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This brochure provides information about the qualifications and business practices of First Houston Capital. If you have any questions about the contents of this brochure, please contact us at 713-461-0150. 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 First Houston Capital also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

The last annual update of this brochure was in March 2016. There have been no material changes to our firm since that update.

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## ADVISORY BUSINESS

### Advisory Firm Description

First Houston Capital ("FHC" or the "Firm") has been in business since June 14, 2006. The principal owner is Richard G. Leader.

### Types of Advisory Services

At FHC, managing financial assets is the only service we offer to investors. We engage in no other activities which would dilute our dedication to managing portfolios or create a conflict of interest.

### Tailored Advisory Services

Clients can request abstention from certain securities or sectors.

### Client Assets Under Management

Our assets under management as of December 31, 2016 totaled \$ 116,055,730 managed on a discretionary and \$9,002,257 on a non-discretionary basis.

## FEES AND COMPENSATION

FHC's fee schedule is defined below. Fees are negotiable. We deduct fees directly from client accounts on a quarterly basis after obtaining written authorization from the client when the account is opened. Fees are calculated by averaging the previous quarter's assets under management. This total is multiplied by the fee per annum based on the fee option and divided by four to give us the quarter's fee due. Fees are collected for the quarter going forward.

Should a client close an account prior to the end of the quarter, refunds are deposited into the account based on the number of days the account was closed prior to the end of the quarter.

Our custodian, Pershing, charges commissions on equity, closed end funds and ETF trades. Typically, this is \$9 per trade, although there are exceptions. Bond purchases and sales are marked up or down by the broker enacting the trade. FHC does not receive any compensation attributable to the sale of any security.

Fee Structure	Annual Fee
Equity accounts first \$500,000	1.25%
Equity accounts for balances over \$500,000	1.00%
Equity accounts for balances over \$10 million	0.75%
Fixed income accounts	0.50%

## PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

FHC does not engage in either activity.

## TYPES OF CLIENTS

We manage portfolios for high net worth individuals, retirement plans, corporations and not-for-profit organizations. Our preferred account minimum is \$500,000.

Prospective clients should be aware that smaller accounts can be more volatile than larger ones as fewer securities are usually held in small accounts.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Here are a few facts about our investment approach:

- All accounts are managed individually, not co-mingled with other accounts.
- Market capitalization is not a limiting factor in our stock selection. We buy shares of companies that are performing well. We do not own “turn-around” or speculative stories.
- We continuously research and analyze securities in search of opportunities. We make decisions utilizing a multi-cap strategy that emphasizes margin-of-safety and common sense.

Investing involves risk. FHC strives to minimize risk of loss by careful analysis of companies and market trends. We offer four products to cater to the account holders' tolerance of risk. Our portfolios are diversified among industries.

Regarding Equity focused portfolios, we offer: 1) *Growth and Income*, 2) *Equity Income* and 3) *Aggressive Growth* styles of investing. Growth and Income is a combination of dividend-paying companies and companies which could pay a dividend but the emphasis is on growth of capital. Equity Income owns only companies which pay a dividend. Growth is a secondary consideration. Aggressive Growth is similar to Growth and Income but we can also sell stocks short. Our typical portfolio holds about forty positions with about a 2.5% exposure to each.

We also offer a fixed income product which contains corporate bonds, US Treasury bonds and municipal securities. The investment objective is a high level of income consistent with preservation of capital. Portfolios in this strategy will hold at least 80% of the assets in investment grade bond securities.

At FHC, our investment focus is long-term growth of capital.

### Risks

***Equity Securities:*** FHC buys, on its clients' behalf, equity securities the Firm believes to be undervalued. The value of these investments will generally vary with their issuer's performance and movements in the equity markets. Consequently, clients may

experience losses if they invest in equity instruments of issuers whose performance diverges from the Firm's expectations.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss.

**Fixed-Income Securities:** We invest in bonds or other fixed-income securities for some of our clients. Fixed-income securities generally provide periodic returns and the eventual return of the principal at the end of the term. The value of fixed-income securities changes in response to interest rate fluctuations and market perception of the issuer's ability to pay off its obligations. Fixed-income securities are also subject to the risk that their issuer may be unable to make interest or principal payments on its obligations.

Investing in securities entails risk of loss which clients must be willing to bear.

## DISCIPLINARY INFORMATION

FHC has had no disciplinary action for the company or its principals.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

FHC is involved in none of the above.

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### Code of Ethics

FHC has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all Firm personnel (collectively referred to as "employees") and focuses on three specific areas where employee conduct has the potential to adversely affect the client: misuse of confidential information; personal securities trading and outside business activities. Failure to uphold the Code of Ethics may result in disciplinary actions, including termination of employment with the Firm. Any client or prospective client may request a copy of the Firm's Code of Ethics at any time.

The following basic principles guide all aspects of the Firm's business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients' interests come before employees' personal interests and before the Firm's interests.
- The Firm must fully disclose all material facts about conflicts of which it is aware between the Firm and its employees' interests on the one hand and client and the Firm's interests on the other.
- Employees must operate on the Firm's behalf and on their own behalf consistently with the Firm's disclosures and to manage the impacts of those conflicts.

- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its employees must always comply with all applicable securities laws.

### **Misuse of Nonpublic Information**

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Firm. Employees may not convey nonpublic information nor depend upon it in placing securities trades.

### **Personal Securities Trading**

Individuals associated with the Firm may buy, sell or hold in their personal accounts the same securities the Firm recommends to its clients. This creates a potential conflict of interest with the possibility of Firm personnel obtaining a better price than clients obtain. To mitigate this conflict, such trades may occur on the same day at the same time receiving average pricing or after the client with the client receiving the same or better pricing. The Firm does not allow front running.

Employees are required to submit reports of personal securities trades on a quarterly basis, and securities holdings annually. These are reviewed by the Chief Compliance Officer to ensure compliance with the Firm's policies.

### **Outside Business Activities**

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed.

## **BROKERAGE PRACTICES**

### **Research and Other Soft-Dollar Benefits**

Research and services are provided by our broker through which trades are executed. These services benefit our clients. Broker services include sending trade notifications and monthly statements, providing custody services, providing access to mutual funds, providing internet-access to account information, and providing research on specific securities and general economic or financial market issues. The broker assists us in managing client accounts by providing software and services to provide access to client account data, facilitate trade executions, and assist in record-keeping and the payment of client fees. Our broker provides services to help manage and further develop our business.

While it is possible FHC's selected broker may charge higher commissions than other brokers, the difference is not significant.

### **Brokerage for Client Referrals**

FHC does not use client brokerage to compensate or otherwise reward brokers for client referrals.

### **Directed Brokerage**

FHC does not allow directed brokerage.

### **Order Aggregation**

FHC will aggregate brokerage orders for its clients and allocate the securities purchased or sold among the participating accounts, with each account receiving the same terms when there is a new position or when there is a position which FHC is selling. The proportion in which participating accounts will share transactions will be determined by the portfolio manager(s) on the basis of investment objectives, cash availability, expected cash and liquidity needs and other relevant factors. The overriding principle for that allocation is that no client is intentionally favored over another client that is similarly situated. Firm personnel may only participate in block trades with clients if all client positions in the security are being fully liquidated. In the event a block is not entirely bought or sold, the block will be allocated on a pro rata basis. In the rare event of a very small amount of the block being traded, FHC will allocate shares from smallest to largest and then largest to smallest on the next similar event. In all partial block executions, firm personnel shall be excluded from that block.

## **REVIEW OF ACCOUNTS**

FHC reviews client accounts' holdings at least annually for risk assessment changes with the client. All reviews are done by Richard Leader.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

FHC does not compensate any parties for client referrals.

## **CUSTODY**

Pershing is FHC's recommended custodian. Client statements are available on-line and paper statements are also available.

## **INVESTMENT DISCRETION**

FHC has complete trading discretion of all portfolios. In certain instances, clients may restrict specific securities or sectors from their portfolio.

## **VOTING CLIENT SECURITIES**

FHC does not vote proxies for its clients. Clients can choose to receive proxy material directly from their account custodian by either email or U.S. mail. Clients may address questions concerning a proxy matter to Firm personnel.

## **FINANCIAL INFORMATION**

There is no reasonable condition that is likely to impair FHC's ability to meet its contractual commitments to its clients.