

# RELEVANCE CAPITAL MANAGEMENT

Relevance Capital Management  
2556 Lillian Miller Parkway, Suite 105  
Denton, Texas 76210  
(940) 387-7526  
[www.relevancecm.com](http://www.relevancecm.com)

## INVESTMENT ADVISER BROCHURE

### FORM ADV PART 2A

**MARCH 30, 2022**

This brochure provides information about the qualifications and business practices of Rensch Wealth Management, Inc. doing business as Relevance Capital Management (hereinafter, “RCM” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at (940) 387-7526. 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.

RCM is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training. Additional information about RCM is available at the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## ITEM 2. MATERIAL CHANGES

In this Item, RCM is required to discuss any material changes that have been made to the brochure since the last annual amendment, which was filed on March 30, 2021. Below is an itemized list of material changes to our brochure since our last annual amendment.

- In Item 8, under the *Investment Strategies* heading, we have added language to make clear that RCM may allocate a portion of a client's equity portfolio to shares in non-dividend-paying companies where RCM believes that a company's balance sheet, cash flow, and fundamental business prospects justify the allocation.
- In Item 8, under the *Risks of Loss* heading, we have added several disclosures that highlight the risks associated with investments in companies that do not pay dividends. Such risks include, but are not limited to, higher sensitivity to rising interest rates and inflation.

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## ITEM 4. ADVISORY BUSINESS

RCM offers a variety of advisory services, which include investment management, financial planning, and consulting services. RCM has been an independent registered investment adviser since January 2012 and is wholly owned by James A. Rench. As of January 3, 2022, RCM had \$325,115,698 in assets under management, all of which was managed on a discretionary basis.

Prior to the rendering of any advisory services, clients are required to enter into one or more written agreements with the Firm setting forth the relevant terms and conditions of the advisory relationship (the “Agreement”).

While this brochure generally describes the business of RCM, certain sections also discuss the activities of the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees and other persons who provide investment advice on RCM’s behalf and are subject to the Firm’s supervision or control (each such person, a “Supervised Person” and collectively, “Supervised Persons”).

### INVESTMENT MANAGEMENT SERVICES

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RCM manages client investment portfolios on a discretionary basis. Financial planning and consulting services, as discussed below, may also be rendered in conjunction with investment management services.

RCM primarily allocates client assets among individual equity securities, mutual funds, exchange-traded funds (“ETFs”), interval funds, options and real estate investment trusts (“REITs”), in accordance with the investment objectives of its clients. Clients may also engage RCM to advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer-sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, RCM directs or recommends the allocation of client assets among the various investment options available with the product. In addition, where appropriate, the Firm may provide advice about any type of legacy position or other investment held in client portfolios.

RCM tailors its advisory services to meet the needs of its individual clients and continuously seeks to ensure that client portfolios are managed in a manner consistent with their specific investment profiles. The Firm consults with clients on an initial and ongoing basis to determine their specific risk tolerance, time horizon, liquidity constraints and other qualitative factors relevant to the management of their portfolios. Clients are advised to promptly notify RCM if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if the Firm determines, in its sole discretion, that the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm’s

management efforts.

## FINANCIAL PLANNING AND CONSULTING SERVICES

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As mentioned above, RCM may provide clients with financial planning and consulting services as part of its investment management services. However, the Firm may also provide such services on a stand-alone basis. Financial planning and consulting services may include any or all of the following:

- Retirement Plan Analysis
- Distribution Planning
- Social Security Planning
- Risk Management
- Investment Analysis
- Asset Allocation
- Cash Flow Forecasting
- Estate Planning
- Insurance Needs Analysis
- Financial Reporting
- Charitable Giving
- Medicare Planning

When appropriate, RCM advises clients to engage the services of professionals who specialize in the particular planning areas listed above (e.g., estate planning counsel). In performing these services, RCM is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information.

The Firm may recommend the services of itself or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage RCM to provide additional fee-based services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by the Firm under a financial planning or consulting engagement or to engage the services of any such recommended professionals, including RCM itself. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising RCM's previous recommendations and/or services.

## IRA ROLLOVERS: CONSIDERATIONS AND CONFLICTS

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In connection with initial or ongoing investment advisory services that RCM provides, it may recommend that a new or existing client withdraw assets from such client's employer-retirement plan and roll those assets over to an IRA that RCM manages on the client's behalf. It is important to understand that a conflict of interest exists in this situation since, upon rolling assets over to an IRA that RCM manages, it will charge an investment management fee in accordance with the fee schedule set forth in Item 5, below. This conflict of interest means that there is an incentive for RCM's investment adviser representatives to recommend an IRA rollover since this would result in additional fee-based compensation to RCM. No client or prospective

client is under any obligation to roll assets to an IRA, whether managed by RCM or not. If an IRA rollover is done, no client or prospective client is under any obligation to have RCM manage the assets in such IRA.

Many employers allow former employees to continue to keep their retirement assets inside of the company's retirement plan. It is important to consider the costs and benefits of choosing whether to complete an IRA rollover or, alternatively, to keep retirement assets inside a company's retirement plan. A non-exhaustive list of considerations is set forth below.

### *Fees and Expenses*

Before choosing whether to roll assets to an IRA from a company retirement plan, it is important to compare the fees and expenses associated with each option. For example, fees common in company retirement plans include custodial, record-keeping, administrative and other similar fees. In comparison, fees common to an IRA include administrative, account setup and custodial fees. In addition, if RCM is engaged to manage the IRA assets, an additional investment management fee will be charged in accordance with the fee schedule set forth in Item 5, below. If fees are higher under either the company retirement plan or an IRA rollover (including an IRA rollover managed by RCM), it is important to weigh the costs and benefits associated with any additional services being provided by the more expensive option.

### *Investment Choices*

IRAs typically offer access to a broader array of investment options than a company retirement plan. However, it is important to consider the investments available inside a company's retirement plan, whether the client is comfortable with such options and whether they may carry lower costs than funds to which the client may have access in an IRA.

### *Services*

A client should consider what services will be received in relation to the fees incurred if assets are kept inside a company's retirement plan, and those services should be compared with services that will be received if the assets are rolled over to an IRA (including an IRA managed by RCM).

### *Penalty-Free Early Withdrawals*

Many company retirement plans allow penalty-free withdrawals from the company retirement plan if the employee separates from service in the year such employee turns 55 or later. Therefore, if an employee leaves employment in the year in which such employee turns 55 or later, by rolling assets from the company retirement plan to an IRA, the (former) employee would be giving up the right to take penalty-free early withdrawals between the ages of 55 and 59½.

### *Protection from Creditors and Legal Judgments*

There are additional protections for assets held inside a company retirement plan compared to assets held inside an IRA. While assets held inside an IRA are protected in the bankruptcy context, unlike a company

retirement plan, they do not provide unlimited protections from creditors under federal law.

#### *Required Minimum Distributions*

For IRA owners turning age 70½ during or prior to 2019, such owners are required to begin taking annual required minimum distributions (“RMDs”) beginning with the year in which such owners turned 70½. For IRA owners turning 70½ during or after 2020, such owners will be required to begin taking RMDs beginning with the year in which such owners turn age 72. When retirement assets are held in an IRA, RMDs are required regardless of whether or not the IRA owner is still working. In contrast, if a participant in a company retirement plan continues working past age 70½ or age 72, as applicable, and holds his or her retirement assets in that company’s retirement plan, there is no RMD requirement for those assets as long as the participant continues working for that employer. Therefore, by keeping retirement assets inside their employer’s retirement plan, a participant is able to continue to enjoy the benefit of tax deferral as long as they continue working for such employer. This benefit would not be available if the assets were instead rolled over to an IRA.

## **ITEM 5. FEES AND COMPENSATION**

### **INVESTMENT MANAGEMENT FEES**

RCM bases its investment management fees on a percentage of assets under management. The fees are calculated based upon the market value of the assets being managed by RCM on the last day of the previous billing period. The annual percentage fee amounts listed in the schedule below are prorated and charged quarterly, in advance.

RCM’s fee schedule is as follows:

<b>PORTFOLIO VALUE</b>	<b>ANNUAL FEE (%)</b>
First \$1,000,000	1.00%
Next \$1,000,000	0.75%
Over \$2,000,000	0.50%

If assets in excess of \$10,000 are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is prorated to reflect the change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the Agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination, and the unearned portion is refunded to the client, as appropriate.

### **FINANCIAL PLANNING AND CONSULTING FEES**

RCM generally charges either a negotiable hourly and/or fixed fee to provide clients with stand-alone

financial planning and consulting services. These fees are largely determined by the scope and complexity of the agreed-upon services and range from \$100 to \$400 on an hourly basis and \$2,500 to \$10,000 on a fixed-fee basis.

The specific terms and fee structure are negotiated in advance and set forth in the Agreement. Generally, the Firm requires one-half of the financial planning or consulting fee payable upon execution of the Agreement and the balance due at the time the financial plan is delivered or the underlying services are rendered to completion. If, after the execution of an Agreement to provide financial planning or consulting services, the client engages RCM to provide investment management services, RCM may offset all or a portion of its fees for those services based upon the amount paid for the financial planning or consulting services, provided that RCM will not allow such an arrangement to result in the collection of more than \$1,200 in investment management fees more than six months in advance for the client to whom such services are rendered.

### **FEE DISCRETION**

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With respect to any fees described above, whether for investment management, financial planning, or consulting services, RCM may, in its sole discretion, negotiate to charge a lesser or greater fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and *pro bono* activities.

### **ADDITIONAL FEES AND EXPENSES**

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In addition to the fees paid to RCM, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively “Financial Institutions”). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, charges imposed directly by a mutual fund or ETF in a client’s account, as disclosed in the mutual fund’s or ETF’s prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. The Firm’s brokerage practices are described at length in Item 12, below.

### **FEE DEBIT**

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Clients generally provide RCM with the authority to directly debit their accounts for payment of the Firm’s investment management fees. The Financial Institutions that act as qualified custodian for client accounts have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to RCM.



## ACCOUNT ADDITIONS AND WITHDRAWALS

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Clients may make additions to and withdrawals from their account at any time, subject to RCM's right to terminate an account. Additions may be in cash or securities, provided that the RCM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to RCM, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments, and the withdrawal of assets may impair the achievement of a client's investment objectives. RCM may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications.

## ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Firm does not provide any services for a performance-based fee, which is a fee based on a share of capital gains or capital appreciation of a client's assets.

## ITEM 7. TYPES OF CLIENTS

### IN GENERAL

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RCM primarily provides its services to individuals.

### MINIMUM ACCOUNT SIZE

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In order to engage us for investment advisory services, we generally require new clients to have at least \$1,000,000 to place under our management; however, this requirement is negotiable at RCM's discretion, especially in the case of family members of existing clients. RCM may aggregate certain related client accounts in determining whether or not the minimum account size requirement is satisfied.

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

### METHODS OF ANALYSIS

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RCM primarily utilizes fundamental analysis to identify securities for inclusion in client portfolios. In some circumstances, RCM may also employ cyclical and technical methods of analysis.

#### *Fundamental Analysis*

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular issuer or fund. This process typically involves an analysis of an issuer's management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset

class concentrations and risk exposures of the Firm's model asset allocations. In general, for RCM's equity positions, special focus is placed on the strength of a company's balance sheet, free cash flow and, in most cases, an apparent commitment by company's management team to pay and sustainably grow a dividend over time. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the security.

#### *Technical Analysis*

Technical analysis involves the examination of past market data rather than specific issuer information in determining the recommendations made to clients. Technical analysis may involve the use of mathematical-based indicators and charts, such as moving averages and price correlations, to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. A substantial risk in relying upon technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that the Firm will be able to accurately predict such a re-occurrence.

#### *Cyclical Analysis*

Cyclical analysis is similar to technical analysis in that it involves the assessment of market conditions at a macro (entire market or economy) or micro (company specific) level, rather than focusing on the overall fundamental analysis of the health of the particular company that RCM is recommending. The risks with cyclical analysis are similar to those of technical analysis.

### **INVESTMENT STRATEGIES**

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#### *Equity Allocations*

For the majority of the equity portion of its clients' portfolios, RCM pursues a strategy that seeks to generate a rising stream of dividend income over time. The majority of the equity allocation of most of RCM's client portfolios generally consists of 30-40 direct investments in dividend-paying companies. Depending on the client's need for current income, RCM may also invest a portion of its clients' equity allocations in one or more REITs. Because REITs typically have higher dividend yields (i.e. they provide higher current income) than the companies that make up the remainder of a client's equity allocation, they can be used to meet certain clients' greater current-income needs. Under certain circumstances (e.g., insufficient assets to justify individual equity holdings), the Firm utilizes ETFs and/or mutual funds as a part of its clients' equity allocations. In addition, RCM may elect to allocate a portion of a client's equity portfolio to one or more companies that do not pay a dividend, if RCM believes the company's balance sheet, cash flow, and fundamental business prospects justify the allocation.

With its equity allocation, RCM seeks to meet what it believes to be the typical retiree's chief need: a rising income stream combined with the potential for capital appreciation over time. In its investment-

selection process, RCM generally targets companies with market capitalizations of at least \$5 billion, though exceptions to this general rule may be made from time to time. RCM places significant emphasis on identifying companies that it believes to have excellent business models, industry leadership, as well as strong balance sheets and free cash flow. While most of the companies that qualify for RCM's client portfolios have a substantial history of dividend payment and growth, RCM may include companies that either do not currently pay a dividend or that only recently began paying a dividend, provided RCM believes that the company's business model, balance sheet, and free cash flow support the potential for long-term dividend payment/growth and/or capital appreciation in the underlying share price.

#### *Fixed-Income Allocations*

Depending on each client's goals, objectives and liquidity needs, RCM generally places the remainder of each client's portfolio (i.e. the portion not allocated to those securities described under *Equity Allocations*, above) in a combination of cash and fixed-income securities. RCM generally utilizes one or more mutual funds, interval funds, and/or ETFs that specialize in fixed-income and money-market strategies for its clients' fixed-income and cash holdings.

## **RISKS OF LOSS**

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#### *General Risk of Loss*

Investing in securities of any type involves the risk of loss. Clients should be prepared to bear potential losses.

#### *Risks Associated with Stagnant, Decreasing or Eliminated Dividends*

There are unique risks associated with investments in companies that pay dividends. Such risks include the possibility that one or more companies held in a client's portfolio will elect (a) not to increase, (b) to decrease or (c) to eliminate their dividend payment. Such events can be caused by, among other things, poor revenue and earnings growth, increasing costs or a management team that simply chooses to allocate company cash flow to purposes other than dividend payments. When a company's dividend is decreased or eliminated, and even when a company simply fails to increase its dividend, its share price can fall dramatically. In addition, it is often impossible to predict the path of dividend payments, so RCM may not be able to accurately predict a dividend-related event that will negatively affect a company's share price.

#### *Other Risks Associated with Investments in Stocks, Generally*

Additional risks associated with RCM's investment strategy include, but are not limited to, the following:

- The market value of the securities in the portfolio may decline.
- A company's earnings may not increase as expected.
- So-called large-cap stocks (i.e. investments in large companies like those RCM typically targets

in clients' portfolios) may fall out of favor with investors and may not appreciate in value during favorable markets as much as small- or mid-cap stocks.

- For those companies in a client's equity allocation that do not pay a dividend, such companies are considered "long duration" assets, which makes them more sensitive to changes in the level of interest rates. In periods of rising interest rates, such stocks may underperform other types of investments that generate current cash flows.
- Non-dividend-paying stocks may be more sensitive to periods of higher-than-expected inflation. Since the only cash flow an investor receives from a non-dividend-paying stock is at the liquidation of the investor's position, higher-than-expected inflation can reduce the investor's real return on such an investment, and this risk can cause such stocks to underperform other types of investments that generate current cash flows.
- Non-dividend-paying stocks may fall out of favor with investors and may not appreciate in value as much as dividend-paying stocks.

#### *Execution Risk*

RCM applies its investment analyses and judgment in making investment decisions for its clients, but there can be no guarantee that it will succeed in achieving the desired results. Consequently, each of RCM's clients bears the risk that RCM will fail to execute its strategies effectively.

#### *Market Risks*

The profitability of a significant portion of RCM's investment recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that RCM will be able to predict those price movements accurately.

#### *Asset Allocation Risk*

Asset allocation risk refers to the risk that RCM, in selecting and weighting asset classes for its clients' portfolios, will overweight an asset class that performs poorly relative to other asset classes.

#### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the risk of loss of principal. Mutual fund and ETF shareholders are subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

#### *Interval Funds*

If consistent with a client's objectives, circumstances, and risk tolerance, RCM may allocate a portion of

a client's investment assets to an interval fund. An interval fund is a type of closed-end fund that is not listed on an exchange and whose shares price daily at net asset value. As a result, interval funds do not trade above or below net asset value, which distinguishes interval funds from other types of closed-end funds. Because interval funds are not traded on an exchange, sponsors of interval funds allow investors to periodically sell a portion of their shares back to the fund at net asset value. Such repurchases are typically offered on a monthly, quarterly, semi-annual, or annual basis. Interval funds limit the amount of shares that can be repurchased at any given repurchase opportunity to between 5% and 25% of the fund's common shares outstanding. The interval fund(s) that RCM recommends for client investment typically provide quarterly repurchase opportunities that are limited to 5% of the fund's outstanding common shares at net asset value. If repurchase requests exceed this limit, shares are typically repurchased on a *pro rata* basis.

Because shares in interval funds are not traded on an exchange, and because there is no guarantee that an investor will be able to redeem his or her shares at the periodic repurchase opportunities, an investment in an interval fund exposes investors to significant liquidity risk. As a result, interval funds are best suited for long-term investors who do not need to access their principal for an extended period of time. In addition to liquidity risk at the fund level, interval funds often invest in specialized, highly complex underlying holdings that tend to carry a higher degree of volatility, market risk, liquidity risk, as well as credit risk. Interval funds should be considered a higher-risk investment than a standard mutual fund.

#### *Interest Rate Risks*

When interest rates increase, bond prices typically fall. This means individual bond values, as well as the value of shares in a mutual fund that owns the underlying bonds, will also fall. As the duration of the bond portfolio held by a mutual fund increases, the sensitivity of the bond portfolio to movements in interest rates also generally increases.

#### *High-Yield Risks*

Investments in mutual funds, interval funds, or ETFs that hold high-yield securities are generally subject to greater credit and liquidity risks. Therefore, investments in funds that invest in high-yield securities may be considered speculative and subject to greater volatility and risk of loss than those that do not invest in high-yield securities.

#### *Options in General*

Options allow investors to buy or sell a security at a contracted strike price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge against potential losses or to speculate on the performance of the underlying securities. Option transactions involve inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase or decrease to the level of the respective strike price. Holders of option contracts are also subject to default

by the option writer which may be unwilling or unable to perform its contractual obligations.

#### *Risks Associated with Covered-Call Writing for Yield Enhancement*

Risks associated with the sale of covered calls as a yield-enhancement tool include, but are not limited to, the following:

- The client continues to own the underlying shares of the company with respect to which the call option is written. As a result, the client remains subject to the usual risks associated with stock ownership, including dividend stagnation, decreases, and elimination, as well as a drop in the market value of shares, earnings volatility, and a failure of RCM to effectively identify profitable investment opportunities.
- Since the amount of premium an investor receives for selling covered calls increases as the volatility of the underlying shares increases, in order to generate adequate premium, the underlying portfolio holdings of a client engaged in covered call writing is likely to be more volatile (i.e., risky) than the typical equity portfolio of RCM's clients, as well as the overall market.
- By selling a covered call option on shares owned by the client in exchange for the option premium, the purchaser of the call option has the right to purchase the specified number of shares at an agreed-upon price (called the "strike price") on or before the expiration of the option period. If the shares on which the call option is sold are called away when the market price is above the strike price, the client forgoes the opportunity to benefit from the increase in share value above the strike price. Therefore, clients who sell covered calls as a yield-enhancement tool continue to bear the risk of a decline in value of the underlying portfolio holdings while capping their upside potential at the strike price.

#### *REITs*

RCM may recommend an investment in, or allocate assets among, various REITs. RCM only recommends investments in REITs whose shares are publicly traded. REITs are collective investment vehicles with portfolios comprised primarily of real estate and mortgage-related holdings. Many REITs hold heavy concentrations of investments tied to commercial and/or residential developments, which inherently subject REIT investors to the risks associated with a downturn in the real estate market. Investments linked to certain regions that experience greater volatility in the local real estate market may give rise to large fluctuations in the value of the REIT's assets, and therefore, the value of its shares. Mortgage-related holdings may give rise to additional concerns pertaining to interest rates, inflation, liquidity and counterparty risk.

#### *Investments in the Securities of Foreign Issuers*

Investments in the securities of foreign issuers may involve unique risks relative to investments in the securities of issuers domiciled in the United States. These unique risks include, but are not limited to, risks related to foreign economic, political and regulatory risks, as well as differing legal, accounting, audit and

financial-reporting regimes than are applicable to issuers domiciled in the United States.

#### *Currency Risks*

The value of investments in companies with geographically diversified sales and revenue may increase or decrease due to the effect of currency exchange rates on earnings. Specifically, if a company generates substantial sales and revenues in a foreign country and that foreign country's currency depreciates relative to the currency of the company's home currency, the company's earnings may be negatively affected, which could cause the value of the company's shares to fall.

#### *Limitations of Disclosure*

The foregoing list of risks, including the explanation that pertains to each, are not intended to be exhaustive. In addition, changing business, market and regulatory conditions can affect the risks set forth above, and additional and/or different risk factors may arise. No assurance can be provided that positive returns will be achieved or that substantial losses will not be incurred.

### **ITEM 9. DISCIPLINARY INFORMATION**

RCM has not been involved in any legal or disciplinary events and thus does not have any required disclosures to this Item.

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

RCM is not engaged in any other financial industry activities and does not have any affiliations that are otherwise material to the Firm's advisory business.

### **ITEM 11. CODE OF ETHICS**

RCM has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. RCM's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and any trading by its Supervised Persons of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of RCM's personnel (called "Access Persons") to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that the Firm also recommends to clients if done in a manner consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by Access Persons to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the

policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Access Person may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household as the Access Person) a transaction in that security unless:

- The transaction has been completed;
- The transaction for the Access Person is completed as part of a batch trade (as defined below in Item 12) with clients; or
- A decision has been made not to engage in the transaction for the client.

The above requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact the Firm to request a copy of its Code of Ethics.

## **ITEM 12. BROKERAGE PRACTICES**

RCM generally recommends that clients utilize the brokerage and clearing services of Schwab Advisor Services™ ("Schwab") for investment management accounts. RCM does not allow client-directed brokerage.

Factors which the Firm considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by Schwab may be higher or lower than those charged by other Financial Institutions.

The commissions paid by RCM's clients comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where the Firm determines that the commissions are reasonable in relation to the value of the brokerage and research services received. 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 Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. RCM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

RCM periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.



Transactions for each client generally will be effected independently, unless the Firm decides to purchase or sell the same securities for several clients at approximately the same time. RCM may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among RCM’s clients *pro rata* to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which the Firm’s Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the SEC. RCM does not receive any additional compensation or remuneration as a result of the aggregation. To the extent that RCM elects not to batch trades, clients may receive execution prices on trades that are more or less favorable than other clients receive for the same transaction (i.e. buy or sell) in the same security.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include:

- When only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios with similar mandates;
- Allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts;
- If an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed);
- With respect to sale allocations, allocations may be given to accounts low in cash;
- In cases when a *pro rata* allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, the Firm may exclude the account(s) from the allocation, and the transactions may be executed on a *pro rata* basis among the remaining accounts; or
- In cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## SOFTWARE AND SUPPORT PROVIDED BY FINANCIAL INSTITUTIONS

Although not a material consideration when determining whether to recommend that a client utilize the

services of a particular broker-dealer/custodian, RCM may receive from Schwab (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist RCM in better monitoring and servicing client accounts maintained at such institutions. Included within the support services that may be obtained by RCM may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by RCM in furtherance of its investment advisory business operations. Some of the above-described services may benefit certain clients and not others.

As indicated above, certain of the support services and/or products that may be received may assist RCM in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Firm in managing and further developing its business enterprise.

RCM's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by the Firm to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

## **ITEM 13. REVIEW OF ACCOUNTS**

### **ACCOUNT REVIEWS**

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For those clients to whom RCM provides investment management services, the Firm monitors client portfolios as part of an ongoing process. Regular account reviews are conducted on at least a quarterly basis. For those clients to whom the Firm provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. All such reviews are conducted by one of the Firm's investment adviser representatives. All clients are encouraged to discuss their needs, goals and objectives with RCM and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### **ACCOUNT STATEMENTS AND REPORTS**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied.

Those clients to whom RCM provides financial planning and/or consulting services will receive reports from RCM summarizing its analysis and conclusions as requested by the client or as otherwise agreed to in

writing by RCM.

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

### **CLIENT REFERRALS**

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RCM is required to disclose any direct or indirect compensation that it provides to unaffiliated persons for client referrals. RCM does not have any required disclosures to this Item.

### **OTHER ECONOMIC BENEFITS**

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In addition, the Firm is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. As described in Item 12, above, although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, RCM may, from time to time, receive from Schwab (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist RCM in better monitoring and servicing client accounts maintained at such institutions. Included within the support services that may be obtained by RCM may be investment-related research, pricing information and market data, software and other technology that provide access to client-account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by RCM in furtherance of its investment advisory business operations.

As indicated in Item 12, above, certain of the support services and/or products that may be received may assist RCM in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Firm in managing and further developing its business enterprise.

RCM's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by the Firm to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

## **ITEM 15. CUSTODY**

RCM's Agreement and/or the separate agreement with any Financial Institution may authorize the Firm through such Financial Institution to debit the client's account for the amount of the Firm's fee and to directly remit that fee to the Firm in accordance with applicable custody rules.

The Financial Institutions recommended by RCM have agreed to send a statement to the client, at least

quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to RCM. Clients should carefully review the statements sent directly by the Financial Institutions.

In addition, certain of RCM's clients have executed standing letters of authorization, pursuant to which RCM is authorized to initiate transfers of certain advisory clients' assets to third parties (each, an "SLOA"). RCM is deemed to have custody over those accounts for which an SLOA is in place; however, because RCM works with its qualified custodians to ensure compliance with custody-related SEC guidance, RCM is not required to conduct an annual surprise audit for these accounts.

## **ITEM 16. INVESTMENT DISCRETION**

RCM is given the authority to exercise investment discretion on behalf of its clients. RCM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. RCM is given this authority through a power-of-attorney included in the Agreement. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). The Firm takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

## **ITEM 17. VOTING CLIENT SECURITIES**

RCM is required to disclose if it accepts authority to vote client securities. RCM does not vote client securities on behalf of its clients. Clients receive proxies directly from the Financial Institutions.

## **ITEM 18. FINANCIAL INFORMATION**

RCM is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.