

**ADV: Part 2A**  
**March 23, 2013**

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**This brochure provides information about the qualifications and business practices of Capital Research Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 770-925-1000. 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 Capital Research Advisors also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Capital Research Advisors, LLC is currently a federally registered investment advisor with the U. S. Securities and Exchange Commission. The U.S. Securities and Exchange Commission does not endorse, recommend, or pass an opinion for Capital Research Advisors, LLC or any investment advisor.

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## REGISTRATION

Capital Research Advisors, LLC (CRA - LLC) is a federally registered investment advisor with the U. S. Securities and Exchange Commission.

The U.S. Securities and Exchange Commission does not endorse, recommend, or vouch for Capital Research Advisors, LLC, or any investment advisor.

## FOUNDING

CRA - LLC was founded in 2003 by two managing partners, James Metzloff and Kenneth Graves. Mr. Metzloff was a twenty plus year veteran of the investment industry and Mr. Graves was a sixteen year veteran of the investment industry when CRA – LLC was founded. Mr. Metzloff has since retired (2010) and is no longer a part of CRA - LLC.

## CURRENT LEADERSHIP

During the first three years of existence, CRA – LLC under the leadership of Mr. Metzloff and Mr. Graves, added a third partner, Tom Spicknall – CFP.

Mr. Spicknall is a twenty-five plus veteran of the investment industry. Mr. Graves and Mr. Spicknall now operate Capital Research Advisors, LLC and it's presence in 4 different offices.

In early 2012 Mr. Darren Heil joined CRA as an assistant portfolio manager. In the second half of 2012 Mr. David Simmons joined the firm and then Mr. Michael Trafford joined CRA to lead and assist in financial planning needs.

## EDUCATION AND BUSINESS BACKGROUND:

The following individuals comprise the investment committee of CRA:

KENNETH DWAIN GRAVES BORN: 06/11/57

### EDUCATION:

B.S., Animal Physiology, University of North Carolina, 1979

### EMPLOYMENT HISTORY:

Manager, CAPITAL RESEARCH ADVISORS, LLC, from 05/03 to Present  
Registered Representative, Ceros Financial Services, from 09/09 to Present

Registered Representative, Rydex Financial Services, a division of Rydex Distributors, Inc., from 05/03 to 09/09

Registered Representative, Investment Advisory Rep, Cambridge Investment Research Inc., from 12/96 to 05/03.

THOMAS JOHN SPICKNALL BORN: 10/5/53

EDUCATION:

Catawba College, 1975

Certified Financial Planner, 1991

EMPLOYMENT HISTORY:

Registered Representative, Ceros Financial Services, 09/09 to Present

Managing Partner, CAPTIAL RESEARCH ADVISORS, LLC 06/09 to Present

Non-Managing Partner, CAPITAL RESEARCH ADVISORS, LLC, 06/06 to 06/09

Registered Representative, Rydex Distributors, 06/06 to 09/09

President, Capital investment Strategies, 07/86 to 06/06

Registered Representative, Linsco/Private Ledger Corp., 06/00 to 05/06

Sales Agent/Broker, Securities Service Network, 02/00 to 05/00

Registered Representative, Linsco/Private Ledger Corp., 07/86 to 01/00

OTHER BUSINESS ACTIVITIES

Mr. Spicknall is also an independent insurance agent; his primary address for this activity is 201 N. Thornton Ave., Dalton, GA 30720.

Mr. Spicknall's experience as a CFP for 16 years allows CRA to rely on him for complete financial plans.

Darren Russell Heil. Born: 12/30/1975

Education:

Cornell University - BS in Engineering, May 1998

Cornell University - MENG in Engineering Management May 1999

Employment History:

01/2012 – Present - CRA LLC - VP and Senior Portfolio Manager,

01/2012 – Present - Registered Representative, Ceros Financial Services

08/2010 – 01/2012 – Merrill Lynch – Financial Advisor

01/2008 – 08/2010 – Transform - Founder, Partner & CFO

08/2002 – 12/2007 – Difeq Consulting - Founder & Partner

Mr. David Simmons.

Education:

Vanderbilt University – BS in Economics and BS in Human & Organizational Development - 1999

Employment History:

08/2012 – Present – Capital Research Advisors, LLC Financial Advisor  
08/2012 – Present – Registered Representative, Ceros Financial Services  
06/2005 – 08/2012 – Wells Fargo Advisors, LLC  
06/2005 – 03/2003 –Registered Representative, Merrill Lynch Pierce Fenner & Smith Inc  
01/2003 – 03/2003 – Fahnestock – Financial Advisor  
04/2001 – 01/2003 – CIBC World Markets Corp  
07/1999 – 11/2000 – Prudential Securities Incorporated

Mr. Michael Trafford.

Education:

Georgia State University – BS in Finance – 1988  
Georgia State University – MBA in Financial Planning - 1994

Employment History:

08/2012 – Present – Capital Research Advisors, LLC Financial Planner  
08/2012 – Present – Registered Representative, Ceros Financial Services  
04/2002 - 08/2012 -Triad Advisors, Inc.  
12/2000 - 04/2002 - Cambridge Investment Research, Inc  
07/2000 - 10/2000 - Commonwealth Financial Network, Inc.

CRA requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of these may be subject to termination.

## OUTLINE OF INVESTMENT TYPES OF INVESTMENT MODELS USED IN ADVISING CLIENTS

When CRA - LLC manages assets we largely use defined investment models. We divide our asset management models into different types/styles. These models are rules based models which means that there is little subjective nature to the decision making process in the models. The rules are quantitative in their nature and their design so those rules drive the decisions made.

Currently we have two (2) models for fixed income type assets. These are models with one focused for largely producing tax free income and the second model is for largely producing taxable income. Both will produce taxable capital gains when used in non-qualified accounts.

Both of these fixed income models have a similar framework in place for attempting to manage risk but they both function very independently of the other. This framework usually involves a core construction of about 60%-85% of assets in each model. Since the price of a bond and the dividend rate it carries work in opposition to each other, CRA – LLC attempts to address this opposite relationship. To do so, there can be a position of a “hedge”, designed to help offset or buffer some of the effects of possible interest rate increases. There can also be put in place of the “hedge” a position that may help to appreciate the portfolio possibly for possible interest rate decreases.

CRA – LLC also provides equity based models and it currently has four (4) models which focus primarily on U.S. equities. With these four models we only use broad stock indexes or broad sector representations here.

We attempt to have the equity models in place that do not correlate highly to one another over extended periods of time. This attempt to keep the correlations between these four models low means that the models, though they can and do change, are structured/selected partially based on their lack of being interconnected to each other. To help this occur we can and do regularly use a tactical overlay in the management of these models. This means the model(s) may have certain points within them that once the model reaches that point, a major change in the holdings of that model will occur.

Currently, our last model does not base itself off of U.S. equity indexes or equity sectors. It makes use of different asset classes. They can be commodity based positions – i.e., oil/gas, precious metals and basic materials. This model can also use the U.S. Dollar, in either a "long" or a "short" portfolio, as well as other major world currencies. This model may also invest in "country" portfolios for countries that are not currently deemed to be highly correlated to the U.S. board markets.

## OTHER POSSIBLE SERVICES BEYOND INVESTMENT MANAGEMENT

CRA – LLC does provide for financial planning to its clients. Financial planning is done for clients on a separate cost to the client basis above and beyond the cost of managing assets. When we carry out financial planning we will charge for financial planning and a CFP will be an active part of the client interactions for this and a separate engagement letter is signed by the client in advance.

Often, we lay out a financial game plan for clients to help them look at net worth, current qualified & non qualified investments in the current format as well as current contributions. We typically first perform 2 functions. A risk tolerance & a data collection input we term a CNA. Risk tolerance allows us to begin to assess the history of investing as well as the perception of their investing and past investments.

The CNA allows us to look at income, debt, cash flow overall, financial obligations, future obligations, plans which help us assess their needs, suitability of their current finances as well as their perception of their current finances. This helps CRA – LLC as we allocate assets across the many different models that we use here. Not all clients are allocated the same and this review process helps aid us in that.

This financial game plan for clients is not the same as the financial planning referred to above and is only offered to clients who are investment advisory clients. There is no fee charged for this.

## TYPES OF CLIENTS WE SERVE

We serve clients of differing descriptions. We do serve individuals, families as well as high net worth individuals. We also serve small and to medium size businesses as well as non-profit businesses. CRA-LLC does at times have solicitor agreements and will pay a referral fee under a solicitor agreement which we have with a solicitor. In this situation a client has to sign a disclosure stating that they understand we are paying a referral fee to that solicitor. These we would all consider direct clients.

In addition to these direct clients we also can and do take on non-direct clients. In this effort we serve other financial advisors and the needs they may have for their clients through our investment advisory services described above. Most typically that advisor has an “investment advisory representative” agreement with CRA – LLC. We consider this to be a third party relationship. These advisors receive the same investment model availability as do individuals, families, and high net worth individuals. We do not provide financial planning to any of these advisors or their clients who is not a direct client of CRA – LLC.

CRA – LLC does provide its services on a fee for service basis being paid as a percentage of assets under advisement/management with us. We will occasionally offer an hourly rate to a client who would only want to have a limited time engagement with us.

We do not offer a “wrap fee program”.

No advisory client will be favored over any other client.

## FEES & SCHEDULE

The annual fee for Investment Supervisory Services or Selection and Monitoring Services will be charged as a percentage of assets under advisement, according to the schedule of our maximum fees below, but are always negotiable up or down:

Assets under advisement	Annual Fee
\$0 - \$500,000	Not Greater than 1.75%
\$500,000 - \$1,000,000	Not Greater than 1.50%
\$1,000,001 - \$2,500,000	Not Greater than 1.25%
\$2,500,001 - \$5,000,000	Not Greater than 1.00%
Over \$5,000,000	Negotiable

Hourly Rates by Partners at \$325/hour

## DISCLOSURES

CRA – LLC clients can choose to have their fees deducted from their account or billed to them directly. This choice is listed distinctly and separately in our advisory agreement. We most typically assess fees on a quarterly basis but we do have a limited number of clients that we assess fees on a monthly basis instead. All client fees are earned on a pro rata basis and should a fee in advance be paid to CRA but not earned, CRA will refund the unearned portion of the fee within 14 days of the termination of CRA’s services.

All fees paid to CRA for investment advisory services are separate and distinct from the fees and expenses charged by the custodian for its services, IRA fees, exchange fees or SEC mailing fees. Separate and distinct fees and expenses charged by mutual funds, ETFs, closed end funds, collective trusts, and variable annuities to their shareholders/unitholders are not a part of CRA fees. Those separate fees and expenses are described in each of those products prospectus. Those fees will generally include a management fee, other fund expenses, and a possible distribution fee or service fee. If the fund also imposes sales charges, a CRA client will obtain the fund at Net Asset Value (NAV) meaning without paying that stated sales charge.

If CRA uses funds, and it often does, CRA will most often use “no load funds”, investor share class, institutional share class if the client can meet the requirements given by that fund or as stated elsewhere in this brochure. CRA can use “loaded funds” on a load waived basis meaning no sales load is paid by the client to CRA. CRA may use funds



that have an internal service fee and if this does occur and if this fee is sent to CRA by the fund provider, this fee is accepted and kept by CRA. It is not refunded to any party, not the client, not the fund provider and not to the custodian. It is the opinion of some in our industry that this produces a conflict of interest. CRA does not make selection of investments based on whether a fund does or does not pay this “service fee” and we do attempt to purchase a share class when using funds that is cost efficient for the clients.

As of the date of this filing CRA does not offer performance based fees.

A CRA client may pay a “level” sales charge but should this occur they would not pay CRA a level sales charge AND an asset management fee both. The level sales charge would be received by CRA in lieu of an asset management fee and a separate document describing this will be signed by any client paying a level sales charge in lieu of an asset management fee. This will typically occur with clients that have a lesser total account value and it will be done to lessen the impact of the fees that CRA would charge if it were charging a separate asset management fee.

A person could invest in a mutual fund directly, without the services of CRA and would therefore not be a CRA client. In that case, the client would not receive the services provided by CRA which are designed, among other things, to assist the client in determining which products might possibly be appropriate to each client’s financial condition and objectives.

Accordingly, the client should review both the fees charged by the funds and the fees charged by CRA to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

## DISCRETION and NON DISCRETION ACCOUNTS

CRA – LLC prefers to manage assets on a discretionary basis but does on occasion accept an account with limited restrictions. These restrictions can be in the form of not allowing the sale of an existing holding(s) in the account prior to CRA – LLC accepting the account for whatever reason(s) the client may have. These restrictions would need to be defined by the client so that the parameters of the decision can be maintained by CRA – LLC and understood by us as well.

There can also be restrictions on what to allow the account to purchase or hold/not hold but again those restrictions would need to be defined by the client and the be agreed to with CRA – LLC management.

CRA does not custody assets. CRA always uses a third party to custody (hold and care for) clients assets. CRA acts as an advisor or manager of those assets by a signed authorization by the client(s).

## RISKS

An investment made through CRA for CRA to manage is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The value of an investment made through CRA will fluctuate and is subject to investment risks, which means investors could lose money. Some of those risks are shown here.

The market value of the securities held by the account may fluctuate resulting from factors affecting the individual holdings or other factors such as changing economic, political or financial market conditions. An investment made through CRA involves risks similar to those of investing in any publically traded securities traded on an exchange, such as market fluctuations caused by the factors stated above as well as changes in interest rates and perceived trends in security prices.

The value of a holding in a client's account likely will decline, more or less, in correspondence with any decline in value of the underlying markets which the holdings attempt to match or are correlated to. The holding in the account may not contain the appropriate mix of securities for any particular economic cycle, and the timing of movements from one type of security to another could have a negative effect on the account. This means that based on market and economic conditions, the account's performance could be impacted by these risks.

We attempt to have our equity models in place that do not correlate highly to one another and are not constantly correlated to those underlying markets. This attempt to keep the correlations between these four models low means that the models, though they can and do change, are structured/selected partially based on their lack of being interconnected to each other. To help this occur we can and do regularly use a tactical overlay in the management of these models. This means the model(s) may have certain points within them that once the model reaches that point, a major change in the holdings of that model will occur.

## CLOSING

Always feel free to ask CRA for any details you may not understand, may be unclear about or have other questions about. We want you to be as knowledgeable as you feel you need to be as a client or potential client.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ken Graves', with a stylized flourish extending from the end.

Ken Graves  
Chief Compliance Officer

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