



# CHAMPION

## CAPITAL RESEARCH

*A WEALTH OF WISDOM*

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This Brochure provides information about the qualifications and business practices of Champion Capital Research, Inc. If you have any questions about the contents of this Brochure, please contact the Firm at (713) 974-8883 and/or [campion@championcr.com](mailto:campion@championcr.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. Champion Capital Research, Inc. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

## **Item 2 – Material Changes**

The last annual update of this brochure was March 2017. No material changes have occurred since that update.

In the past, Champion Capital Research, Inc. has offered or delivered information about the Firm's qualifications and business practices to clients on at least an annual basis. Pursuant to SEC Rules, the Firm will ensure that clients receive a summary of any materials changes to this and subsequent Brochures within 120 days of its business' fiscal year-end. Further, the firm will provide clients with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, the firm's Brochure may be requested by contacting Mary Kathryn Campion at (713) 974-8883 extension 101 or via email at [campion@championcr.com](mailto:campion@championcr.com). Additional information about Champion Capital Research, Inc. is also available via the SEC's Web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's Web site also provides information about any persons affiliated with the firm who are registered, or are required to be registered, as investment adviser representatives of the firm.

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#### **Item 4 – Advisory Business**

Champion Capital Research, Inc. (“CCR” or the “Firm”) was formed in August 2003 and is wholly owned by Mary Kathryn Campion. CCR provides research, investment advisory services and fiduciary assessments to pension plans, profit sharing plans, high net worth individuals, trusts and trust departments, foundations, and other registered investment advisory companies.

##### **Research and Analyses Services**

CCR is an investment advisory firm providing independent advisory services to institutional and family office clientele. The Firm’s primary goal is to improve the quality of information available to clientele through asset allocation modeling, tactical portfolio investment strategies, alternative investment due diligence, and asset/liability implementation and management. When appropriate, CCR also provides independent verification analyses, economic forecasts, yield curve analyses, manager research and due diligence, investment policy design and implementation, emerging market research, and asset liability and cash flow analyses.

##### **ERISA Plan Services**

###### *Discretionary Services*

The Employee Retirement Income Security Act (“ERISA”) Section 3(38) provides for a plan sponsor to delegate the responsibility and liability of selecting and monitoring investments to the Firm. In this case, the Firm is presumed by definition to have discretion and control over the plan’s assets and management and is a fiduciary of the plan itself. CCR offers discretionary services under Section 3(38) to plan sponsors.

###### *Nondiscretionary Services*

Under ERISA Section 3(21), the Firm only provides investment recommendations to a plan sponsor who then has the discretion to implement or disregard the advice. In this case, the Firm is a fiduciary with regard to the information it provides but does not act as a fiduciary of the plan itself. CCR provides nondiscretionary services under Section 3(21) to plan sponsors.

##### **Subadvisory Services**

CCR has entered into an arrangement with other registered investment advisory companies (“RIAs”) which are also registered with the SEC or with the appropriate state(s). These RIAs appoint CCR as an investment subadvisor to design, invest, trade, manage and administer portfolio assets. CCR shall be responsible for the investment and reinvestment of those assets of the individual client accounts.

##### **Tailored Advisory Services**

Clients may place limitations and/or restrictions on the selection and determination of amounts of securities by doing so in writing.

##### **Wrap Fee Program**

CCR has entered into an agreement with Envestnet Asset Management, Inc. (“Envestnet”) whereby CCR is a separate account manager for certain of Envestnet’s clients. CCR is considered a fiduciary for these clients, providing specific investment advice to these clients. Envestnet shall deliver to each prospective client a current copy of Envestnet’s brochure together with CCR’s brochure. Envestnet will pay an amount to CCR from the

management fees earned and collected per fees disclosed in contract between the firms. The management fees of the independent financial advisor, CCR and Envestment are wrapped so that these clients only pay one management fee.

### **Assets Under Management (AUM)**

CCR manages accounts on both a discretionary and non-discretionary basis. As of December 31, 2017, the Firm has a total of \$688,727,554 of assets under management, of which \$201,707,743 is managed on a discretionary basis.

### **Item 5 – Fees and Compensation**

CCR provides discretionary and non-discretionary consulting services for a fee, based upon a percentage of the client's assets for which consultation is provided. In addition, clients will be responsible for other charges that apply to the management of their account or custody of their assets. Fees payable to CCR are negotiable.

#### *Discretionary Services*

The fee schedule for new clients has an annual floor of \$4,000 and follows:

\$1M-\$3M	0.80%, plus
>\$3M-\$5M	0.60%, plus
>\$5M and above	As Agreed

#### *Nondiscretionary Services*

The fee schedule for new clients has an annual floor of \$10,000 and follows:

\$10M-300 M	10 to 30 bps or as agreed
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Fees are payable quarterly in advance, and may or may not be deducted from a client's account(s). When fees not deducted, CCR invoices the client who may pay by check or wire. CCR fees are calculated on an incremental basis and are subject to change with sixty (60) days' notice. Notwithstanding the above, certain clients of the Firm with pre-existing relationships may be on a different fee schedule, so clients receiving the same or similar service are paying different fees. Employee accounts are not assessed a management fee. With regard to certain other accounts, the quarterly fees may be less, depending upon a number of factors, including portfolio size and relationship to the employee.

#### *Consulting*

Some clients engage CCR to provide only consulting services, which are negotiated based on the clients' needs in terms of complexity of the portfolio, frequency of review, materials required, etc. Some of these engagements are negotiated on a fixed fee basis, which are determined based on CCR's expected time to complete the engagement. Payment of fixed fees may be negotiated on a quarterly, annual or one-time basis.

#### *Hourly Consulting*

On rare occasions, a client requires a one-time consultation, which is charged at a rate of \$200 – 300 per hour, and is due at the close of the consultation.

### *Other Fees*

Client accounts pay directly for fees assessed by the custodian, such as transaction, wire, exchange or custodial fees. Additionally, clients agree to pay travel expenses on a pre-approved basis.

### *Implementation with Mutual Funds*

When CCR recommends a mutual fund for a client's account, three separate fees are typically charged to the client, either directly or indirectly. The first fee is CCR's investment management fee where the fund is included in the asset base for the quarterly fee calculation. This fee is always charged to clients who pay CCR an investment management fee. The second is the set of internal fees charged by the investment company for the fund's investment management, marketing, administration and marketing assistance. These internal expenses are disclosed in each fund's prospectus which is provided to each client by the custodian, and are always charged. (This set of fees also applies to any money market fund purchased in the client's account.) The third fee is a transaction fee which is assessed by the custodian for its service of providing access to a universe of mutual fund families through one account. To avoid such fees a client would be required to open a separate account with each individual mutual fund company instead of using the custodian recommended by CCR, which would also negatively affect CCR's ability to deliver its services efficiently. Not all mutual fund trades enacted by CCR incur this transaction fee. When recommending mutual funds for client portfolios, CCR only recommends no-load funds; loads usually are sales charges paid to an advisor. CCR receives no sales charges on any securities.

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

CCR does not charge any performance fees based on a share of capital gains on or capital appreciation of the assets of a client, so does not manage performance-fee based accounts side by side with accounts not paying performance fees.

## **Item 7 – Types of Clients**

CCR provides portfolio management services to family offices, high net worth individuals, institutions, pensions and profit sharing plans.

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

CCR begins all direct advisory engagements with its standard investment process: we analyze and organize a client's current situation by identifying time horizon, income distribution needs, restricted securities, restricted asset classes, tax treatment and any other criteria. CCR's investment management process reviews the current portfolio and determines improvements in the following areas: fees, asset diversification, investment product diversification and performance, total portfolio risk return profile and tax efficiency.

Next, the Firm formalizes the assessment into a set of investment policies. Clients' investment policy statements ("IPS") detail the following: purpose, background, objectives, tax considerations, investment opportunities and constraints, risk and expected return profile, asset allocation constraints, duties and responsibilities of managers, custodians, fiduciaries, and advisors, fiduciary ranking of managers, benchmark determination and optimization, and control procedures.

Implementing the policy requires due diligence to ensure best execution and accurate portfolio placement. At this point, CCR ensures that the implemented portfolio is aligned with the policy portfolio. Finally, CCR monitors each client portfolio. With the use of international monitoring systems, CCR calculates portfolio performance and

attributes the portfolio to specific holding, sectors, countries, and currencies. Using internally generated computer attribution models, CCR can identify the contribution to total portfolio return that is the result of tactical moves, asset allocation and security selection.

Portfolios invest in many different types of securities which may include but are not limited to: stocks, bonds, mutual funds, separately managed accounts, exchange-traded funds or notes, and alternative investments.

### **Principal Investment Risks**

An investment in CCR portfolios is not a deposit in any bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. Accordingly, the loss of money is a risk of investing in the portfolio. The value of the securities within the portfolio varies from day to day and over time, and when you sell your security shares they may be worth less than what you paid for them. The following is a summary of the principal risks of investing in the portfolio.

**Management Risk** – The portfolios are actively managed portfolios, and the value of an account may be reduced if CCR pursues unsuccessful investments or fails to correctly identify risks affecting the broad economy or specific issuers in which the portfolio invests.

**Market and Economic Risk** – The value of the portfolio's investments may decline due to changes in general economic and market conditions. The value of a security may change in response to developments affecting entire economies, markets or industries, including changes in interest rates, political and legal developments and general market volatility.

**Risks Affecting Specific Issuers** – The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may include a variety of factors, including but not limited to management issues or other corporate disruption, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.

**Smaller Company Risk** – Investments in smaller companies may involve additional risks because of limited product lines, limited access to markets and financial resources, greater vulnerability to competition and changes in markets, lack of management depth, increased volatility in share price, and possible difficulties in valuing or selling the investments.

**Foreign Investment Risk** – Investments in securities of foreign issuers may involve risks including adverse fluctuations in currency exchange rates, political instability, confiscations, taxes or restrictions on currency exchange, difficulty in selling foreign investments, and reduced legal protection. These risks may be more pronounced for investments in developing or emerging countries.

**Credit Risk** – If debt obligations held by the portfolio are downgraded by ratings agencies or go into default, or if management action, legislation or other government action reduces the ability of issuers to pay principal and interest when due, the value of those debt obligations may decline and the dividends paid by the portfolio may be reduced. Because the ability of an issuer of a lower-rated or unrated debt obligation to pay principal and interest when due is typically less certain than for an issuer of a higher rated debt obligation, lower-rated and unrated debt obligations are generally more vulnerable than higher rated debt obligations to default, to ratings downgrades and to liquidity risk.

**Interest Rate Risk** – When interest rates increase, the value of the portfolio's investments in debt obligations may decline. This effect is typically more pronounced for intermediate and longer-term debt obligations. Decreases in

market interest rates may result in prepayments of debt obligations the portfolio acquires, requiring the portfolio to reinvest at lower interest rates.

**Liquidity Risk** – Due to a lack of demand in the marketplace or other factors, the portfolio may not be able to sell some or all of the investments promptly, or may only be able to sell investments at less than desired prices. This may be the case especially with alternative investments.

CCR uses separate accounts and mutual funds (including exchange-traded funds and notes) to implement its portfolio strategies. CCR also manages custom accounts by purchasing individual stocks and bonds. Funds are subject to the same risks listed above. In addition to those risks, exchange-traded funds and notes are traded on the secondary market and trade intra-day. This may lead to more price volatility than a traditional opened mutual fund which prices only once a day.

Investing in securities involves risk of loss that clients should be prepared to bear.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the Firm or the integrity of its management. ***CCR had no information applicable to this Item.***

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

CCR is and shall remain independent of other financial industry firms and affiliations.

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

CCR has adopted a Code of Ethics to ensure that research and analyses by CCR's employees are consistent with the firm's fiduciary duty to its clients and to ensure compliance with legal requirements and the Firm's standards of business conduct. This Code of Ethic describes the general standards of conduct that the Firm expects of all employees and focuses on three specific areas where employee conduct has the potential to adversely affect the client:

- Misuse of nonpublic information
- Personal securities trading
- Outside business activities

Failure to uphold the Code of Ethics will result in disciplinary sanctions, which may include termination with the Firm. Any client or prospective client may request a copy of the Firm's Code of Ethics which will be provided at no cost.

The following basic principles guide all aspects of the Firm's business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients' interests come before employees' personal interests and before the Firm's interests.
- The Firm must fully disclose all material facts about conflicts of interest of which it is aware between itself and clients as well as between Firm employees and clients.
- Employees must operate on the Firm's behalf and on their own behalf consistently with the Firm's disclosures and to manage the impacts of those conflicts.



- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its employees must always comply with all applicable securities laws.

#### *Misuse of Nonpublic Information*

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Firm. Employees may not convey nonpublic information nor depend upon it in placing personal or recommending clients' securities trades.

#### *Personal Securities Trading*

CCR or individuals associated with the Firm may buy, sell or hold in their personal accounts the same securities the Firm recommends to its clients. This creates a potential conflict of interest with the possibility of Firm personnel obtaining a better price than clients obtain. To mitigate this conflict, investment opportunities must be offered to clients before personally acting on them. The client must be allowed a reasonable time period to act on the opportunity before CCR personnel may effect a personal securities transaction. Written documentation is maintained indicating the opportunity was first offered to the client. The Firm does not allow front running.

Employees are required to submit reports of personal securities trades on a quarterly basis, and securities holdings annually. These are reviewed by the Chief Compliance Officer to ensure compliance with the Firm's policies.

#### *Outside Business Activities*

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed or the employee will be directed to cease this activity.

### **Item 12 – Brokerage Practices**

Many of CCR's clients come to the Firm having already established relationships with custodians and/or broker dealers. CCR does not recommend particular custodians or broker dealers when clients request assistance with placing assets or trades. CCR does not have any formal soft dollar relationships.

When determining what broker dealers should execute a trade for a client (when a choice is available) CCR considers best execution in light of access to markets, commission rate, speed and price of prior executions, quality of reporting, market knowledge and financial stability.

### **Item 13 – Review of Accounts**

The Firm's Chief Compliance Officer, Mary Kathryn Campion, reviews all accounts on at least an annual basis to ensure that each asset allocation strategy: (i) is suitable to clients' investment objectives; (ii) meets clients' quality standards; and (iii) ensures that investment objectives are pertinent to the designated portfolio composition.

More frequent reviews will be triggered by material changes in variables such as (i) the clients' individual circumstances, (ii) product underperformance or style change and (iii) the market, financial, economic or political environment.

Periodic written performance reports will be prepared for each review in addition to the monthly account statements and confirmations that are generated by the custodian of the assets.

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

Neither CCR nor any of its Supervised Persons (i) receives any economic benefits from any persons or entities who are not clients or (ii) directly or indirectly compensates any person or entity for client referrals.

#### **Item 15 – Custody**

Custody is defined as having any access to client funds or securities. Because CCR generally has the authority to instruct the account custodian to deduct the investment management fee directly from the client's account, CCR is considered to have "custody" of client assets. This limited access is monitored by the client through receipt of account statements directly from the custodian. These statements all show the deduction of the management fee from the account. Otherwise, CCR may only direct the movement of funds from one account in the client's name to another such titled account, but has no other access to funds.

Clients receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains clients' investment assets. CCR urges clients to carefully review such statements and compare such official custodial records to the account statements that CCR provides. CCR's statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

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

For discretionary accounts, CCR receives authority from the client at the outset of an advisory relationship to determine and implement the identity and amount and timing of securities to be bought or sold. In all cases, discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, CCR observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to CCR in writing.

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

It is not the Firm's practice to take any action or render any advice with respect to the voting of proxies solicited by, or with respect to, the issuers of any securities held in the Accounts. Clients receive proxy material directly from their account custodian by either email or U.S. mail.

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

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about their financial condition. CCR is well capitalized, 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.