

**Item 1: Cover Page**  
**Part 2A of Form ADV: Firm Brochure**  
**October 23, 2018**

**Hobart Private Capital, LLC**

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**Firm Contact: Thomas Hamilton**

This brochure provides information about the qualifications, business practices and advisory services of Hobart Private Capital, LLC, an investment adviser registered with the U.S. Securities and Exchange Commission ("SEC"). If you have any questions about the contents of this brochure, please contact us by at (888) 553-0122 or [Info@HobartFinancialGroup.com](mailto:Info@HobartFinancialGroup.com). The information in this brochure has not been approved or verified by the SEC or by any State securities authority. Additional information about our Firm is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). There you may search for us by our Firm name or by our "CRD" which is #168494.

Please note that the use of the term "registered investment adviser" and description of our Firm and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for more information on the qualifications of our Firm and our representatives.

## Item 2: Material Changes

Hobart Private Capital, LLC (“Hobart,” “Our,” “We” and “Firm”) is required to prepare a disclosure document such as this one, commonly referred to as a “Brochure,” that describes the adviser and its business practices. We are required to amend our Brochure at least annually and provide clients and prospective clients with a summary of any material changes since the previous annual amendment. In this section we are only discussing material changes since the last annual update of our brochure.

***This version of our Brochure dated October 23, 2018 is an interim updating amendment. The following are the material changes since our last annual update of March 30, 2018:***

- Hobart has revised Item 4 to indicate that Thomas Hamilton is now the Firm’s Chief Compliance Officer.

***The following are the material changes since our annual update of March 30, 2017:***

- Hobart no longer refers clients to Global Financial Private Capital, LLC (“Global”) for direct investment management by Global. We now retain Global to advise Hobart with respect to certain assets we manage. Under this arrangement, Hobart is the primary adviser for all accounts and Global is a Sub-Adviser to Hobart. Global typically has discretion to manage the assets to the same extent that Hobart has discretion. We have entered into a Sub-Advisory Agreement with Global to facilitate this relationship. We have also implemented a new Investment Advisory Agreement by which our clients grant Hobart the authority to retain and terminate third-party managers, and to allocate assets between or among third-party managers. Please see Items 4 and 5 for more information.
- Hobart has revised Item 5 to provide further details regarding the conflict of interest involved when supervised persons of Hobart receive compensation for the sale of insurance products in their separate capacity as licensed insurance agents. Please see Item 5 for more information.
- Hobart has revised Item 5 and Item 10 to provide further details regarding the conflict of interest involved when recommending sub-advisers and third-party managers. Hobart will only use or recommend sub-advisers or other third-party investment advisers that have a relationship with Hobart and have met the conditions of our due diligence review. Please see Items 5 and 10 for more information.
- Hobart has revised Item 8 to provide further details regarding the risks associated with our frequent trading, margin transactions, and option writing investment strategies. Please see Item 6 for more information.
- Hobart has revised Item 10 to remove the disclosure regarding having dually-registered investment adviser representatives, as our investment adviser representatives are no longer dually-registered with Global.
- Hobart has further revised Item 10 to indicate that one of our representatives receives compensation in the form of forgiveness of a forgivable loan from Global, and that an affiliate of our Firm, Hobart Financial Group, is a guarantor of this loan agreement. This presents a conflict of interest in that we have a financial incentive to recommend that a client engage Global for brokerage and sub-advisory services in order for the loan to be forgiven. For more information, please see Item 10.

- Item 14 was also updated to disclose the forgivable loan arrangement described above.
- Hobart has revised Item 11 to provide further details regarding the conflict of interest involved with proprietary trading. Please see Item 11 for more information.
- Hobart has revised Item 15 to indicate that it has custody of client funds or securities solely due to our standing authority to make third-party transfers on behalf of our clients who have granted us this authority. Please see Item 15 for more information.
- In Item 5, we added that we now recommend AE Wealth Management as a sub-adviser for some of our client accounts. For more information on AE Wealth Management's billing practices, please see Item 5.

Annually, we will ensure that you receive either an amended brochure or a summary of any material changes to this and any subsequent Brochure within 120 days of the end of our fiscal year, and promptly at any time if any of the information herein becomes materially inaccurate.

We will deliver a complete copy of our Brochure upon your request at any time during the year. Please contact our Chief Compliance Officer, Thomas Hamilton, at (888) 553-0122 or via email at [Info@HobartFinancialGroup.com](mailto:Info@HobartFinancialGroup.com) to request a Brochure.

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## Item 4: Advisory Business

Our Firm is a Charlotte based investment adviser that primarily provides individuals, high net worth individuals and other types of clients with discretionary investment advisory services. We became registered with the U.S. Securities and Exchange Commission on February 29, 2016. Prior to that we maintained registration with the North Carolina Securities Division. Our Firm is a limited liability company formed under the laws of the State of North Carolina in 2013, the day we began operations. Our Firm is wholly owned by Christopher S. (Chris) Hobart, who also serves as Managing Member and President. Thomas Hamilton is the Firm's Chief Compliance Officer.

In each section below, you will find more information about the specific services we offer. For information about our Wrap Fee Program, please see Form ADV Part 2A, Appendix 1 (Our Wrap Fee Program Brochure).

### **Types of Advisory Services Offered**

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The following are descriptions of the primary advisory services of Hobart Private Capital. Please understand that a written agreement, which details the exact terms of the service, must be signed by you and Hobart Private Capital before we can provide you the services described below.

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

As part of our Asset Management service, a portfolio is created, potentially including individual stocks, bonds, exchange traded funds ("ETFs"), options, mutual funds and other public and private securities or investments. The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Portfolios will be designed to meet a particular investment goal, determined to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, portfolios are continuously and regularly monitored, and if necessary, rebalanced based upon the client's individual needs, stated goals and objectives. Our Firm may utilize the sub-advisory services of various third-party investment advisory firms to aid in the implementation of an investment portfolio. Before selecting a firm or individual, our Firm will ensure that the chosen party is properly licensed or registered as required.

We provide discretionary and/or non-discretionary investment advisory services on a wrap or non-wrap fee basis. If a client engages us on a wrap fee basis, the client will pay us a single fee and we will pay or reimburse the trading and custody costs of the custodian and broker-dealer. The services included in a wrap fee agreement will depend upon each client's particular need. If the client engages us on a non-wrap fee basis, the client will select individual services on an unbundled basis, paying for each service separately (i.e. investment advisory, trade execution, custody).

#### **Allocation of Assets to Third-Party Money Managers:**

As noted above, our Firm may utilize the services of various third-party money managers for the management of client accounts, allocating client assets among such managers as appropriate. In such cases, the third-party money managers will be responsible for continuously monitoring client accounts and making trades in client accounts when necessary. While the chosen third-party money manager(s) will provide advice on specific securities and/or other investments in connection with this service, our Firm may have discretionary authority to hire and fire such managers and reallocate assets among them as deemed appropriate. We will assist you with identifying your

risk tolerance and investment objectives, and, in turn, retain third-party money managers in relation to your stated investment objectives and risk tolerance. As a result, we allocate a portion of the total fee charged and collected from you to the third-party money managers as compensation for their direct management of your account.

Such third-party money managers may include Global Financial Private Capital ("Global"). Historically, we have recommended that many of our clients directly retain Global as a third-party manager. As a result of that recommendation our clients have historically entered into agreements directly with Global. We recently transitioned to becoming the primary investment adviser to all of our clients, and our investment adviser representatives have ended their registrations as investment adviser representatives of Global. Many of our clients continue to have their accounts managed through a sub-advisory agreement by which Global agrees to provide a sub-advisory service to our Firm. See Item 10 below for a more detailed discussion of Global.

Prior to selecting such third-party managers, our Firm will conduct due diligence on these managers as well as ongoing reviews of their management of client accounts. In order to assist in the selection of a third-party money manager, our Firm will gather client information pertaining to financial situation, investment objectives, and reasonable restrictions to be imposed upon the management of the account.

Our Firm will review third-party money manager reports provided to the client at least annually. Our Firm will contact clients from time to time in order to review their financial situation and objectives; communicate information to third-party money managers as warranted; and, assist the client in understanding and evaluating the services provided by the third-party money manager. Clients will be expected to notify our Firm of any changes in their financial situation, investment objectives, or account restrictions that could affect their financial standing.

### **Financial Planning & Consulting Services:**

Our Firm may provide stand-alone financial planning and consulting services to clients for the management of financial resources based upon an analysis of current situation, goals, and objectives. Financial planning services will typically involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, or Business and Personal Financial Planning.

Written financial plans or financial consultations rendered to clients may include general recommendations for a course of activity or specific actions to be taken by the clients. Implementation of the recommendations will be at the discretion of the client. Our Firm will provide such clients with a summary of their financial situation, and observations for financial planning engagements.

### **Newsletters:**

Our Firm occasionally prepares general, educational and informational newsletters. Newsletters are always offered on an impersonal basis and do not focus on the needs of a specific individual.

**Seminars:**

Our Firm may occasionally provide seminars in areas such as financial planning, retirement planning, estate planning, college planning and charitable planning. Seminars are always offered on an impersonal basis and do not focus on the individual needs of participants.

**Tailoring of Advisory Services**

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Our Firm offers individualized investment advice to our Asset Management clients. General investment advice will be offered to our Financial Planning & Consulting clients.

Each Asset Management client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

**Participation in Wrap Fee Programs**

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Our Firm offers a wrap fee program (the “Wrap Program”) as further described in Part 2A, Appendix 1 (the “Wrap Program Brochure”). The services offered under, and the corresponding terms and conditions pertaining to, the Wrap Program are discussed in the Wrap Fee Program Brochure, a copy of which is presented to all prospective Wrap Program participants. Under the Wrap Program, we are able to offer participants investment management services, for a single specified annual Wrap Program fee, inclusive of trade execution, custody, reporting, and investment management fees. The terms and conditions for client participation in the Wrap Program are set forth in detail in the Wrap Program Brochure. We receive a portion of the wrap fee for our services.

Our Firm does not manage wrap fee accounts in a different fashion than non-wrap fee accounts. All accounts are managed on an individualized basis according to the client’s investment objectives, financial goals, risk tolerance, etc.

**Regulatory Assets Under Management**

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Our Firm managed \$161,828,582, all on a discretionary basis, as of 9/19/2018. We do not manage any client assets on a non-discretionary basis.

## Item 5: Fees & Compensation

### Compensation for Our Advisory Services

In addition to the information provided in *Item 4 – Advisory Business*, this section provides additional details regarding our Firm's services along with descriptions of each service's fees and compensation arrangements. It should be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be described in the agreement between you and Hobart Private Capital.

#### Asset Management Services:

The maximum annual fee charged for asset management will not exceed 2.50%. Fees to be assessed will be outlined in the advisory agreement to be signed by the client and our Firm. Annualized fees are billed on a pro-rata basis quarterly in advance based on the value of the account(s) on the last day of the previous quarter. Fees are negotiable and will be deducted from client account(s). In rare cases, our Firm will agree to bill clients directly rather than deduct fees from the client's account.

For those clients whose fees are deducted by us:

- a) Clients will provide authorization permitting our Firm to be directly paid;
- b) Our Firm will send an invoice directly to the custodian; and
- c) The client's independent custodian sends statements at least quarterly showing the market values for each security included in the account and all account disbursements, including the amount of the advisory fees paid to our Firm.

In the event that our Firm employs the services of third-party money managers or sub-advisers in connection with our provision of asset management services, the total annual advisory fee due to our Firm for this service shall not exceed 2.50%, but shall consist of two components: (a) our annual fee; and (b) the annual fee charged by the third-party manager(s), which shall be paid to any such third-party manager by our Firm. All such fees to be assessed will be outlined in the advisory agreement to be signed by the client and our Firm. Clients will be provided with a copy of the chosen third-party money manager's Form ADV Part 2, all relevant Brochures, and the third-party money manager's privacy policy.

Fees for accounts sub-advised by AE Wealth Management, LLC are billed monthly in arrears. Fees are based on each account's average daily balance during the prior calendar month. Fees are prorated for accounts opened during the month. Fees shall become payable on the last day of the calendar month, or, in the event of termination of services, on the day following termination. If the management of the account(s) commences at any other time than the beginning of the month, the first monthly fee shall be prorated based on the portion of such month remaining.

For Client accounts that have been historically referred to Global to be directly managed by Global (see discussion in Item 4 above), Hobart Private Capital receives an adviser's fee and Global is paid a management fee. Complete details and specifics are fully disclosed in the respective agreements between the client and Global. Hobart Private Capital has a conflict of interest in that it will only use or recommend sub-advisers or other third-party investment advisers that have a relationship with Hobart and have met the conditions of our due diligence review. There may be other third-party money managers that may be suitable that we do not have a relationship or that may be more or less



costly. To address this conflict, we consider the best interests of clients in selecting sub-advisers or third-party managers. You are under no obligation to utilize the services of the sub-advisers we recommend. No guarantees can be made that your financial goals or objectives will be achieved. Further, no guarantees of performance can be offered.

For clients that do not have a directory advisory relationship with Global, we may nevertheless retain Global as a sub-adviser. If we do so, we will charge you a total advisory fee equaling our annual fee plus the fee charged to us by Global as described above.

### **Financial Planning & Consulting Services:**

Our Firm will charge clients on an hourly or flat fee basis for any financial planning and/or consulting services to be provided. The fee charged will be based on the scope and complexity of our engagement with the client. The maximum hourly fee to be charged will not exceed \$500 per hour. Flat fees will range from \$500 to \$10,000. Our Firm will require a retainer of fifty-percent (50%) of the ultimate financial planning or consulting fee at the time of signing. The remainder of the fee will be directly billed to the client and due within thirty (30) days of a financial plan being delivered or consultation rendered. Our Firm will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 (six) months.

### **Newsletters:**

Newsletters are provided to clients and prospective clients free of charge.

### **Seminars:**

Typically, no fees are charged for seminars. However, if we are hired by larger groups, such as corporations, we reserve the right to charge fees to cover the expenses incurred by us for presenting the seminars. All fees and payment provisions will be fully disclosed to each client prior to the seminar being presented.

### **Other Types of Fees & Expenses**

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In addition to our standard accounts in which the client pays transaction charges, we also offer a Wrap Fee Program. Wrap Fee Program clients will not incur transaction costs for trades. More information about this can be found in our separate Wrap Program Brochure. Non-Wrap Program clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our Firm's advisory fees and will be disclosed by the chosen custodian.

Whether or not a client chooses a Wrap Fee Program, clients will typically pay charges imposed directly by a mutual fund, index fund, or exchange traded fund, which shall be disclosed in the fund's prospectus (i.e., fund management fees, initial or deferred sales charges, mutual fund sales loads, 12b-1 fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees, and other fund expenses). Our Firm does not receive a portion of these fees. For more information regarding brokerage practices, see Item 12.

### **Termination & Refunds**

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Either party may terminate the advisory agreement for our asset management services in writing at

any time. If a client terminates within five (5) days of the date the advisory agreement is signed, then the Firm will not charge any advisor fee. Upon notice of termination, our Firm will process a pro-rata refund of the unearned portion of the advisor fees.

Financial Planning & Consulting clients may terminate their agreement at any time before the delivery of a financial plan by providing written notice. For purposes of calculating refunds, all work performed by us up to the point of termination shall be calculated at the hourly fee currently in effect. Clients will receive a pro-rata refund of unearned fees based on the time and effort expended by our Firm.

### **Commissionable Securities Sales**

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Our Firm and representatives do not sell securities for a commission in advisory accounts. Our representatives are individually licensed insurance agents and receive compensation for the sale of insurance products in their separate capacity as licensed insurance agents. This represents a conflict of interest in that it gives them an incentive to recommend products based on the commission amount received rather than on the client's needs. We manage this conflict of interest by reviewing suitability of advisory clients for insurance recommendations. Insurance products may be available through other channels and as a client you are not obligated to purchase insurance products recommended by our representatives.

## Item 6: Performance-Based Fees & Side-By-Side Management

Our Firm does not charge performance-based fees or engage in side-by-side management of accounts.

## Item 7: Types of Clients & Account Requirements

Hobart Private Capital generally provides investment advice to the following types of clients:

- Individuals
- High net worth individuals
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations

Our Firm generally requires that new clients have a minimum liquid net worth of \$250,000 for our asset management services. This minimum requirement is generally negotiable. Our Firm does not generally impose any other requirements for opening and maintaining accounts or otherwise engaging us.

## Item 8: Methods of Analysis, Investment Strategies & Risk of Loss

### Methods of Analysis

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Hobart Private Capital may use the following methods of analysis in formulating investment advice:

**Charting** - This is a set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

Charting is likely the most subjective analysis of all investment methods since it relies on proper interpretation of chart patterns. The risk of reliance upon chart patterns is that the next day's data can always negate the conclusions reached from prior days' patterns. Also, reliance upon chart patterns bears the risk of a certain pattern being negated by a larger, more encompassing pattern that has not shown itself yet.

**Cyclical** - This method analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and in higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

While most economists and investors agree that there are cycles in the economy that need to be respected, the risk is that the duration of such cycles is generally unknown. An investment decision to buy at the bottom of a business cycle may actually turn out to be a trade that occurs

before or after the bottom of the cycle. If done before the bottom, then downside price action can result prior to any gains. If done after the bottom, then some upside price action may be missed. Similarly, a sell decision meant to occur at the top of a cycle may result in missed opportunity or unrealized losses.

**Fundamental** – This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

**Technical** – This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

There are risks involved in using any analysis method.

To conduct analysis, Hobart Private Capital gathers information from financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses and filings with the SEC, and company press releases.

### **Investment Strategies We Use**

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We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long term purchases** – Investments held at least a year.

**Short term purchases** – Investments sold within a year.

**Frequent trading** – This strategy refers to the practice of selling investments within 30 days of purchase. Frequent trading can have a significant impact on investment performance, particularly through increased brokerage and other transaction costs and taxes.

**Margin transactions** – When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest of the purchase price from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from Hobart Private Capital. Clients who trade securities on margin incur the potential for higher losses. The brokerage firm has the ability to liquidate margined securities without further notice to you in order to meet its maintenance margin requirements, and clients will be responsible for any short fall in the account after such a sale. Furthermore, margin accounts generally have fairly high interest rates.

**Option writing including cover options, uncovered options or spreading strategies** – Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.

### **Risk of Loss**

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Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- **Market Risk** – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- **Equity (stock) market risk** – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- **Company Risk** – When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced
- **Fixed Income Risk** – When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- **Options Risk** – Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- **ETF and Mutual Fund Risk** – When investing in a an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- **Management Risk** – Your investment with our Firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

## **Item 9: Disciplinary Information**

Our Firm is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management personnel. We do not have any required disclosures to report in response to this Item.

## **Item 10: Other Financial Industry Activities & Affiliations**

### **Registered Representatives**

Chris Hobart, as well as other investment adviser representatives of our Firm, are also currently registered representatives of G.F. Investment Services, LLC, Member FINRA, a non-affiliated registered broker-dealer (CRD #132939). As a result of these arrangements, they receive normal and customary commissions. A conflict of interest exists as these commissionable securities sales create an incentive to recommend products based on the compensation earned. To mitigate this potential conflict, our Firm will act in the client's best interest.

### **Insurance Agents**

Mr. Hobart also owns a state-licensed affiliated insurance agency, Hobart Insurance Services, LLC ("Hobart Insurance"). Hobart Insurance is licensed to offer and sell insurance products in the state of North Carolina. The insurance products that Hobart Insurance will provide include life insurance, long-term care, group life, and fixed annuities. Many of these insurance products are sold through separate and distinct vendors.

As an insurance agency, Hobart Insurance will receive separate, yet customary compensation for insurance product sales. Insurance products may be available through other channels and as a client you are not obligated to purchase insurance products recommended by our representatives.

Acting in dual capacities (insurance agency and investment advisor) and receiving compensation as such, creates conflicts of interest or the perception of conflicts of interest. We manage this conflict of interest by reviewing suitability of advisory clients for insurance recommendations.

Mr. Hobart as well as other investment adviser representatives of our Firm are also individually licensed insurance agents. Clients should be aware that as an insurance agent he may earn typical and customary commissions for the sale of insurance products and this presents a conflict of interest. We manage this conflict of interest by reviewing suitability of advisory clients for insurance recommendations.

Hobart Financial Group, Inc. ("HFG") is a holding company and is the sole owner of Hobart Insurance. HFG, which is wholly-owned by Chris Hobart, also acts as an umbrella brand for all of the Hobart affiliated companies. For example, our Firm's advisory services are described on HFG's web site along with the services of Hobart Insurance. HFG also provides certain administrative and back-office services to the Hobart affiliated companies under an internal cost sharing arrangement.

### **Third-Party Managers**

In addition, our Firm may direct clients to third-party managers. We will always act in the best

interests of the client, including when recommending a third-party manager. Hobart Private Capital has a conflict of interest in that it will only use or recommend sub-advisers or other third-party investment advisers that have a relationship with Hobart and have met the conditions of our due diligence review. There may be other third-party money managers that may be suitable that we do not have a relationship or that may be more or less costly. To address this conflict, we consider the best interests of clients in selecting sub-advisers or third-party managers. You are under no obligation to utilize the services of the sub-advisers we recommend. No guarantees can be made that your financial goals or objectives will be achieved. Further, no guarantees of performance can be offered. See Item 4 for more information.

### **Additional Conflicts of Interest Related to Financial Industry Affiliations**

Karen Holland, an investment adviser representative of Hobart Private Capital, receives compensation from Global in the form of forgiveness of a forgivable loan. The principal amount of the loan was \$68,000, and it has a maturity date of five years from its effective date, August 29, 2014, subject to automatic one-year extensions. Each year Ms. Holland will be forgiven from paying 20% of the original principal amount until the loan is repaid in full, provided she meets certain requirements. Pursuant to the terms of the loan, in order to be entitled to loan forgiveness Ms. Holland must: 1) maintain all assets with Global or its designated custodian; 2) generate gross commissions and fees of at least \$300,000 each year of the loan; and 3) place with, or transfer to, Global at least \$3,000,000 in new assets under management each year of the loan.

This presents a conflict of interest in that Ms. Holland has a financial incentive to recommend that a client engage Global for brokerage and sub-advisory services in order for the loan to be forgiven. Furthermore, an affiliate of our Firm, Hobart Financial Group, has guaranteed 100% of all obligations arising under the loan agreement, therefore our Firm also has a financial incentive to recommend that a client engage Ms. Holland and Global for brokerage and sub-advisory services in order for the loan to be forgiven. In order to mitigate this conflict of interest, prior to implementation our Firm will review any such recommendations and ensure they are in the client's best interest.



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

### **Code of Ethics:**

Hobart Private Capital, its management, and persons associated with the Firm subscribe to a strict Code of Ethics. Our Code of Ethics is designed to comply with the investment advisory laws and regulations that require firms to act as fiduciaries in transactions with their clients. Our fiduciary duty requires that we act solely in our clients' best interest and adhere to standards of utmost integrity in our communications and transactions. These standards ensure that your interests are given priority.

The Firm's Code of Ethics contains extensive policies, guidelines, and procedures that promote ethical practices and conduct by all of the Firm's personnel. We adopted our Code of Ethics to specify and prohibit certain types of transactions deemed to create conflicts of interest (or perceived or potential conflicts of interest), as well as to establish reporting requirements and enforcement procedures relating to personal transactions by our personnel. Our Code of Ethics, which specifically deals with professional standards, insider trading, personal trading, gifts and entertainment, and fiduciary duties, establishes our ideals for ethical conduct based upon fundamental principles of openness, integrity, honesty, and trust. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

### **Participation or Interest in Client Transactions:**

Hobart Private Capital does not recommend that its clients buy or sell securities in which a related person may have a material financial interest.

### **Proprietary Trading:**

Hobart Private Capital and its associated persons are permitted to buy or sell securities that the Firm also recommends to clients consistent with the Firm's policies and procedures. This creates a conflict of interest in that representatives have an incentive to place their own interests ahead of clients' interests. We will always document any transactions that could be construed as a conflict of interest. To mitigate or remedy any actual or potential conflicts of interest, we will monitor trading reports for adherence to our Code of Ethics.

### **Simultaneous Trading:**

From time to time, the Firm and its associated persons may buy or sell securities for their own accounts at or around the same time as clients do. This policy presents a conflict of interest in that such parties have an incentive to prioritize their own trading over their clients. To mitigate this conflict, in any instance where such securities are purchased or sold we will uphold our fiduciary duty by always ensuring that transactions are beneficial to the interest of our clients and that neither the sequence nor timing of execution or any other factor results in a benefit to Hobart Private Capital or our associated persons.

## Item 12: Brokerage Practices

### Selecting a Brokerage Firm

Our Firm does not maintain custody of client assets. Client assets must be maintained by a qualified custodian. Our Firm seeks to recommend a custodian who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. The factors considered, among others, are these:

- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation
- Quality of services

With this in consideration, our Firm has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity"), a qualified custodian from whom our Firm is unaffiliated. Fidelity offers services to independent investment advisers which includes custody of securities, trade execution, clearance and settlement of transactions. Fidelity enables us to obtain for our clients many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity does not charge client accounts separately for custodial services. Client accounts will be charged transaction fees, commissions or other fees on trades that are executed or settle into the client's custodial account. Transaction fees are negotiated with Fidelity and are generally discounted from customary retail commission rates. This benefits clients because the overall fee paid is often lower than would be otherwise.

Fidelity may make certain research and brokerage services available at no additional cost to our Firm. Research products and services provided by Fidelity may include: research reports on recommendations or other information about particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by Fidelity to our Firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services qualify for the safe harbor exemption defined in Section 28(e) of the Securities Exchange Act of 1934.

The aforementioned research and brokerage services are used by our Firm to manage accounts for which our Firm has investment discretion. Without this arrangement, our Firm might be compelled to

purchase the same or similar services at our own expense. When we use client brokerage commissions to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research products or services. As part of our fiduciary duty to our clients, our Firm will endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our Firm or our related persons creates a potential conflict of interest and may indirectly influence our Firm's choice of a Custodian as a custodial recommendation. Our Firm examined this potential conflict of interest when our Firm chose to recommend Fidelity and have determined that the recommendation is in the best interest of our Firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

Our non-wrap fee clients may pay a transaction fee or commission to Fidelity that is higher than another qualified broker dealer might charge to effect the same transaction where our Firm determines in good faith that the transaction fee is reasonable in relation to the value of the brokerage and research services provided to the client as a whole.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Although our Firm will seek competitive rates, to the benefit of all clients, our Firm may not necessarily obtain the lowest possible commission rates for specific client account transactions.

#### **Client Brokerage Commissions**

Custodian does not make client brokerage commissions generated by client transactions available for our Firm's use.

#### **Brokerage for Client Referrals**

Our Firm does not receive brokerage for client referrals.

#### **Directed Brokerage**

Neither our Firm nor any of our Firm's representatives have discretionary authority in making the determination of the brokers-dealers and/or custodians with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. Our Firm routinely recommends that clients direct us to execute through a specified broker-dealer. Our Firm recommends the use of Fidelity. Each client will be required to establish their account(s) with Fidelity if not already done. Please note that not all advisers have this requirement. By directing brokerage we may be unable to achieve most favorable execution of client transactions and this practice may cost clients more money.

## **Special Considerations for ERISA Clients**

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A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, our Firm will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

## **Client-Directed Brokerage**

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Our Firm allows clients to direct brokerage outside our recommendation. Our Firm may be unable to achieve the most favorable execution of client transactions when we allow clients to direct brokerage. Client directed brokerage may cost clients more money. For example, in a directed brokerage account, clients may pay higher brokerage commissions because our Firm may not be able to aggregate orders to reduce transaction costs, or clients may receive less favorable prices.

## **Aggregation of Purchase or Sale**

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Our Firm provides investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our Firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when our Firm believes that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, our Firm attempts to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

### Item 13: Review of Accounts

Our management personnel or financial advisors review accounts on at least a quarterly basis for our Asset Management clients. The nature of these reviews is to learn whether client accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable.

Our Firm may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

Financial Planning clients will not receive reviews of their written plans unless they take action to schedule a financial consultation with us. Our Firm does not provide ongoing services to financial planning clients, but are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc. Financial Planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately engage our Firm for a post-financial plan meeting or update to their initial written financial plan.

#### **Client Reports:**

Asset management clients will receive written transaction confirmations from the account custodian shortly after executing purchases or sales. Additionally, the account custodian will send at least quarterly written statements for each quarter in which the client has an account under management by our Firm. These statements will provide details regarding account activity, holdings, and performance.

## **Item 14: Client Referrals & Other Compensation**

We do not directly or indirectly compensate any person for client referrals.

We may from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as client appreciation events, advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for which sales have been made or for which it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

In addition, our Firm receives compensation in the form of forgiveness of a forgivable loan for recommending that clients engage certain entities for brokerage and sub-advisory services, which creates a conflict of interest. To address this conflict, we will always act in the best interests of the client, including when recommending entities to provide brokerage and advisory services. See Item 10 for more information.

## **Item 15: Custody**

Our Firm has custody of client funds or securities solely due to our standing authority to make third-party transfers on behalf of our clients who have granted us this authority. This authority is granted to us by the client through the use of a standing letter of authorization ("LOA") established by the client with his or her qualified custodian. The standing LOA authorizes our Firm to disburse funds to one or more third parties specifically designated by the client pursuant to the terms of the LOA, and can be changed or revoked by the client at any time. We have implemented procedures to comply with the requirements outlined by the Securities Exchange Commission ("SEC") in its February 21, 2017 No-Action Letter to the Investment Adviser Association. Further, we require that a qualified custodian hold client assets. Information about the custodian that we recommend is fully described in the Brokerage Practices section (Item 12).

All of our clients receive account statements directly from their qualified custodians at least quarterly upon opening of an account. If our Firm decides to also send account statements to clients, such notice and account statements will include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our Firm. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

## **Item 16: Investment Discretion**

Clients have the option of providing our Firm with investment discretion on their behalf, pursuant to an executed investment advisory client agreement. By granting investment discretion, our Firm is

authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our Firm's written acknowledgement.

### **Item 17: Voting Client Securities**

Our Firm does not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our Firm, our Firm will forward them to the appropriate client and ask the party who sent them to mail them directly to the client in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

Third-party money managers selected or recommended by our Firm may vote proxies for clients. Therefore, except in the event a third-party money manager votes proxies, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Therefore (except for proxies that may be voted by a third-party money manager), our Firm and/or the client shall instruct the qualified custodian to forward to copies of all proxies and shareholder communications relating to the client's investment assets.

### **Item 18: Financial Information**

Our Firm is not required to provide financial information in this Brochure because:

- Our Firm does not require or solicit the prepayment of more than \$1,200 in fees per client six or more months in advance of services rendered.
- Our Firm does not have any financial condition or commitment that impairs or is reasonably likely to impair our ability to meet contractual and fiduciary obligations to clients.
- Our Firm has never been the subject of a bankruptcy proceeding.