict before voting the proxies. For example, we may disclose the existence and nature of the conflict to you, and seek direction from you as to how to vote on a particular issue; we may abstain from voting, particularly if there are conflicting interests for you (for example, where your account(s) hold different securities in a competitive merger situation); or, we will take other necessary steps designed to ensure that a decision to vote is in your best interest and was not the product of the conflict.

HCM seeks to provide transparency to its clients. Each client may direct us regarding the voting of proxies, and may request a report of how proxy votes were cast on their security holdings by contacting HCM with the date range that they would like to review. The firm will provide information to support this request in accordance with its record retention practices described in the Maintenance of Books and Records section of the firm's written compliance policies and procedures. Clients may also request a copy of the Proxy Voting Policy by contacting us at (603) 224-6994.

HCM does not vote proxies of company securities held by its clients if HCM does not have investment discretion over those securities. HCM reserves the right to modify its Proxy Voting policies and procedures. If you have any questions regarding our proxy voting policies and procedures, please contact us.

## **Item 18 Financial Information**

Harvest 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.