

## Item 1: Cover Page

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This wrap fee program brochure (“Wrap Fee Brochure”) provides information about the qualifications and business practices of Embarcadero Capital Advisors, Inc (“Embarcadero,” “we,” “us,” “our firm”). If you have any questions about the contents of this Wrap Fee Brochure, please contact us at 949-371-9796. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Embarcadero Capital Advisors, Inc. is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

January 2024

## Item 2: Material Changes

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### **Material Changes since the Last Update**

Embarcadero is a newly registered investment adviser and does not yet have any material changes to report.

## Item 3: Table of Contents

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## Item 4: Services, Fees, and Compensation

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### Services Description

Our Advisor Managed Portfolios Wrap Fee Program (“Advisor Managed Portfolios”) provides comprehensive investment management of your assets through the application of asset allocation planning software as well as the provision of execution, clearing and custodial services through Charles Schwab & Co. Inc. (“Schwab”) and LPL Financial Services LLC (“LPL”). Advisor Managed Portfolios provides risk tolerance assessment, efficient frontier plotting, fund profiling and performance data, and portfolio optimization and re-balancing tools. Utilizing these tools and based on your responses to a risk tolerance questionnaire and discussions that we have together regarding, among other things, investment objective, risk tolerance, investment time horizon, account restrictions, and overall financial situation, we construct a portfolio of investments for you. This portfolio may consist of mutual funds, exchange traded funds, equities, options, debt securities, variable life, and other investments.

Portfolios are designed to meet each client’s individual needs, stated goals and objectives. Additionally, clients can place reasonable restrictions on the types of investments to be held in the portfolio.

Our investment management services are offered only through our Wrap Fee Program. Our Wrap Fee Program allows clients to pay a single fee for investment advisory services and associated custodial transaction costs. However, because our firm absorbs client transaction fees, we have an incentive to limit trading activities. Additionally, depending on the trading activity, clients may pay more for using our wrap fee services than they would otherwise pay for non-wrap services.

### Advisor Managed Portfolios – Basic

Our Basic service includes investment management, but does not include individual tax planning and preparation, financial planning, or estate planning services. Clients may elect to receive these additional services, subject to additional fees as outlined in Item 5 our Form ADV Part 2A (“Firm Brochure”).

Assets Under Management	Maximum Annual Advisory Fee
\$0.00 – \$99,999.99	\$1,800.00
\$100,000.00 – \$249,999.99	0.95%
\$250,000.00 – \$499,999.99	0.95%
\$500,000.00 – \$999,999.99	0.95%
\$1,000,000.00 – \$2,999,999.99	0.95%
\$3,000,000.00 – \$3,999,999.99	0.85%
\$4,000,000.00 – \$4,999,999.99	0.85%
\$5,000,000.00 – \$5,999,999.99	0.75%
\$6,000,000.00 and above	0.65%

### Advisor Managed Portfolios – Comprehensive

Our Comprehensive service includes investment management, as well as individual tax planning and preparation, financial planning (advanced level), and estate planning services. Please see Item 4 of our Firm Brochure for more regarding our tax planning and preparation, financial planning, and estate planning services. Please see Item 6 of this Wrap Fee Brochure for more information regarding performance-based fees.

Assets Under Management	Maximum Annual Advisory Fee
\$0.00 – \$99,999.99	\$6,000.00
\$100,000.00 – \$249,999.99	2.00% + \$4,800.00
\$250,000.00 – \$499,999.99	1.50% + \$4,800.00
\$500,000.00 – \$999,999.99	1.00% + \$4,800.00
\$1,000,000.00 – \$2,999,999.99	0.95% + \$4,200.00
\$3,000,000.00 – \$3,999,999.99	0.50% + 20% performance-based fee
\$4,000,000.00 – \$4,999,999.99	0.45% + 20% performance-based fee
\$5,000,000.00 – \$5,999,999.99	0.35% + 20% performance-based fee
\$6,000,000.00 and above	0.25% + 20% performance-based fee

### Third Party Managers

We may use the services of various third-party investment advisory firms (“Third-Party Managers”) to aid in implementing an investment portfolio we design for clients. Generally, this will include allocating a portion of the client’s managed assets to the Third-Party Manager to manage according to their unique investment strategy. Before engaging a Third-Party Manager, our firm conducts initial due diligence to assess the quality of the Third-Party Manager’s services. When selecting a particular Third-Party Manager for a client, we consider the client’s risk tolerance, goals, objectives, investible assets, restrictions, and investment experience to ensure the Third-Party’s Manager’s services are aligned with the client’s needs and circumstances. Clients will also be provided with a copy of the Third-Party Manager’s disclosure documents before we engage the applicable Third-Party Manager. After selecting a Third-Party Manager, we periodically review their management of client accounts to ensure that the services provided continue to align with the client’s needs and objectives. This ongoing review process allows us to monitor the Third-Party Manager’s performance, assess any changes in the client’s situation, and make adjustments as necessary to maintain a cohesive investment strategy.

The maximum annual fee for Third-Party Manager services will not exceed 0.20% of the client’s assets under management. This fee is in addition to the fees clients will pay under our Advisor Managed Portfolios services.

## **Fee Billing and Refunds**

Annualized fees are pro-rated and charged monthly in arrears based on the market value of the assets held in your account, including cash and cash equivalents, as of the last business day of the calendar month. Fees are negotiable and will be deducted from your account. If you open your account during the month, we will pro-rate your first month's advisory fees based on the number of days in the month your account was opened. This pro-rated fee will be deducted during the next monthly billing cycle.

Either party may terminate the agreement at any time by providing written notice to the other party. Upon termination, we will collect any advisory fees earned up to the date of termination.

## **Additional Fees**

In addition to our advisory fees, you may also pay holdings charges imposed by the chosen custodian for certain investments, charges imposed directly by a mutual fund, index fund, or exchange traded fund, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), distribution fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees, mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from custodian, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. We do not receive a portion of these fees.

# **Item 5: Account Requirements and Types of Clients**

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## **Program Requirements**

Our Advisor Managed Portfolios service requires a minimum household account value of \$50,000. Additionally, Third-Party Managers we utilize may impose their own requirements to open and maintain accounts. These requirements will be outlined in Item 7 of the applicable Third-Party Manager's Form ADV Part 2A.

## **Types of Clients**

We provide advisory services to the following client types: individuals and high net worth individuals, pension and profit-sharing plans, trusts, estates or charitable organizations, corporations, other business entities, and foundations and endowments.

# **Item 6: Portfolio Management Selection and Evaluation**

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## **Process for Selection and Review of Portfolio Managers; Related Persons as Portfolio Manager**

Our firm is the sponsor and portfolio manager of our Wrap Fee Program. Although, in certain cases, we may utilize Third-Party Managers to act as portfolio manager for a portion of the client's assets. Please refer to Item 4 of this Wrap Fee Brochure for more information regarding our basis for selecting and monitoring Third-Party Managers. In assessing Third-Party Manager performance, we consider industry-standard metrics, such as annualized returns, Sharpe ratio,

information ratio, alpha, beta, and standard deviation. However, we do not verify their performance information's accuracy or compliance with presentation standards. Accordingly, performance information may not always be calculated on a uniform and consistent basis.

### **Advisory Business**

Please refer to Item 4 of this Wrap Fee Brochure for more information regarding our advisory business.

### **Performance-Based Fees & Side-By-Side Management**

As outlined in Item 4 of this Wrap Fee Program Brochure, we charge performance-based fees to certain qualified clients. Performance-based fees are fees based on a share of capital gains on or capital appreciation of the client's assets.

Our firm may manage performance-based and non-performance-based accounts simultaneously. This creates a conflict of interest as we are incentivized to favor performance-based accounts over non-performance-based accounts in order to increase our compensation. However, as a fiduciary, we have a duty to act in all our clients' best interest.

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

Our firm relies on various tools and methods to assist in recommending or selecting investment strategies, including asset allocation and various software. Our advisory services are generally designed for strategic long-term investing. However, in certain situations, we may also utilize short-term tactical investment strategies. Investment returns are highly dependent on the value of underlying securities, which are impacted by investment market trends.

For clients utilizing the services of Third-Party Managers, please refer to Item 8 of the applicable Third-Party Manager's Form ADV Part 2A for more information regarding their methods of analysis, investment strategies, and associated risks.

#### **Methods of Analysis**

When analyzing investments, we use fundamental and/or technical analysis.

Fundamental analysis is security analysis grounded in basic factors such as company earnings, balance sheet variables and management quality which are used to predict the future value of an investment. Information such as interest rates, GNP, inflation, and unemployment may be used to predict the direction of the economy and therefore the stock market.

Technical analysis is the practice of using statistics to determine trends in security prices and make or recommend investment decisions based on those trends. Technical analysis focuses on matters such as trade volume, demand, and volatility to help determine the market forces at work on a certain security or on the securities market.

## **Investment Strategies**

The client's investment strategy will be based on their specific circumstances, including their net worth, income, risk tolerance, financial goals, and investment restrictions. However, we generally advise the long-term purchase of stocks, bonds, and mutual funds to our clients.

Long-term purchases are typically defined as the purchase of securities held for at least a year. Using a long-term purchase strategy generally assumes the financial markets will go up in the long term, which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

However, in certain instances, we may utilize short-term tactical investment strategies. Short-term purchase strategies are based on an assessment of how financial markets will perform in the short term, which may be difficult to predict. There are many factors that can affect short-term financial market performance, such as short-term interest rate changes and cyclical earnings announcements.

We may also utilize margin transactions. Specifically, our firm may purchase stocks, mutual funds, and/or other securities for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings. Margin accounts and transactions are risky and not necessarily appropriate for every client. The potential risks associated with these transactions are (1) You can lose more funds than are deposited into the margin account; (2) the forced sale of securities or other assets in your account; (3) the sale of securities or other assets without contacting you; and (4) you may not be entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call.

## **Risk of Loss**

Investing involves risk of loss that clients should be prepared to bear. While the stock market may increase and the account(s) could enjoy a gain, the stock market may also decrease and the account(s) could suffer a loss. Clients should understand the risks associated with investing in the stock market.

When using Fundamental Analysis, we generally rely on company earnings, balance sheet variables and management quality, which we use to predict an investment's future value. The data we review is generally considered reliable, but we cannot guarantee, nor do we necessarily verify its accuracy. In addition, the data that we review can be subjective. Even if our data and interpretation of the data is correct, there may be other factors that determine the value of securities other than those considered in Fundamental Analysis.

When using technical analysis, we review statistics to determine trends in security prices and make our investment decisions based on those trends. This analysis may only be able to predict how an investment will perform in the short term. In addition, this analysis does not consider, the



more fundamental properties of what an investment may be worth, such as company performance and balance sheet variables, which factor into an investment's value.

When pursuing our long-term purchases strategy, we are assuming the financial markets will go up in the long-term, which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. In addition, purchasing investments long term may create an opportunity cost, such as "locking-up" assets that may be better utilized in the short-term in other investments.

We generally recommend stocks, bonds, and mutual funds to you.

Investing in stocks involves the following risks:

- Financial Risk: which is the risk that the companies we recommend to you may perform poorly which will affect the price of your investment.
- Market Risk: which is the risk that the Stock Market will decline, decreasing the value of the securities we recommend to you with it.
- Inflation Risk: which is the risk that the rate of price increases in the economy deteriorates the returns associated with the stock.
- Political and Governmental Risk: which is the risk that the value of your investment may change with the introduction of new laws or regulations.

Investing in bonds involves the following risks:

- Interest Rate Risk: which is the risk that the value of the bond investments we recommend to you will fall if interest rates rise.
- Call Risk: which is the risk that your bond investment will be called or purchased back from you when conditions are favorable to the bond issuer and unfavorable to you.
- Default Risk: which is the risk that the bond issuer may be unable to pay you the contractual interest or principal on the bond in a timely manner or at all.
- Inflation Risk: which is the risk that the rate of price increases in the economy deteriorates the returns associated with the bond.

Investing in mutual funds involves the following risks:

- Manager Risk: which is the risk that an actively managed mutual fund's investment adviser will fail to execute the fund's stated investment strategy.

- Market Risk: which is the risk that the Stock Market will decline, decreasing the value of the securities contained within the mutual funds we recommend to you.
- Industry Risk: which is the risk that a group of stocks in a single industry will decline in price due to adverse developments in that industry, decreasing the value of mutual funds that are significantly invested in that industry.
- Inflation Risk: which is the risk that the rate of price increases in the economy deteriorates the returns associated with the mutual fund.

Listed above are some of the primary risks associated with our investment philosophy. However, investing involves many risks. Please do not hesitate to contact us to discuss these risks and others in more detail.

### **Voting Client Securities**

We do not accept authority to vote client proxies. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent. Though we do not advise on proxy voting, clients may reach out to us with general proxy voting questions.

However, Third-Party Managers may vote client proxies. Accordingly, clients utilizing Third-Party Managers should refer to Item 17 of the applicable Third-Party Manager's Form ADV Part 2A for information regarding the Third-Party Manager's proxy voting practices.

## **Item 7: Client Information Provided to Portfolio Manager**

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### **Description of Information Provided to Portfolio Managers**

All accounts are managed by our in-house licensed Investment Adviser Representatives ("IAR"). The IAR selected to manage the client's account will be privy to the client's investment objectives, risk tolerance, and investment restrictions. Our IARs strive to contact clients regularly to ensure the investment strategy remains aligned with the client's specific circumstances.

As mentioned, we may utilize Third-Party Managers to manage a portion of the client's assets. As necessary, we will communicate information about clients to the Third-Party Manager to facilitate their opening and management of the client's account. This information may include, but is not limited to, the client's account numbers, social security numbers, date of birth, risk tolerance, income, employment information, net worth, goals, and investment restrictions. We will provide updated information to the Third-Party Manager as necessary to facilitate their orderly management of the client's account.

Please refer to our Privacy Policy for more information regarding our information sharing practices.

## Item 8: Client Contact with Portfolio Manager

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### Restrictions for Contact with Portfolio Manager

Clients should contact our firm directly with any questions or concerns about their portfolio or other matters, including with respect to accounts managed by Third-Party Managers.

## Item 9: Additional Information

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### Disciplinary Information

There are no legal or disciplinary events material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

### Other Financial Activities and Affiliations

Our IARs are also registered representatives of LPL Financial LLC, member FINRA/SIPC, and licensed insurance agents. In these separate capacities, our IARs recommend investment and insurance products and receive customary commissions. The receipt of commissions creates a conflict of interest because it incentivizes our IARs to recommend products based on the compensation received rather than on the client's needs. To mitigate this conflict, our IARs will only recommend commission-based products when they believe it to be in the client's best interest. Clients are under no obligation to purchase commission-based products through our firm or any of our representatives.

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

We have adopted a Code of Ethics (the "Code") to address securities-related conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes our policies and procedures developed to protect your interests in relation to the following topics:

- The duty always to place clients' interests first;
- The requirement that all personal securities transactions be conducted in a manner consistent with the Code and to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility;
- The fiduciary principle that information concerning the identity of your security holdings and financial circumstances are confidential; and
- The principle that independence in the investment decision-making process is paramount.

We will provide a copy of the Code to you or any prospective client upon request.

Our firm and our related persons may buy or sell securities and other investments that we also recommend to clients. Likewise, our firm and its related persons may recommend securities to clients or buy or sell securities for client accounts at or about the same time we buy or sell the same securities in our own accounts. As such, a conflict of interest exists as we have an incentive to favor our transactions ahead of yours. To mitigate this conflict, our firm policy prohibits us from receiving a better price on our order when we and a client invest in the same security on the same side of the market on the same day.

## **Review of Accounts**

An appointed supervisor monitors the suitability of each security transaction. In addition, our IARs periodically review your accounts as needed, but no less than annually. Such review and consultation typically contain, when warranted, advice regarding recommended changes to client's investments and recommendations for implementation of proposed changes. Clients will receive monthly and/or quarterly account statements and may receive, depending on the services we offer, a quarterly performance report ("QPR"). The QPR will show the client's account performance, as well as the account's diversification.

## **Client Referrals and Other Compensation**

Our firm's representatives may attend training or education conferences hosted by certain Third-Party Managers we utilize. The Third-Party Managers will pay or reimburse travel, meals, and lodging expenses associated with these conferences. As a result, we have an incentive to utilize Third-Party Managers that host these conferences and cover associated expenses over Third-Party Managers that do not. To mitigate this conflict, we will only recommend a particular Third-Party Manager when we believe it to be in the client's best interest.

We do not provide compensation for testimonials or endorsements.

## **Financial Information**

We are not required to provide financial information because:

- We do not require prepayment of more than \$1,200 in fees per client, six months or more in advance;
- We do not take custody of client funds or securities; and
- We do not have any financial condition that impairs our ability to meet client contractual obligations; and
- We have never been the subject of a bankruptcy petition.