

# Disclosure Brochure

March 12, 2018

## **Silicon Valley Capital Partners**

*a Registered Investment Adviser*

This brochure provides information about the qualifications and business practices of Silicon Valley Capital Partners, L.P. (hereinafter "SVCP" or the "Firm"). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed below. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). SVCP is an SEC registered investment adviser. Registration does not imply any level of skill or training.

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## **Item 2. Material Changes**

In this Item, SVCP is required to discuss any material changes that have been made to the brochure since the last annual amendment filed March 21, 2017. Such revisions are based on the nature of the updated information since our last annual amendment filing. There have been no material changes to this Brochure since our last annual amendment on March 21, 2017.

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## Item 4. Advisory Business

SVCP primarily offers investment management services to its clients. The Firm has been an independent registered investment adviser since July 2003 and is wholly owned by Christopher K. Combs. As of March 12, 2018, SVCP has \$334,296,104 of assets under management, all of which was managed on a discretionary basis.

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

While this brochure generally describes the business of SVCP, certain sections also discuss the activities of its *Supervised Persons*, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on SVCP’s behalf and is subject to the Firm’s supervision or control.

### Investment Management Services

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

SVCP primarily allocates client assets among various types of equity and fixed income securities, in accordance with the investment objectives of its individual clients. Equity securities include individual stocks, as well as stock mutual funds and exchange-traded funds (“ETFs”). Fixed income securities include individual bonds, certificates of deposit, and bond ETFs. When appropriate, the Firm may help its clients transfer an existing annuity to a Fidelity Personal Retirement Annuity® in order to provide its clients with investment management services regarding the annuity’s underlying investment options. In more limited circumstances, the Firm may provide advice about any type of legacy position or other investment held in client portfolios.

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

## Financial Planning and Consulting Services

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SVCP offers clients a range of financial planning and consulting services, which may include any or all of the following functions:

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

In performing these services, SVCP is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information.

SVCP may recommend the services of itself, its *Supervised Persons*, or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage SVCP to provide additional fee-based services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the financial planning or consulting recommendations made by SVCP, or to engage the services of any such recommended professionals, including SVCP itself.

## Research Report

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SVCP also publishes a proprietary research report at least biannually entitled *Where Are We Now®*, which is made available to qualifying clients as part of the Firm's investment management offering.

## Item 5. Fees and Compensation

SVCP offers its services for a fee based upon assets under management.

### Investment Management Fees

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SVCP provides investment management services for an annual fee based on the amount of assets under the Firm's management. The fee varies between 40 and 100 basis points (0.40% – 1.00%), depending upon the size of a client's portfolio and the type of services rendered. The annual fee is prorated and charged monthly, in arrears, based upon the market value of the assets being managed by SVCP on the fifth business day from the end of the month. For the initial period of an engagement, the fee is

calculated on a *pro rata* basis. In the event the *Agreement* is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding balance is charged to the client, as appropriate. SVCP reserves the right to bill client an account closure fee of \$500 per account if account(s) are closed before the one-year anniversary to compensate for the set-up of accounts, gathering of data and development of client's portfolio policy statement, asset allocation and retirement income strategies recommendations. Certain legacy clients of the Firm may be under a different billing arrangement with the Firm.

### **Fee Discretion**

SVCP, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and *pro bono* activities.

### **Additional Fees and Expenses**

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

### **Fee Debit**

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

### **Account Additions and Withdrawals**

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

## Item 6. Performance-Based Fees and Side-by-Side Management

SVCP does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## Item 7. Types of Clients

SVCP provides its services to individuals, trusts, charitable organizations, corporations and other business entities.

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

### Methods of Analysis and Investment Strategies

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SVCP produces periodic research titled, Where Are We Now: Managing Risk Inherent to Global Macroeconomic and Capital Market Opportunities. This proprietary research includes a top-down analysis of macroeconomic cycle location, direction and momentum. This analysis is combined with a top-down and bottom-up future value calculation of the S&P 500 market and sector targets. Several proprietary momentum indicator models are also included to measure capital market bias and risk.

SVCP also leverages the capital market knowledge of third party research providers, including, but not limited to Morningstar Institutional Analyst and Standard & Poor's Capital IQ.

SVCP utilizes this research to structure macro-compliant portfolios with layered and targeted diversification. The Firm's goal is to navigate around known risks while at the same time achieving reasonable risk adjusted returns.

This research program is directly integrated into client portfolio review meetings to achieve three goals: 1) communicate and support the forward investment strategy, 2) communicate forward capital market bias and risk, and 3) provide high quality educational services and commentary relevant to investors of all skill levels.

### Risks of Loss

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#### *General Risk of Loss*

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

## *Market Risks*

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

## *Mutual Funds and ETFs*

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

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their *pro rata* NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

## **Item 9. Disciplinary Information**

SVCP and its management persons have not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.



## Item 10. Other Financial Industry Activities and Affiliations

### A. Broker-Dealer Registration Status

This Item is not applicable.

### B. Commodities-Related Registration

This Item is not applicable.

### C. Material Relationships or Arrangements with Industry Participants

This Item is not applicable.

### D. Material Conflicts of Interest Relating to Other Investment Advisers

This Item is not applicable.

## Item 11. Code of Ethics

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

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

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

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

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase

agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact SVCP to request a copy of its *Code of Ethics*.

### Item 12. Brokerage Practices

SVCP generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services (“*Fidelity*”) for investment management accounts.

Factors which SVCP considers in recommending *Fidelity* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* enables SVCP to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Fidelity* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by SVCP’s clients comply with the Firm’s duty to obtain “best execution.” Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where SVCP determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution*’s services, including among others, the value of research provided, execution capability, commission rates and responsiveness. SVCP seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

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

The client may direct SVCP in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution* and the Firm will not seek better execution services or prices from other *Financial Institutions* or be able to “batch” client transactions for execution through other *Financial Institutions* with orders for other accounts managed by SVCP (as described below). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, SVCP may decline a client’s request to direct brokerage if, in the Firm’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless SVCP decides to purchase or sell the same securities for several clients at approximately the same time. SVCP may (but is not

obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among SVCP’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among SVCP’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that SVCP determines to aggregate client orders for the purchase or sale of securities, including securities in which SVCP’s *Supervised Persons* may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. SVCP does not receive any additional compensation or remuneration as a result of the aggregation. In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, SVCP may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist SVCP in its investment decision-making process. Such research generally will be used to service all of the Firm’s clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client’s portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because SVCP does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

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SVCP may receive from *Fidelity*, without cost to SVCP, computer software and related systems support, which allow SVCP to better monitor client accounts maintained at *Fidelity*. SVCP may receive the software and related support without cost because SVCP renders investment management services to clients that maintain assets at *Fidelity*. The software and support is not provided in connection with securities transactions of clients (i.e., not “soft dollars”). The software and related systems support may

benefit SVCP, but not its clients directly. In fulfilling its duties to its clients, SVCP endeavors at all times to put the interests of its clients first. Clients should be aware, however, that SVCP's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence SVCP's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support or services.

Additionally, SVCP may receive the following benefits from *Fidelity* through the Fidelity Institutional Wealth Services Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Institutional Wealth Services Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information. Clients should be aware, however, that the receipt of economic benefits by SVCP or its related persons in and of itself creates a potential conflict of interest and may indirectly influence SVCP's recommendation of *Fidelity* for custody and brokerage services.

### Receipt of Soft Dollars

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In addition to the research services described above, SVCP may be offered other non-monetary benefits by *Fidelity*. These benefits may take the form of real-time pricing and macroeconomic data, as well as portfolio monitoring and risk management systems. The availability of these benefits may influence SVCP to select *Fidelity* over another broker based on SVCP's interest rather than on client's interests in receiving most favorable execution. Nevertheless, SVCP will assure the fees and costs for services provided to clients by *Fidelity* are not materially greater than they would be if the services were performed by brokers not offering these services. The use of brokerage commissions to obtain research products and/or other services and to pay for other non-research services creates a conflict of interest because clients pay for such products and services that are not exclusively for the benefit of clients and may be primarily or exclusively for the benefit of SVCP.

## Item 13. Review of Accounts

### Account Reviews

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

## Account Statements and Reports

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the *Financial Institutions* where their assets are custodied. Not less than annually or as otherwise requested, clients may also receive written or electronic reports from SVCP and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with those they receive from SVCP or an outside service provider.

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

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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

### Other Economic Benefits

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In addition, SVCP is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

## Item 15. Custody

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

The *Financial Institutions* recommended by SVCP have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to SVCP. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation. In addition, as discussed in Item 13, SVCP also provides periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from SVCP. Clients should contact us directly if they believe that there may be an error in their statement.

## Item 16. Investment Discretion

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

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

## Item 17. Voting Client Securities

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

## Item 18. Financial Information

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

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

