

**Item 1: Cover Page**  
**Part 2A of Form ADV: Firm Brochure**  
**March 31, 2022**

**Hobart Wealth**

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**Firm Contact: Thomas Hamilton**  
**Chief Compliance Officer**

This brochure provides information about the qualifications, business practices and advisory services of Hobart Private Capital, LLC d/b/a Hobart Wealth ("Hobart," "our," "we" and "Firm"), 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 at (888) 553-0122 or [compliance@hobartwealth.com](mailto:compliance@hobartwealth.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" number which is #168494.

Please note that the use of the term "registered investment adviser" and the 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 d/b/a Hobart Wealth (“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 made after the previous annual amendment. In this section we only discuss material changes since the date of the last annual update of our brochure.

This version of our Brochure dated March 31, 2022 is an annual updating amendment. The following are the material changes since our last annual update of March 23, 2021:

- We revised Items 1, 2 and 4 to reflect that we primarily conduct advisory business under the name Hobart Wealth.
- We revised Items 4 and 5 to include a description of our asset management services provided to clients with held away assets through Pontera Solutions Inc. (“Pontera”), a third-party order management system software provider. Please see Items 4 and 5 for additional information.
- We further revised Items 4 and 5 to reflect that our wrap fee program has ended. We will only provide asset management services on a non-wrap basis, in which clients are responsible for any transaction fees incurred. Please see Items 4 and 5 for more information.
- We revised Items 4, 5, 10, 12, 14 and 17 to reflect that we have terminated our AssetMark relationship and no longer recommend their services to our clients. We also removed Exhibit I – Fee Terminology which was specific to the AssetMark relationship and is no longer applicable.
- We revised Items 4, 5, and 10 to reflect that we no longer have any investment adviser representatives who are registered representatives of a broker-dealer.
- We revised Item 4 to provide additional details regarding our status when providing investment advice to clients regarding retirement plan accounts or individual retirement accounts. Please see Item 4 for additional information.
- We revised the description of how our IARs are compensated and the conflicts of interest involved with our compensation arrangements in Item 4. We further revised the descriptions of compensation received by our IARs who are insurance licensed in Items 5 and 10 to be consistent. Please see Items 4, 5 and 10 for more information.
- We revised the descriptions of how our quarterly fee is calculated and how invoiced fees are paid in Item 5. We further revised our maximum annual advisory fee. Please see Item 5 for more information.
- We revised Item 12 to reflect that we have terminated our Fidelity relationship and we no longer recommend their services to our clients. We further revised Item 12 to indicate that we allow clients to direct brokerage in some limited circumstances. Please see Item 12 for additional information.
- We revised Items 4 and 5 to reflect that we may offer asset management services for variable annuity, fixed annuity and indexed annuity insurance products. Annuity products serviced by

the Firm are charged an asset-based management fee. The Firm does not receive any commissions on these products. Please review Items 4 and 5 for more information.

- We revised Item 8 to describe various risks associated with variable annuity, fixed annuity and indexed annuity insurance products. Please see Item 8 for more information.

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) 553-0123 or via email at [compliance@hobartwealth.com](mailto:compliance@hobartwealth.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, President and Chief Executive Officer. Thomas Hamilton is the Firm's Chief Compliance Officer.

In each section below, you will find more information about the specific services we offer.

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

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The following are descriptions of the primary advisory services of Hobart. Please understand that a written agreement, which details the exact terms of the service, must be signed by you and Hobart before we can provide you the services described below. That agreement contains important details regarding, among other things, our obligations to you and the costs to you of the management of your accounts.

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

We manage clients' assets primarily on a discretionary basis pursuant to our Investment Advisory Agreement. 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 which we have 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. We will meet with clients periodically to review the performance of the account and determine whether any changes should be made.

We also offer asset management services on a non-discretionary basis. When a client engages us to provide asset management services on a non-discretionary basis, we monitor the accounts in the same way as for discretionary services. The difference is that changes to the client's account will not be made until we have confirmed with the client (either verbally or in writing) that our proposed change is acceptable to the client.

Most of our asset management client accounts are maintained with Charles Schwab & Co, Inc. ("Schwab"), as further described below in Item 12 – Brokerage Practices. However, we do also offer discretionary asset management services for clients with assets held away at other qualified custodians, or "Outside Accounts." These services are subject to a separate Investment Advisory Agreement for Outside Accounts. For those clients who have elected to use this service, they must also enter into a separate user agreement with Pontera Solutions Inc. ("Pontera"), a third-party order management system software provider. Once the client has established an online Pontera account and linked their Outside Account to Pontera, we are able to use Pontera's system to view and manage the Outside Accounts. We do not have access to any client passwords as a result of this arrangement,

nor the ability to withdraw or direct the disposition of securities or funds to any person other than the client.

We also offer asset management services for fee-based variable annuity, fixed annuity and indexed annuity insurance products. We will directly manage these annuity insurance products by reallocating buckets or sub-accounts within the annuities in accordance with your suitability profile. These services are subject to a separate written agreement covering the annuity products. Annuity products serviced by Hobart are charged an asset-based management fee. Hobart does not receive any commissions on these products.

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

We provide stand-alone financial planning and consulting services to clients for the management of financial resources for a planning fee under a separate financial planning and consulting engagement. We provide these services based upon an analysis of clients' current situation, goals, and objectives. Financial planning services will typically involve preparing a financial plan after consultation with 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. Each client may choose whether or not to act on our recommendations. If a client chooses to do so, the client is free to use another financial professional or firm.

### **Retirement Plan Consulting Services:**

We offer retirement plan consulting services to employer-sponsored retirement plans subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). Our retirement plan consulting services include, but are not limited to, the following services:

- Plan Design and Consultation – Analysis of employer retirement plan objectives based on its needs and employee demographics, and recommendation of appropriate type of plan. Consultation and recommendation on plan design and specifications.
- Employer Investment Consulting – Consulting on ERISA fiduciary issues. Participation in the selection of the menu of investment choices, including analysis of proposed menu and development of portfolio models.
- Employee Meetings – Conduct meetings with eligible employees to provide information to such employees about the plan and its purpose, investing in general, available investment choices, and to enroll employees.
- Participant Investment Consultant – Consulting with individual participants as to appropriate investment choices, including assistance in developing custom portfolio models on a participant-by-participant basis.
- Evaluation of Plan Effectiveness – Providing analysis of the plan's effectiveness in achieving the employer's goals and purposes of the plan.

The specific services to be provided will be listed in our agreement with each retirement plan. The Firm acknowledges that in performing the retirement plan consulting services listed above it is acting as a “fiduciary” as such term is defined under ERISA Section 3(21)(A)(ii) for purposes of providing investment advice only. The Firm acts in a manner consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause the Firm to be a fiduciary as a matter of law.

### **Newsletters:**

We occasionally prepare 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, charitable planning and tax planning. Seminars are always offered on an impersonal basis and do not focus on the individual needs of participants.

### **Retirement Plan Rollovers:**

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer’s plan, if permitted, (ii) roll over the assets to the new employer’s plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account (“IRA”), or (iv) cash out the account value (which could, depending upon the client’s age, result in adverse tax consequences). If we are asked by a client or prospective client to make a recommendation from among these choices, we have a conflict of interest in that we have an incentive to recommend that a client roll over their retirement plan assets into an account to be managed by the Firm. Such a recommendation creates a conflict of interest as we will earn a new (or increase our current) advisory fee as a result of the rollover. We address this conflict of interest by reviewing any such recommendation to ensure it is in the best interest of the client. No client is under any obligation to accept our recommendation or to roll over retirement plan assets to an account managed by us.

### **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 does not participate in any wrap fee programs.

## **Regulatory Assets Under Management**

Our Firm managed \$294,038,246, all on a discretionary basis, as of 1/31/2022. We do not manage any client assets on a non-discretionary basis.

## **Conflicts of Interests Regarding Insurance Products that Pay Commissions**

Some of our representatives are also individually licensed insurance agents. Please see your representative's Form ADV, Part 2B Brochure Supplement to determine their licensing status. Whenever any such representative recommends that a client purchase an insurance product in this capacity, the representative is recommending a product on which he or she will receive either a commission or bonus, as further described below. Most of our representatives who are licensed insurance agents have an added incentive to recommend commissionable insurance products to their clients because of the way Hobart compensates its representatives for investment advisory business.

Our individual representatives who are also insurance licensed have additional financial incentives. Currently, these incentives vary depending on the representative.

### **Insurance Revenue-Based Bonus**

Most of our current investment adviser representatives have incentives in the form of bonuses that they will be eligible to receive from Hobart Financial Group if they reach certain annual and quarterly goals for revenue received by HFG on insurance policies issued. More specifically, as the total amount of revenue received by HFG on issued insurance policies increases, so does the percentage of that revenue that will be shared with the representative in the form of a bonus, assuming certain other non-revenue-based metrics are achieved. This bonus structure creates a clear and direct incentive for the representative to offer new insurance products to clients, including clients who are currently investment advisory-only clients of the Firm. This incentive creates a conflict of interest.

### **Managed (Advised) Asset Revenue-Based Salary Increases**

Presently, some of our investment adviser representatives receive a base salary that is in direct relation to the amount of investment advisory revenue received by the Firm during the previous year. This base salary will not change during the year, but salaries in subsequent years will also be based on the amount of investment advisory revenue received from the clients of each investment adviser representative. The tying of future base salaries to advisory fee revenue creates incentives to recommend that clients contribute assets to be managed under an investment advisory relationship, or that insurance assets be liquidated in order to be managed under such a relationship.

Some, but not all, of our investment adviser representatives operate under both the Insurance Revenue-Based Bonus and the Managed (Advised) Asset Revenue-Based Salary Increases arrangements. Whether an adviser operates under one type of arrangement or both will be disclosed in his or her brochure supplement, or Form ADV, Part 2B. Solely with respect to investment adviser representatives operating under both arrangements, the two incentives referenced above somewhat counteract each other. That is, the incentive to maximize insurance revenue is partially offset by the incentive to maximize advisory revenue, and vice versa. However, working together these incentives still create an incentive for an investment adviser representative to maximize his or her income by increasing revenue in one category or another, although the income-maximizing formula will differ for each adviser depending on, among other things, the proximity of the representative's advisory fee

revenue level to the next level that triggers an increase in salary, and the degree to which an adviser is required to split insurance-based bonuses with other advisers.

For investment adviser representatives operating solely under the Insurance Revenue-Based Bonus, there is no incentive to maximize asset management revenue. That investment adviser representative's sole financial incentive is to maximize insurance revenue.

Additionally, the incentive programs were established by and are administered through Hobart Financial Group. Hobart Financial Group and Hobart Insurance Services, LLC, will also benefit if individual advisors meet their goals. This also represents a conflict of interest.

In addition to what is described above, we address the above-described conflicts of interest by (1) making sure all clients are advised of this conflict through disclosure in this brochure; (2) requiring all representatives to assure that any recommendations of insurance products or recommendations for asset management are in the client's best interest and suitable for the client; (3) requiring all advisors to sign a written agreement specifying that, as a condition for receipt of any bonus, all compliance paperwork (including suitability documentation) be submitted to the compliance department; and (4) requiring that all recommendations to convert or liquidate investment advisory assets in order to purchase insurance policies, or vice versa, be subjected to a thorough review by the Chief Compliance Officer or his/her designee for a determination that the recommendation is consistent with the client's risk tolerance and in fact in the client's best interest and suitable for the client.

Not all our representatives are licensed to make all of these types of recommendations, nor do all representatives who are licensed to recommend these products do so for all clients. The "Brochure Supplement" you have received for your representative indicates whether the representative is insurance licensed.

Please be aware that even if you agree to follow a representative's recommendation regarding an insurance product, you do not have to purchase the product through the representative, or through Hobart Insurance Services, LLC. Rather, you can purchase the product through another insurance agency or representative.

## **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.

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

Hobart receives an asset-based fee for its asset management services ("Advisory Fee"). The maximum annual Advisory Fee charged will not exceed 2.00%. The actual Advisory Fee to be assessed will be described in the Investment Advisory Agreement to be signed by the client and our Firm. Except as otherwise described below, Advisory Fees are billed quarterly, in advance, based on the value of the

account(s) on the last day of the previous quarter. For purposes of determining the client's assets under management, any accounts owned by members of client's household may, at the option of the Firm, be aggregated. Please note that some client assets may be considered "assets under management" for purposes of calculating our fee even though they would not be considered "assets under management" for purposes of regulatory reporting as referenced in Item 4 of this Brochure.

Each quarterly fee is calculated by multiplying the market value of the assets under Hobart's management as of the last business day of the preceding quarter by the annual Advisory Fee, and multiplying that number by the number of days in the quarter divided by the number of days in the year. Advisory Fees for services during the initial quarter in which the account is opened shall be a prorated fee calculated according to the days remaining in the quarter when the account is opened. Advisory Fees on amounts deposited during a quarter are payable upon the commencement of management of the account. The fee charged on such a deposit is calculated by dividing the number of days remaining in the quarter by the total days in the quarter and multiplying the quotient by the quarterly fee derived by the process described above. Credits for withdrawals made during a quarter will not be issued.

Advisory Fees are negotiable and will typically be deducted from client account(s). For those clients whose Advisory Fees are deducted by us:

- a) Clients will provide authorization permitting our Firm to be directly paid; and
- b) 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 certain cases, our Firm will agree to bill clients directly rather than deduct fees from the client's account. Invoices for fees may be paid by check, ACH, direct debit, or credit card.

For clients with Outside Accounts, our total annual Advisory Fee consists of a base amount for services provided by Hobart (the "HPC Advisory Fee") plus an additional amount charged to Hobart by Pontera (the "Pontera Fee"). The annual Pontera Fee shall consist of 0.25%. The Advisory Fee is assessed and payable each quarter in advance based on the balance of the client's managed assets as of the prior quarter-end. The Advisory Fee for the initial period will be paid on a pro rata basis based on the number of days in the calendar quarter for which services were provided, in arrears, based on the quarter ending value of the client's assets in the Outside Accounts. No fee adjustments are made for account deposits and withdrawals during a billing period. Advisory Fees may be withdrawn directly from the client's other non-tax qualified accounts held at Schwab with the client's written authorization. Advisory Fees may also be invoiced as described above. Upon termination any prepaid but unearned Advisory Fees will be refunded to the client.

Our receipt of an asset-based fee presents a conflict of interest. This is because the more assets there are in the client's account, the more the client will pay in fees. Therefore, we have an incentive to encourage clients to increase the assets in their accounts. We address this conflict of interest by ensuring any such recommendations are in the client's best interest.

#### **Payment of Advisory Fees for Variable, Fixed and Indexed Annuity Products:**

Our Firm has entered into an agreement with DPL Financial Partners, LLC ("DPL") to provide fee-based variable, fixed, and indexed annuity products for Hobart clients. Neither Hobart nor its investment adviser representatives receive a commission on these products. For these products, we

will be paid an annual asset-based management fee according to our Investment Advisory Agreement for Fee-Based Annuities and/or the client's written agreement with the product sponsor. Advisory Fees are typically paid quarterly in advance based on the market value of the annuity assets as of the last business day of the preceding quarter. Advisory Fees are generally withdrawn directly from the client's account(s) with the client's written authorization, but may also be invoiced depending on the product. Upon termination any prepaid but unearned Advisory Fees will be refunded to the client. With regard to these annuity products, individual accounts will be maintained at the insurance company that issued the annuity product. Clients are responsible for certain fees charged by the insurance company, including mortality and expense risk charges, rider fees, subaccount fees, and early surrender fees. These fees are in addition to and exclusive of Hobart's Advisory Fee. The exact charges will be specified in the client's agreement with the product sponsor and the product prospectus (if applicable). Clients are encouraged to review these documents carefully.

### **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. Fees are negotiable and 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 \$2,500 to \$10,000. Our Firm will generally 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 generally 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. For asset management clients who invest at least \$250,000 with us, these fees are included in the Advisory Fee. If you engage us for financial planning before engaging us for asset management, you will still be obligated to pay the fees you agreed to pay in our financial planning agreement, even if you invest \$250,000 or more with us.

### **Retirement Plan Consulting Services:**

Our Firm charges an annual investment advisory fee for retirement plan consulting services. Fees are deducted from the plan assets on a quarterly basis, in arrears, based upon the agreed annual percentage rate. The exact advisory fee will be specified in the advisory agreement. Fees are negotiable.

### **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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Brokerage commissions, transaction charges, handling fees, custodial fees, service charges, ticket charges and other similar charges are not included in our Advisory Fee and must generally be paid by the client. Clients will also 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, annuity fees, IRA and qualified retirement plan fees, and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees, ADR fees, overnight check fees, close-out fees, activity assessment fees and taxes on brokerage accounts and securities transactions. All clients will be delivered a current and accurate schedule of fees charged by the custodian, and are encouraged to carefully review those documents. Our Firm does not receive any portion of these fees. For more information regarding brokerage practices, see Item 12.

For client accounts maintained at Schwab, we have negotiated lower commission rates with Schwab than their published fees for mutual fund transactions based on the condition that we transfer a total of at least \$255 million of our clients' assets to accounts at Schwab within 12 months from the date of our agreement with Schwab. Schwab has further agreed to reimburse the Transfer of Account Exit Fees of our client accounts that transfer to Schwab within 12 months from the date of the agreement (up to \$125,000). These commitments benefit our Firm because the overall commission rates and fees we pay are lower than they would be otherwise. We have an incentive to recommend Schwab in order to obtain these lower rates, which presents a conflict of interest. We address this conflict of interest through our best execution review, as further described in Item 12.

In addition to commissions or other fees for trades executed in the accounts, Schwab charges clients a flat dollar amount as a "prime broker" or "trade away" fee for each trade that it has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's Schwab account. These fees are in addition to the commissions or other compensation the client must pay the executing broker-dealer. Because of this, in order to minimize trading costs, we have Schwab execute most trades for client accounts maintained at Schwab. We have determined that having Schwab execute most trades is consistent with our duty to seek best execution of client trades in client accounts maintained at Schwab. Please see Item 12 for more information regarding brokerage practices.

### **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 Advisory Fee. Upon notice of termination, our Firm will process a pro-rata refund of the unearned portion of the Advisory 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.

### **Conflicts of Interests Regarding Insurance Products that Pay Commissions**

Some of our representatives are also individually licensed insurance agents. Whenever any such representative recommends that a client purchase an insurance product in this capacity, the representative is recommending a product on which he or she will receive either a commission or bonus, as further described below. Most of our representatives who are licensed insurance agents have incentives to recommend insurance products in the form of bonuses for reaching certain annual and quarterly goals for insurance issued. Some of our representatives have incentives to recommend that clients contribute assets to be managed under an investment advisory relationship in the form

of a base salary which is based on the amount of investment advisory revenue received from clients of the representative. For our representatives who operate under both the insurance revenue-based bonus and the managed (advised) asset revenue-based salary, these incentives will somewhat counteract each other, although the representative still has an incentive to maximize his or her income by increasing revenue in one category or the other. For our representatives who operate solely under the insurance revenue-based bonus, his or her sole incentive is to maximize insurance revenue. Conflicts pertaining to our compensation arrangements are more fully described above in Item 4.

Not all our representatives are licensed to recommend insurance products, nor do all representatives who are licensed to recommend these products do so for all clients. The “Brochure Supplement” you have received for your representative indicates whether the representative is insurance licensed.

Please be aware that even if you agree to follow a representative’s recommendation, you do not have to purchase the product through the representative. Rather, you can purchase the product through another insurance agency or representative.

The recommendation of insurance products presents a conflict of interest, in that our representatives have a financial incentive to recommend products based on the compensation received rather than on the client’s needs. We manage the conflict of interest related to the recommendation of insurance products by, among other things, describing the conflict of interest in this brochure and reviewing any such proposed transaction to determine whether it is in the client’s best interest and suitable for the client. We further require all representatives to seek prior approval of any outside employment activity so that we may ensure that any conflicts of interest in such activities are properly disclosed, and fully disclose to a client when a particular transaction will result in the receipt of commissions or other associated fees.

#### **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 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 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 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. 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 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.

In advising clients via the AssetMark Platform, Hobart may select from mutual funds, exchange traded funds (ETFs), individual stocks, bonds and other investment solutions offered on the Platform. These solutions are provided by a number of institutional investment strategists and based on the information, research, asset allocation methodology and investment strategies of those institutional strategies.

## **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 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.
- **Annuities** – An annuity is a form of insurance where the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the annuitant. At this point the contract will terminate and the remainder of the fund accumulated forfeited unless there are other annuitants or beneficiaries in the contract. Annuities can be purchased to provide an income during retirement. Annuities typically impose a variety of fees and expenses, in addition to sales and surrender charges, such as: mortality and expense risk charges; rider fees; sub account fees; administrative fees; underlying fund expenses; and charges for special features, all of which can reduce the return. Earnings in an annuity do not provide all the tax advantages of 401(k)s and other before-tax retirement plans. Once the investor starts withdrawing money from their annuity, earnings are taxed at the ordinary income rate, rather than at the lower capital gains rates applied to other non-tax-deferred vehicles which are held for more than one year. If the investor withdraws money from an annuity before a certain age, they may also have to pay a tax penalty to the Internal Revenue Service.
  - **Variable Annuities** - Unlike fixed annuities that make payments in fixed amounts or in amounts that increase by a fixed percentage, variable annuities, pay amounts that vary according to the performance of a specified set of investments, typically bond and equity mutual funds. Investment in a variable annuity contract is subject to both general market risk and the insurance company's credit risk. These and other risks are described in the variable annuities' prospectuses.
  - **Indexed Annuities** – Indexed annuities provide returns linked to the performance of a market index, such as the S&P 500 Index. The buyer typically makes either a lump sum payment or a series of payments to the insurance company which are allocated to one or more indexed investment options. The insurance company credits the buyer's account with a return that is based on the indexed investment option's return. Based on the contract terms and features, this return may be lower than the actual index's gain. Investment in an indexed annuity contract is subject to both general market risk and the insurance company's credit risk.

- **Fixed Annuities** – Fixed annuities make payments based in fixed amounts or in amounts that increase by a fixed percentage. Often the interest rate is fixed for a number of years and then changes periodically based on current rates. Payments in a fixed annuity typically do not have cost-of-living adjustments to keep pace with inflation, so the value of payments received may decline over time. Investment in a fixed annuity contract is subject to the insurance company's credit risk.

## **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**

### **Insurance Agents:**

Chris Hobart indirectly owns a state-licensed affiliated insurance agency, Hobart Insurance Services, LLC ("Hobart Insurance"), through Hobart Financial Group, Inc. ("HFG"), as further described below. Hobart Insurance is licensed to offer insurance products in the state of North Carolina, among other states. 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 offered through separate and distinct vendors.

As an insurance agency, Hobart Insurance will receive separate, yet customary compensation for insurance product issuance. Some of our representatives are also individually licensed insurance agents. Whenever any such representative recommends that a client purchase an insurance product in this capacity, the representative is recommending a product on which he or she will receive either a commission or bonus, as further described below.

Not all our representatives are licensed to recommend insurance products, nor do all representatives who are licensed to recommend these products do so for all clients. The "Brochure Supplement" you have received for your representative indicates whether the representative is insurance licensed.

Please be aware that even if you agree to follow a representative's recommendation, you do not have to purchase the product through the representative. Rather, you can purchase the product through another insurance agency or representative.

Acting in dual capacities (insurance agency and investment advisor) and receiving compensation as such, creates conflicts of interest. Furthermore, the recommendation of insurance products by our representatives presents a conflict of interest, in that our representatives have a financial incentive to recommend products based on the compensation received rather than on the client's needs. Most of our representatives who are licensed insurance agents have incentives to recommend insurance products in the form of bonuses for reaching certain annual and quarterly goals for insurance issued. Some of our representatives have incentives to recommend that clients contribute assets to be managed under an investment advisory relationship in the form of a base salary which is based on the amount of investment advisory revenue received from clients of the representative. For our representatives who operate under both the insurance revenue-based bonus and the managed

(advised) asset revenue-based salary, these incentives will somewhat counteract each other, although the representative still has an incentive to maximize his or her income by increasing revenue in one category or the other. For our representatives who operate solely under the insurance revenue-based bonus, his or her sole incentive is to maximize insurance revenue. Conflicts pertaining to our compensation arrangements are more fully described above in Item 4.

We manage these conflicts of interest by, among other things, describing them in this brochure and by reviewing any such proposed transaction to determine whether it is in the client's best interest and suitable for the client. We further require all representatives to seek prior approval of any outside employment activity so that we may ensure that any conflicts of interest in such activities are properly disclosed, and fully disclose to a client when a particular transaction will result in the receipt of commissions or other associated fees.

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.

Chris Hobart provides coaching services to other financial professionals, including insurance agents. In providing these services he uses the name Hobart Coaching and Consulting. These services typically consist of speaking events discussing topics such as practice management. If as a result of Mr. Hobart's coaching services these insurance agents write insurance business with Advisors Excel, LLC ("Advisors Excel"), a non-affiliated insurance agency, Mr. Hobart receives a portion of the revenue. This could present a conflict of interest if these insurance products were issued to clients of Hobart. None of these other insurance agents work with Hobart clients at this time.

Advisors Excel also sponsors and hosts programs, conferences and other trips that are available to agents who place insurance business through Advisors Excel. For many of these trips Advisors Excel pays or reimburses travel-related costs of Hobart Insurance personnel, including Hobart representatives and their spouses. This practice could be considered a form of non-monetary compensation for placing business on the Advisors Excel Platform, and creates a conflict of interest in that it incentivizes Hobart Insurance to use that Platform. Hobart and Hobart Insurance seek to minimize the impact of these conflicts by regularly assessing the availability, comparative costs and comparative services of alternative platforms that could provide the same services as Advisors Excel, without regard to the receipt of travel and other non-monetary compensation.

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

### **Code of Ethics:**

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

**Proprietary Trading:**

Hobart 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 or our associated persons.

## Item 12: Brokerage Practices

### Selecting a Brokerage Firm

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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 Charles Schwab & Co, Inc. ("Schwab"), a qualified custodian with which our Firm is unaffiliated. Schwab offers services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions.

Schwab makes certain research and brokerage services available at no additional cost to our Firm. Research products and services provided by Schwab may include: investment research (both Schwab's own and that of third parties); software and other technology that 1) provide access to client account data (such as duplicate trade confirmations and account statements), 2) facilitate trade execution and allocate aggregated trade orders for multiple client accounts, 3) provide pricing and other market data, 4) facilitate payment of our fees from our clients' accounts, and 5) assist with back-office functions, recordkeeping, and client reporting; educational conferences and events; consulting on technology, compliance, legal, and business needs; publications and conferences on practice management and business succession; access to employee benefits providers, human capital consultants, and insurance providers; and marketing consulting and support. Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. In some cases we must hit certain client asset benchmarks in order to obtain certain benefits, including payment of eligible third-party vendor services such as Orion Advisor Solutions software, as further described below. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel. 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 Schwab 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.

We have entered into an agreement with Schwab under which Schwab will reimburse our Firm the cost of certain technology, research, marketing, and compliance consulting products and services once the value of our clients' assets in accounts at Schwab reaches certain thresholds. The agreement is based on the expectation that we will have at least \$255 million in assets in Schwab client accounts within 12 months from the date of our agreement with Schwab. This creates an incentive for us to recommend the use of Schwab in order to receive the payment or reimbursements, which is a conflict of interest. We address this conflict by periodically evaluating and assessing whether maintaining client assets at Schwab is in our clients' best interest and consistent with our duty to seek best execution.

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**

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

### **Brokerage for Client Referrals**

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Our Firm does not receive brokerage for client referrals.

### **Directed Brokerage**

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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 Schwab. Each client will typically be required to establish their account(s) with Schwab 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. Our Firm also permits clients to direct brokerage in certain limited circumstances, such as for held away assets or Outside Accounts. We may be unable to achieve most favorable execution of client transactions for these accounts and directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because we are not able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

### **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. Please note that while brokerage assets may be reflected on account statements, these assets are not included in calculation of your management fee, nor are these assets managed by HPC. From time to time, clients may receive reports from Hobart regarding holdings, portfolio performance and other matters. Clients are encouraged to compare such reports to their actual account statements received from the custodian.

#### **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 quotas, the product sponsor reimbursements are typically made by those sponsors for which policies have been issued or for which it is anticipated policy placements 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.

#### **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 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.

### **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.