

# HOWARD CAPITAL MANAGEMENT GROUP, LLC

**[www.howardcapital.com](http://www.howardcapital.com)**

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## Form ADV, Part 2A Brochure

**March 18, 2024**

This brochure provides information about the qualifications and business practices of Howard Capital Management Group, LLC. ("HCM"). If you have any questions about the contents of this brochure, please contact us at phone (310) 473-9100 or email [info@howardcapital.com](mailto:info@howardcapital.com). 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.

HCM is a registered investment adviser. Registration as an Investment Adviser is not meant to indicate a particular level of skill or training. The oral and written communications of an Adviser provide you with information about the firm that you may use to determine to hire or retain that Adviser.

Additional information about HCM also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with HCM who are registered as investment adviser representatives of HCM.

## **Item 2 – Material Changes**

**Revised March 18, 2024**

This item of the brochure discussed only material changes that are made to the brochure since the last annual update and provides clients with a summary of such changes. If you are receiving this brochure for the first time, this section may not be relevant to you.

Howard Capital Management Group, LLC (“HCM”) reviews and updates this brochure at least annually to confirm that it remains current. HCM has made the following material changes, since our last annual updating amendment on March 21, 2023:

### Material Changes:

On August 31, 2023, investment vehicles affiliated with Clayton, Dubilier & Rice, LLC (“CD&R”) and Stone Point Capital LLC (“Stone Point”) indirectly acquired Focus Financial Partners Inc. (“Focus Inc.”). This transaction resulted in investment vehicles affiliated with CD&R collectively becoming majority owners of Focus Financial Partners, LLC (“Focus LLC”) and investment vehicles affiliated with Stone Point collectively becoming owners of Focus LLC. Because HCM is an indirect, wholly-owned subsidiary of Focus LLC, the CD&R and Stone Point investment vehicles are indirect owners of HCM. Items 4 and 10 have been revised to reflect this new ownership structure.

Currently, our brochure may be requested by contacting your Portfolio Manager or by calling the offices main lines at (310) 473-9100 Los Angeles or (212) 586-4800 New York or by emailing us at [info@howardcapital.com](mailto:info@howardcapital.com).

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#### **Item 4 – Advisory Business**

Howard Capital Management Group LLC (“HCM”) acquired the business of Howard Capital Management, Inc., which was founded in 1974. HCM is managed by David A. Robinson and Jason D. Kaplan (“HCM Principals”) pursuant to a management agreement (the “DRJK Management Agreement”) among DRJK, LLC (“DRJK”), the HCM Principals and KSFB Management, LLC (“KSFB”). The HCM Principals serve as officers of HCM and are responsible for the management, supervision and oversight of HCM. KSFB entered into the DRJK Management Agreement in furtherance of a separate management agreement among KSFB, the Principals of KSFB, Focus Financial Partners, LLC, NKSFB, LLC and HCM.

Pursuant to the DRJK Management Agreement, certain decisions relating to the ongoing management and operation of HCM will be subject to KSFB’s approval, including significant expenditures and other budgetary matters. HCM does not believe that KSFB’s approval rights for such matters will materially affect the day-to-day advisory relationship between HCM and its clients.

#### **FOCUS FINANCIAL PARTNERS, LLC**

HCM is part of the Focus Financial Partners, LLC (“Focus LLC”) partnership. Specifically, HCM is a wholly-owned indirect subsidiary of Focus LLC. Ferdinand FFP Acquisition, LLC is the sole managing member of Focus LLC. Ultimate governance of Focus LLC is conducted through the board of directors at Ferdinand FFP Ultimate Holdings, LP. Focus LLC is a majority-owned, indirectly and collectively, by investment vehicles affiliated with Clayton, Dubilier & Rice, LLC (“CD&R”). Investment vehicles affiliated with Stone Point Capital LLC (“Stone Point”) are indirect owners of Focus LLC. Because HCM is an indirect, wholly-owned subsidiary of Focus LLC, CD&R and Stone Point investment vehicles are indirect owners of HCM.

Focus LLC also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, business managers and other firms (the “Focus Partners”), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

#### **FIDUCIARY**

As a fiduciary, we have duties of care and loyalty to you and are subject to obligations imposed on us by the federal and state securities laws. As a result, you have certain rights that you cannot waive or limit by contract. Nothing in our agreement with you should be interpreted as a limitation of our obligations under the federal and state securities laws or as a waiver of any unwaivable rights you possess.

#### **ADVISORY SERVICES**

HCM generally provides personalized, ongoing investment supervisory services to clients relating to publicly traded equity and debt securities and will from time to time issue analyses or reports to clients concerning the above-described activities. HCM implements investment advice on behalf of certain clients in held-away accounts that are maintained at independent third-party

custodians. These held-away accounts are often retirement accounts and other assets that are not held at our primary custodians.

When deemed appropriate by HCM, HCM may employ the use of Exchange Traded Funds (ETFs) in the management of client accounts. Certain accounts may use ETFs exclusively.

HCM is a fiduciary under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) with respect to investment management services and investment advice provided to ERISA plan clients, including ERISA plan participants. HCM is also a fiduciary under section 4975 of the Internal Revenue Code of 1986, as amended (the “IRC”) with respect to investment management services and investment advice provided to individual retirement accounts (“IRAs”), ERISA plans, and ERISA plan participants (collectively, “Retirement Account Clients”). As such, HCM is subject to specific duties and obligations under ERISA and the IRC, as applicable, that include, among other things, prohibited transaction rules which are intended to prohibit fiduciaries from acting on conflicts of interest. When a fiduciary gives advice, the fiduciary must either avoid or eliminate the conflict or rely upon a prohibited transaction exemption.

HCM provides discretionary services for certain ERISA plans. HCM exercises discretionary authority to select investments in accordance with the plan’s goals and objectives.

#### ASSETS UNDER MANAGEMENT

As of December 31, 2023, HCM had \$1,975,090,345 in assets under management on a discretionary basis.

## Item 5 – Fees and Compensation

The annual fees for the above services will be calculated from the following fee schedules:

### Equity & Balanced Investment Advisory Services

Annual Fee Rate	Assets Under Management
1.25% on assets up to	\$ 999,999 plus
1.00% on assets from	\$ 1,000,000 to \$ 2,999,999 plus
0.90% on assets from	\$ 3,000,000 to \$ 4,999,999 plus
0.80% on assets from	\$ 5,000,000 to \$ 9,999,999 plus
0.75% on assets from	\$ 10,000,000 and above

Subject to a minimum annual fee of \$10,000.

### Fixed Income Investment Advisory Services

Annual Fee Rate	Assets Under Management
0.60% on assets up to	\$ 2,499,999 plus
0.50% on assets from	\$ 2,500,000 to \$ 4,999,999 plus
0.40% on assets from	\$ 5,000,000 to \$ 9,999,999 plus
0.35% on assets from	\$ 10,000,000 and above

Subject to a minimum annual fee of \$6,000.

For certain clients, we charge an advisory fee for services provided to held-away accounts mentioned above in Item 4, just as we do with client accounts held at our primary custodians. The specific fee schedule charged by HCM is provided in the client's investment advisory agreement with us.

In certain circumstances fees may be negotiated. Negotiated fees may be higher or lower than those delineated above. The above fee schedule is effective August 27, 2010. Fees for preexisting clients may be higher or lower than those delineated above.

Generally, fees are payable on a quarterly basis in advance, based upon the market value of the client's investments as of the beginning of the quarter. Managed accounts will be automatically debited on a quarterly basis in accordance with the fee calculations described above unless other arrangements are made. The specific manner in which fees are calculated by HCM and paid by client will be established in a client's written Investment Advisory Agreement.

The Investment Advisory Agreement may be terminated by either party with 7 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

HCM may purchase for clients certain NASDAQ securities where HCM does not have direct access to market makers. As a result, such orders may be placed with other financial institutions

thus causing a client to pay an agency commission. This cost may be in addition to the mark-up or mark-down assessed by the market maker.

HCM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers and other third parties such as fees charged by other managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Money market funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. HCM and its advisor representatives do not accept any compensation for the purchase or sale of securities or other investment products, including asset based sales charges or service fees from the sale of funds or securities and do not share or otherwise participate in any of the transaction fees, commissions or charges described in this paragraph.

Item 12 further describes the factors that HCM considers in selecting or recommending broker-dealers for client asset custody and execution of transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

HCM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 – Types of Clients**

HCM generally provides discretionary portfolio management services to high net worth individuals, trusts, estates, foundations, endowments, charitable organizations, corporations, and other business entities as well as non-discretionary advisory services to certain clients.

Clients must generally reside in the United States, its territories or be U.S. Citizens.

Minimum account size is \$1,000,000. Generally, HCM combines family accounts to meet the minimum account size threshold. HCM reserves the right to accept lesser amounts depending upon the circumstances.

### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

#### **Methods of Analysis and Investment Strategies**

HCM gathers information on investments from various sources including, but not limited to, financial newspapers, magazines, research materials prepared by others, corporate ratings services, annual reports, prospectuses, company press releases and various web services.

Information may be analyzed based on fundamental, technical or cyclical criteria and periodic evaluations are made regarding what HCM believes will be the most efficient and effective strategy to accomplish a particular client's goal. HCM will generally follow a long or short term buy strategy but may employ an occasional tactical short term trade, short sell or margin trade.

Fundamental analysis is performed on historical and present financial data, with the goal of making financial forecasts. Fundamental analysis relies on the quality of information and assumptions used. In addition, in some market environments, price trends may negate the effect of fundamental factors.

The effectiveness of technical analysis depends upon the accurate forecasting of major price moves or trends. However, there is no assurance of accurate forecasts or that trends will develop in the markets we follow. In the past, there have been periods without discernable trends and similar periods will presumably occur in the future. Even where major trends develop, outside factors like government intervention could potentially shorten them.

### Risk of Loss

All investments involve a degree of risk, including risk of loss of principal that clients should be prepared to bear.

HCM exercises our discretionary authority to invest in securities that we believe are appropriate for the client, based on our understanding of the client's risk tolerance and investment objectives, when we have been granted such authority. We have generally summarized below what we feel are relevant risks broadly relating to the types of securities we primarily invest in for client accounts; however, securities may be subject to additional risks that are specific to that security or issuer, and we cannot and do not attempt to cover all risks that clients may be exposed to within their portfolios. Clients are strongly encouraged to review the prospectus disclosures and offering documents relating to the securities held in their portfolios if they have any questions, as these documents discuss in more detail the risks relating to the particular product. These documents are provided to the client by the client's custodian/broker. Clients with questions regarding a particular security should contact HCM or the custodian/broker.

### *Equity Securities*

Equity securities represent an ownership position in a company. Equity securities typically consist of common stocks. The prices of stocks and the income they generate (such as dividends) may fluctuate based on events specific to the company that issued the shares, conditions affecting the general economy and overall market changes, changes or weakness in the business sector the company does business in, and other factors. Further, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

There may be little trading in the secondary market for particular equity securities, which may adversely affect the ability to value accurately or dispose of those equity securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of equity securities.

### *Debt Securities (Bonds)*

Issuers use debt securities to borrow money. Generally, issuers pay investors interest periodically and repay the amount borrowed either periodically during the life of the security or at maturity. Alternatively, investors can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

Certain additional risk factors relating to debt securities include:



### *Reinvestment Risk*

When interest rates are declining, investors have to reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates.

### *Inflation Risk*

Inflation causes tomorrow's dollar to be worth less than today's; in other words, it reduces the purchasing power of a bond investor's future interest payments and principal, collectively known as "cash flows." Inflation also leads to higher interest rates, which in turn leads to lower bond prices.

### *Interest Rate and Market Risk*

Debt securities may be sensitive to economic changes, political and corporate developments, and interest rate changes. Investors can also expect periods of economic change and uncertainty, which can result in increased volatility of market prices and yields of certain debt securities. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

### *Call Risk*

Debt securities may contain redemption or call provisions entitling their issuers to redeem them at a specified price on a date prior to maturity. If an issuer exercises these provisions in a lower interest rate market, the account would have to replace the security with a lower yielding security, resulting in decreased income to investors.

Usually, a bond is called at or close to par value. This subjects investors that paid a premium for their bond to a risk of lost principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.

### *Credit Risk*

If the issuer of a debt security defaults on its obligations to pay interest or principal or is the subject of bankruptcy proceedings, the account may incur losses or expenses in seeking recovery of amounts owed to it.

### *Liquidity and Valuation Risk*

There may be little trading in the secondary market for particular debt securities, which may affect adversely the account's ability to value accurately or dispose of such debt securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of debt securities.

It may be possible to reduce the risks described above through diversification of the client's portfolio and by credit analysis of each issuer, as well as by monitoring broad economic trends and corporate and legislative developments, but there can be no assurance that we will be successful in doing so. Credit ratings for debt securities provided by rating agencies reflect an evaluation of the safety of principal and interest payments, not market value risk. The rating of an issuer is a rating agency's view of past and future potential developments related to the issuer and may not necessarily reflect actual outcomes. There can be a lag between the time of developments relating to an issuer and the time a rating is assigned and updated.

Bond rating agencies may assign modifiers (such as +/-) to ratings categories to signify the relative position of a credit within the rating category. Unless we state otherwise, clients should include any security within that category without considering the modifier when reading their investment policies based on ratings categories.

### *Exchange-Traded Funds (ETFs)*

An ETF is a type of security (usually, an open-end fund or unit investment trust) containing a basket of stocks, fixed income instruments, and/or commodities. Typically, the objective of an ETF is to achieve returns similar to a particular market index, including sector indexes. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like mutual funds, the prices of the underlying securities and the overall market may affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track that particular sector.

### *Cybersecurity*

The computer systems, networks and devices used by HCM and service providers to us and our clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach.

Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

## **Item 9 – Disciplinary Information**

HCM is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of HCM or the integrity of HCM's management.

HCM has no legal or disciplinary events to report as of the date of this brochure.

## **Item 10 – Other Financial Industry Activities and Affiliations**

HCM is required to disclose all material financial industry relationships, arrangements, activities or affiliations that may create a potential conflict of interest that would be material to your evaluation of HCM or HCM's management.

HCM, its management, representatives and supervised persons are not registered or compensated as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading adviser or a registered representative or associated person of the foregoing.

HCM operates solely as a registered investment adviser.

### *Focus Financial Partners*

As noted above in response to Item 4 – Advisory Business, certain investment vehicles affiliated with CD&R collectively are indirect majority owners of Focus LLC, and certain investment vehicles affiliated with Stone Point are indirect owners of Focus LLC. Because HCM is an indirect, wholly-owned subsidiary of Focus LLC, CD&R and Stone Point investment vehicles are indirect owners of HCM.

HCM is part of Focus Partners. Other than as described below in Item 14 – Client Referrals and Other Compensation, HCM has no business relationship with other Focus Partners.

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

To avoid any potential conflicts of interest involving personal trades, HCM has adopted a formal Code of Ethics and insider trading policies and procedures which require, among other things, that its supervised persons:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, supervised persons, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of HCM above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid or mitigate any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with the adopted Code of Ethics;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;

- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals; and
- Comply with applicable provisions of the federal securities laws.

HCM's Code of Ethics also requires supervised persons to: 1) pre-clear certain personal securities transactions with the compliance department, 2) report personal securities transactions to the compliance department on at least a quarterly basis, and 3) provide the compliance department with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such supervised persons have a direct or indirect beneficial ownership interest.

HCM does not prohibit its supervised persons from personally investing in the same securities (or their derivatives) that it recommends to clients. Supervised persons may therefore, under certain circumstances, have a conflict of interest in the timing of their purchase or sale of specific securities. As part of HCM's quarterly review of supervised persons' trades, HCM compares supervised persons' trading activity to its clients' trading activity and flags any trades completed in the same security (or derivative of the security) within a certain timeframe, depending upon the volume, execution price, materiality and other factors. HCM prohibits front running of material client trade activity. HCM does not transact in individual securities or ETFs in any proprietary accounts.

A copy of HCM's Code of Ethics shall be provided to any client or prospective client upon request. Clients or prospective clients may request a copy of HCM's Code of Ethics by contacting Jason Kaplan at HCM's main office in Los Angeles, CA.

## **Item 12 – Brokerage Practices**

HCM, its management, representatives and supervised persons are not registered as, or associated with, a broker-dealer. In addition, we do not act in a principal or broker capacity in connection with client transactions and are not compensated as a broker or broker representative.

According to the terms of our standard discretionary account agreement:

1. HCM has authority to determine what specific securities are to be bought or sold,
2. HCM has authority to determine the amount of securities bought or sold within the confines of the size of the portfolio to be managed, and
3. Commission rates paid are to be fully negotiable and commensurate with the quality of execution of transactions as well as the quality and extent of research and other related services, including custodial services, which may be provided to this organization.

In determining the brokers through whom securities transactions for client accounts are to be executed, HCM seeks to negotiate a combination of the most favorable commission and the best price obtainable on each transaction (generally defined as best execution). Consequently, HCM selects brokers primarily on the basis of quality of execution, trading expertise and overall cost.

Where HCM has the authority to select the broker-dealer, the Company's policy is to seek best execution. However, there may be occasions when the transaction costs charged by the broker may be greater than those which another broker may charge if HCM determines in good faith that the amount of such transaction costs are reasonable in relation to the value of the brokerage and research services provided by the executing broker. HCM believes that it is able to negotiate

costs on client transactions which are competitive and consistent with its execution policy. While HCM selects brokers primarily on the basis of their execution and capabilities, the direction of transactions to brokers may also be based on the quality and amount of the research related services and best execution evaluations which these brokers provide to HCM.

A client may direct HCM to utilize a particular broker-dealer to execute some or all transactions for the client's account. In those circumstances, the client is responsible for negotiating the terms and arrangements for the account with that broker-dealer. HCM will not be able to seek better execution services or prices from other broker-dealers or be able to aggregate the client's transactions, for execution through other brokers-dealers, with orders for other accounts advised or managed by HCM. As a result, HCM may not obtain best execution on behalf of the client, who may pay materially disparate commissions, greater spreads or other transaction costs, or receive less favorable net prices on transactions for the account than would otherwise be the case.

Research services furnished by brokers through which HCM effects securities transactions are used by HCM in carrying out its investment management responsibilities with respect to all the client accounts over which it exercises investment discretion and, accordingly, any research received may not be of direct benefit to the client account which may have provided the commissions paid to brokers providing such services. These services are designed to augment HCM's own internal research and investment strategy capabilities. Such services include a wide variety of written reports on individual companies and industries of particular interest to HCM, general economic conditions, pertinent federal and state legislative developments and changes in accounting practices; direct access by telephone or meetings with leading research analysts throughout the financial community; seminars and technical meetings at which presentations are made by corporate management personnel, industry experts, leading economists and government officials; comparative performance evaluations and technical measurement services; availability of economic advice and services from recognized experts on investment matters of particular interest to HCM.

HCM may recommend that clients establish brokerage accounts with various unaffiliated registered broker-dealers such as Fidelity Investments, Charles Schwab & Co. and E\*Trade Securities to maintain custody of clients' assets and effect trades for their accounts. Accordingly, these broker-dealers may receive compensation as a result of HCM clients using the services of such broker-dealer, including, but not limited to, commissions on trades, revenue sharing, spreads on investments of client assets in the sweep deposit account, service fees, and settlement fees on transactions conducted through other broker-dealers.

These broker-dealers may provide HCM with access to their institutional trading and operations services typically not available to retail investors. Some of these products and services assist HCM in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of HCM's fees from its clients' accounts, and assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of HCM's accounts. The broker-dealer may also provide HCM with information and consulting services intended to help HCM manage and further develop its business enterprise. These services may include regulatory compliance publications and presentations and mock

regulatory inspections and internal control reviews by an independent third party. The broker-dealer may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to HCM. The availability to HCM of the foregoing products and services is not contingent upon HCM committing to a broker-dealer any specific amount of business (assets in custody or trading).

HCM may direct execution of agency transactions in over-the-counter debt securities to certain market-makers. In these situations, the client may pay an agency commission in addition to the mark-up or mark-down assessed by the market maker. HCM aggregates or bunches clients' trade orders from time to time and its method for allocating bunched trades and partially-filled bunched orders is as follows: for trades which are fully executed, each client receives the number of shares originally intended for his account; for trades which are only partially executed, a random allocation sequence is adopted by the Manager. For aggregated orders that are executed in more than one transaction, a client's portion of such order may be deemed to have been at the weighted average of the prices at which all of such transactions were executed.

From time to time, HCM may "cross" fixed income securities between client accounts. HCM generally utilizes cross trades for fixed income securities when it specifically deems the practice to be advantageous for each participant. These transactions are affected if HCM independently determines that the cross transaction is in accordance with the investment objectives of all clients involved. Generally, due to lower transaction costs and a narrowing of the dealer spread, both the buyer and the seller of the fixed income security involved in the cross transaction may receive a better execution. Generally, cross transactions will be executed at the mid-point of the current bid and offer price as obtained from the market on the day of the cross transaction or cross levels will be provided by the executing broker. Brokerage costs are split between the participating accounts. By written notice, a client may elect not to be involved in cross transactions.

HCM acting as advisor and fiduciary to both buyer and seller raises a conflict of interest. To address this conflict, HCM's policy is that it may effect cross trades between client accounts only if it is consistent with HCM's policies and procedures as summarized above. Pursuant to current regulations, ERISA accounts will not be provided the opportunity to effect cross trades with any other HCM advisory client.

### **Item 13 – Review of Accounts**

Weekly summary reports are prepared which allow each manager to review cash balances, percentage of assets in cash, equity and fixed income for all of the portfolios under his/her management. Each account is periodically reviewed using the applicable current model portfolio as a guide to determine if positions should be increased or decreased accordingly, based upon the goals of each client. All managers participate in the investment committee meetings where discussions are held regarding investment overview, portfolio allocation, and security analysis and selection. Accounts may be reassigned from one manager to another periodically. Managers are currently assigned anywhere from 25 to 200 accounts depending upon type of account, relationship history and portfolio complexity.

Manager/Reviewers: David Robinson, President; Jason Kaplan, Executive Vice President; Harold N. Howard, the Registrant's Founder/Senior Managing Director; Michael Wissel, Managing Director; Stephan Tow, Senior Managing Director.

Portfolio Appraisal Reports are typically furnished to clients on a quarterly basis showing the cost and current market values and percentage of their assets invested in securities positions.

#### **Item 14 – Client Referrals and Other Compensation**

HCM has an arrangement with an affiliate, NKSFB, LLC, which we compensate them for referring clients to us. NKSFB, like HCM, is an indirect wholly owned subsidiary of Focus LLC and is therefore under common control with HCM. Because HCM and NKSFB are under common control, our parent company benefits when NKSFB refers clients to HCM.

The compensation we pay NKSFB creates an incentive for them to refer clients to us. The Investment Advisers Act of 1940, as amended (the “Advisers Act”) addresses this conflict of interest by requiring disclosures related to the referral, including disclosure of whether NKSFB is a client or non-client, description of the material conflicts of interest and material terms of the compensation arrangement. We pay NKSFB a percentage of the advisory fees we receive from referred clients. The advisory fees are not increased as a result of the referral arrangement. We require NKSFB to provide the potential client, at the time of the referral, with such disclosures as are required under the Advisers Act.

For information about the institutional trading and operations services we receive from broker-dealers utilized for client accounts, see *Item 12 – Brokerage Practices*.

HCM’s parent company is Focus Financial Partners, LLC (“Focus”). From time to time, Focus holds partnership meetings and other industry and best practices conferences, which typically include HCM, other Focus firms and external attendees. These meetings are first and foremost intended to provide training or education to personnel of Focus firms, including HCM. However, the meetings do provide sponsorship opportunities for asset managers, asset custodians, vendors and other third-party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including HCM. Although the participation of Focus firm personnel in these meetings is not preconditioned on the achievement of a sales target for any conference sponsor, this practice could nonetheless be deemed a conflict as the marketing and education activities conducted, and the access granted, at such meetings and conferences could cause HCM to focus on those conference sponsors in the course of its duties. Focus attempts to mitigate any such conflict by allocating the sponsorship fees only to defraying the cost of the meeting or future meetings and not as revenue for itself or any affiliate, including HCM. Conference sponsorship fees are not dependent on assets placed with any specific provider or revenue generated by such asset placement.

The following entities have provided conference sponsorship to Focus from January 1, 2023 to March 1, 2024: Charles Schwab & Co., Inc., Orion Advisor Technology, LLC, TriState Capital Bank, StoneCastle Network, LLC, Fidelity Brokerage Services LLC, and Fidelity Institutional Asset Management LLC. You can access a more recently updated list of recent conference sponsors on Focus’ website through the following link:

<https://focusfinancialpartners.com/conference-sponsors/>

#### **Item 15 – Custody**

HCM is not affiliated with any of the qualified custodians used by its clients and does not accept custody of client funds or securities except in its ability to debit quarterly advisory fees from client accounts. HCM is also deemed to have custody of clients’ funds or securities when clients



have standing authorizations (“SLOAs”) with their custodian to move money from a client’s account to a third-party and, under that SLOA, HCM is authorized to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow.

Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains their investment assets. HCM urges clients to carefully review such statements and compare such official custodial records to the account statements that HCM provides to you and to report any suspected errors to us and to the custodian. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Item 16 – Investment Discretion**

HCM usually receives discretionary authority, in the form of a limited power of attorney, from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

HCM uses its best judgment, together with any investment objectives, guidelines, policies and limitations as the client may from time to time furnish to HCM pursuant to the client’s Investment Advisory Agreement.

#### **Item 17 – Voting Client Securities**

HCM generally votes proxies for securities in discretionary managed accounts, unless that authority is retained by the client in writing. In cases where HCM is responsible for voting proxies on securities held in a client’s account, HCM has adopted Proxy Voting Policies and Procedures in an effort to ensure that HCM casts votes in the best interests of our clients and documentation is maintained relating to how the proxies were voted. Our Proxy Voting Policies and Procedures are summarized as follows:

- Our guiding principle is to vote shares in the best interest of clients/beneficiaries including consideration of the possible effect of such vote on the value of the investment.
- We have retained a third party proxy voting vendor for voting and record keeping services and adopted a third party research provider’s proxy voting guidelines. HCM reviews the vendor’s proxy voting guidelines to confirm that they are consistent with our principles.
- Clients typically may not direct our vote for a particular solicitation in cases where HCM otherwise has proxy voting responsibility.
- HCM will generally vote all proxies except that HCM will not take any action or render any advice with respect to the voting of securities in the account of a client where the client is an insider or a control person of the public company of the issue held in the account.
- HCM generally votes proxies using a third party’s automated voting platform in accordance with the recommendations of the third party vendor. If HCM becomes aware of a



conflict of interest on the part of the vendor relating to a proxy proposal, HCM will review the proxy at issue and the voting recommendation to determine if such recommendation is consistent with HCM's policy of voting in the best interests of clients and will make a decision on how to vote the proxy.

Applicable clients may obtain a copy of HCM's complete Proxy Voting Policies and Procedures upon request. Such clients may also obtain information from HCM about how HCM voted any proxies on behalf of their account(s).

#### Class Actions:

In cases where HCM is responsible for filing class actions on behalf of clients, we have selected an unaffiliated third party vendor to provide class action litigation monitoring and securities claim filing services on behalf of our clients. This vendor will monitor class actions for which our clients may be eligible. Upon learning of any such class actions the vendor will collect the applicable documentation, interpret the terms of each settlement, file the appropriate claim form, interact with the administrators and distribute the award to applicable clients. The vendor charges clients a contingency fee which is subtracted from the award at the time of payment.

Clients may opt-out entirely or may list specific companies against which claims should not be filed on their behalf. Clients may change their opt-out election at any time by notifying HCM in writing. Because HCM provides this service to our clients through a third party vendor, we will not monitor class action suits or process any claim forms on clients' behalf, *whether or not they opt-out of this service. If a client chooses to opt-out*, the vendor also *will not monitor* any class action suits from which the client may be entitled to awards, and the vendor *will not process* any claim forms on the client's behalf. Clients who opt-out are entitled to pursue securities claims on their own.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition.

HCM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.