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Form ADV, Part 2A Brochure

February 27, 2014

This brochure provides information about the qualifications and business practices of Belmont Capital Group. If you have any questions about the contents of this brochure, please contact us at 310-203-2670. 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.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that Belmont Capital Group or any person associated with Belmont Capital Group has achieved a certain level of skill or training.

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

## **ITEM 2 - MATERIAL CHANGES**

The purpose of this page is to inform you of any material changes since the last annual update to this brochure. If you are receiving this brochure for the first time this section may not be relevant to you.

Belmont Capital Group reviews and updates our brochure at least annually to make sure that it remains current. We have not made material changes since the annual update to our brochure dated March 25, 2013.

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## ITEM 4 - ADVISORY BUSINESS

### Description of Advisory Firm

Belmont Capital Group (“Belmont Capital,” “we,” “our,” “the firm” or “us”) is a privately owned limited liability company headquartered in Los Angeles, California. Belmont Capital is a boutique investment adviser formed in 2010 and registered with the Securities and Exchange Commission. Daniel Beckwith and Stephen Solaka are 50% co-owners of Belmont Capital Group.

### Advisory Services Offered

We provide solutions to address the specific needs of investors and advisors. Belmont Capital offers the following services to advisory clients:

#### Portfolio Management Services

##### *Belmont Total Portfolios*

We offer advice to clients regarding asset allocation, selection of investments, and manager selection. Our portfolio management services include designing, implementing, and providing continuous monitoring of our client’s accounts. We will invest accounts on a fully discretionary basis, limited only by the client’s individual needs and any restrictions imposed on the account.

##### *Dynamic ETF Portfolios*

We provide two proprietary hedged equity ETF strategies. The objective is to lower the overall risk of investing in global equities by balancing downside protection with total return. We can provide our Dynamic ETF Portfolios as a stand-alone investment management strategy or as a component of our Belmont Total Portfolios.

##### *Theta Overlay Program*

We offer our proprietary Theta Overlay Program (“TOP”) as an alternative income and absolute return strategy. The objective is to generate absolute returns less correlated to the direction of the equities markets, through the construction of risk-controlled spreads in equity index options.

##### *Customized Solutions*

We also offer Customized Solutions to hedge specific investment risks by client request.

We describe our Portfolio Management Services in further detail in **Item 8** under the heading **Investment Strategies** below.

#### Investment Manager Arrangements

Belmont Capital has made arrangements to be designated as the investment manager for clients who already have an investment adviser. In such instances, we provide investment management services under our investment management agreement and the client also has an advisory agreement with an unaffiliated registered investment adviser.

As investment manager, we typically provide portfolio management services (described above) on a portion of the client's portfolio and have full investment discretion (subject to limitations on the firm's discretion to select broker-dealers for portfolio transactions, as discussed below in **Item 12** under the heading **Brokerage Practices**). The same fees and billing methods described below under **Item 5 - Fees and Compensation** apply to investment management clients; however, under these arrangements clients will pay fees to both Belmont Capital and their investment adviser.

### Securities Recommended

Belmont Capital's recommendations for new investments will primarily include:

1. Equity securities, including small capitalization stocks
2. Foreign securities listed on US exchanges (ADRs)
3. Fixed income securities, including corporate and government bonds
4. Municipal securities
5. Mutual funds
6. Exchange Traded Funds (ETFs)
7. Exchange Traded Notes (ETNs)
8. Closed-end funds
9. Options contracts on securities

Additionally, Belmont Capital's recommendations, depending on the individual investment objectives and needs of the client may include:

1. Real Estate Investment Trusts (REIT)
2. Master Limited Partnerships (MLPs)
3. Hedge funds and Private Equity funds

Belmont Capital may also occasionally offer advice regarding additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry. We describe the material investment risks for many of the securities that we recommend under the heading **Specific Security Risks** in **Item 8** below.

We discuss our discretionary authority below under **Item 16 - Investment Discretion**. For more information about the restrictions clients can put on their accounts, see **Tailored Services and Client Imposed Restrictions** in this item below. We describe the Fees charged for our services below under **Item 5 - Fees and Compensation**.

### Limitations on Investments

In some circumstances, Belmont Capital's advice may be limited to certain types of securities. For example, when we provide services to participants in a self-directed 401(k) plan, the participant may be limited to investing in securities included in the plan's investment options. In that case, Belmont Capital can only make recommendations to the client from among the available options, and will not recommend or invest the client's account in other securities, even if there may be better options elsewhere.

There may also be limitations on the mutual funds in which Belmont Capital may invest clients' accounts. For clients with accounts held at certain custodians, Belmont Capital is limited to the mutual funds available through the custodian. Belmont Capital primarily recommends no load mutual funds or equivalent investment products.

Similarly, in the event Belmont Capital is managing assets within an annuity, Belmont Capital is limited to those investment options made available by the insurance agency.

Belmont Capital may also limit advice based on certain client-imposed restrictions. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** directly below.

### **Tailored Services and Client Imposed Restrictions**

Belmont Capital manages client accounts based on the investment strategy the client chooses, as discussed below under ***Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss***. Belmont Capital applies the strategy for each client, based on the client's individual circumstances and financial situation. We make investment decisions for clients based on information the client supplies about their financial situation, goals, and risk tolerance. Our recommendations may be limited if the client does not provide us with accurate and complete information. It is the client's responsibility to keep Belmont Capital informed of any changes to their investment objectives or restrictions.

Clients may also request other restrictions on the account, such as when a client needs to keep a minimum level of cash in the account or does not want Belmont Capital to buy or sell certain specific securities or security types in the account. Belmont Capital reserves the right to not accept and/or terminate management of a client's account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client's investment strategy.

### **Wrap Fee Programs**

Belmont Capital does not manage accounts as part of a wrap or bundled fee program.

### **Assets Under Management**

Belmont Capital manages client assets in discretionary accounts on a continuous and regular basis. As of 02/21/2014, the total amount of assets under our management was \$120,616,749.

## **ITEM 5 - FEES AND COMPENSATION**

### **Fee Schedule**

Belmont Capital charges advisory fees for our services. The annual investment management fee is negotiable depending on the services selected, size and complexity of a client's account(s). The Belmont Total Portfolio and Dynamic ETF Portfolios' annual investment management fee will not exceed a weighted average of 1.25% of the client's assets under management.



The annual investment management fee for clients in the Theta Overlay Program (“TOP”) and certain Customized Solutions clients will not exceed 1.25% of the client’s notional value of the option contracts as of the end of the preceding quarter.

## **Billing Method**

Belmont Capital’s advisory fees are payable quarterly in advance at the beginning of each calendar quarter. We charge one fourth of the annual fee each quarter based on the market value of the client’s portfolio as of the last day of the prior calendar quarter. The formula used for the calculation is as follows:  $(Annual\ Rate) \times (Total\ Assets\ Under\ Management\ at\ Quarter-End) / 4$ .

Clients enrolled in the Theta Overlay Program (“top”) or other customized solutions are billed on the notional value of their accounts. To derive the notional value we use the following formula:  $(Number\ of\ Open\ Options\ Contracts) \times (Value\ of\ Underlying\ Security) \times 100$ . To calculate the fees deducted we apply the following formula to the notional value of the clients account:  $(Annual\ Rate) \times (Total\ Assets\ Under\ Management\ at\ Quarter-End) / 4$ . We charge one fourth of the annual fee each quarter based on the notional value of the client’s portfolio as of the last day of the prior calendar quarter.

For new client accounts, the first payment is a pro-rata calculation due upon execution of the advisory agreement. The calculation will take into consideration the number of days remaining in the quarter and the initial value of the portfolio. The formula used to calculate the initial advisory fee would be as follows:  $(Result\ of\ Quarterly\ Calculation) \times (Days\ Remaining\ in\ Quarter) / (Total\ Number\ of\ Days\ in\ Quarter)$ .

For advisory fee calculation purposes, a calendar quarter is a period beginning on January 1, April 1, July 1, or October 1 and ending on the day before the next quarter. A day is any calendar day including weekends and holidays. For new accounts and terminations, the number of days remaining in the quarter is the number of calendar days following the date a new account funds or the date Belmont Capital receives and accepts a termination notification.

With client authorization, Belmont Capital will automatically withdraw Belmont Capital’s advisory fee from the client’s account held by an independent custodian. Typically, the custodian withdraws advisory fees from the client’s account during the first month of each quarter based on Belmont Capital’s instruction. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee. It is the client’s responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated.

## **Other Fees and Expenses**

Belmont Capital’s fees do not include custodian fees. Clients pay all brokerage commissions, stock transfer fees, and/or other similar charges incurred in connection with transactions in accounts from the assets in the account, which are in addition to the fees client pays to Belmont Capital. See **Item 12 - Brokerage Practices** below for more information.

In addition, any mutual fund shares held in a client's account may be subject to deferred sales charges, 12b-1 fees, and other fund-related expenses. The fund's prospectus fully describes the fees and expenses. All fees paid to Belmont Capital for our services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds pay advisory fees to their managers, and those fees are indirectly charged to all holders of the mutual fund shares.

Consequently, clients with mutual funds in their portfolios are effectively paying both Belmont Capital and the mutual fund manager for the management of their assets.

## **Termination**

Either party may terminate the advisory agreement at any time by providing written notice to the other party. The client may terminate the agreement at any time by writing Belmont Capital at our office.

Belmont Capital will refund any prepaid, unearned advisory fees based on the effective date of termination. Upon termination of the agreement, we will send the client a prorated refund of unearned advisory fees using the following formula: *(Fees Paid) x (Days Remaining in Quarter) / (Total Number of Days in Quarter)*.

## **Other Compensation**

Belmont Capital does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Belmont Capital does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **ITEM 7 - TYPES OF CLIENTS**

Belmont Capital provides discretionary portfolio management services to individuals, high net worth individuals and pooled investment vehicles, individual participants of retirement plans, and. In addition, we offer advisory services to other advisers.

## **Account Requirements**

Belmont Capital generally requires clients to invest a minimum of \$250,000 for its portfolio management services. Belmont Capital may reduce or waive the account minimum requirements at our discretion.

## **ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Belmont Capital's general investment strategy is to seek real capital growth proportionate with the level of risk the client is willing to take. Belmont Capital treats each client account uniquely. Belmont Capital will then make recommendations that are consistent with the client's investment objectives. Belmont

Capital selects suitable categories of investments based on the clients' attitudes about risk and their need for capital appreciation or income. Different instruments involve different levels of exposure to risk.

Within each investment category, Belmont Capital makes recommendations that are most consistent with the client's objectives. We deal with any client restrictions on an account-by-account basis.

Since Belmont Capital treats each client account uniquely, client portfolios with a similar investment objectives and asset allocation goals may own different securities. Timing and tax factors also influence Belmont Capital's investment decisions. Clients who buy or sell securities on the same day may receive different prices.

After defining client needs, Belmont Capital develops and implements plans for the client's account. Then, we monitor the results and make adjustments as needed. As the initial assumptions change, the plans themselves may need to be adapted. Continuous portfolio management is important in an effort to keep the client's portfolio consistent with the client's objectives.

## **Investment Strategies**

### *Belmont Total Portfolios*

Belmont Capital utilizes proprietary asset allocation models to construct total portfolios, which include:

- Custom multi-asset class and manager portfolios based on client specific needs
- Tactical and proactive approach to portfolio construction utilizing ETFs, mutual funds, and separate account managers

### *Dynamic ETF Portfolios*

Belmont Capital offers two hedged equity strategies as part of its Dynamic ETF Portfolios. The objective is to lower the overall risk of investing in global equities by balancing downside protection with total return. These strategies utilize highly liquid ETF and option markets with no leverage. Our Dynamic ETF Solutions include:

- **Global Dynamic Collar ETF** strategy is for investors seeking conservative equity market exposure and will forego outsize returns in exchange for protection
- **Global Dynamic Hedged ETF** strategy is for investors seeking equity returns with an opportunistic hedging program

### *Theta Overlay Program (TOP)*

Belmont Capital offers its proprietary TOP strategy for investors seeking an alternative income stream and absolute returns less dependent on the direction of equity markets. The strategy seeks to capture arbitrage opportunity that Belmont Capital believes may be found in the persistent risk premiums paid by purchasers of equity index options. Belmont Capital implements the TOP strategy by writing and monitoring option spreads in the liquid market for exchange traded options on the S&P 500 Index.

### *Customized Solutions*

Belmont Capital offers customized solutions by client request which seek to manage specific investment risks unique to individual clients. Examples include but are not limited to:

- **Concentrated Risk** is the risk associated when a single investment represents a large portion of a client's portfolio, generally greater than 15%
- **Interest Rate Risk** is the risk associated with changes in general interest rate levels or yield curves
- **Inflation Risk** is the possibility that the value of assets will decrease as inflation shrinks the purchasing power of a currency
- **Tail Risk** is the risk of an asset or portfolio of assets moving more than 3 standard deviation from its current price

### **Methods of Analysis**

Belmont Capital offers active portfolio management, utilizing technical analysis such as moving averages, as well as proprietary technical techniques, in an effort to determine market trends, support and resistance levels, logical profit objectives, and exit points.

Belmont Capital may also utilize fundamental analysis, cyclical analysis and charting analysis. Fundamental analysis involves analysis of financial statements, the general financial health of companies, and /or the analysis of management or competitive advantages. Cyclical analysis involves analysis of business cycles to find favorable conditions for buying and/or selling a security. Charting analysis involves the use of patterns in performance charts. Belmont Capital uses this charting technique to search for patterns used to predict favorable conditions for buying and/or selling a security.

### *Specific Investment Strategies for Managing Portfolios*

Belmont may use tactical asset allocation, cash as a strategic asset, long-term holding, short-selling, option hedging strategies, inverse/enhanced market, and/or margin strategies in the construction and management of client portfolios.

### *Tactical Asset Allocation*

Belmont Capital offers investment management clients tactical asset allocation strategies. Tactical asset allocation is an active management portfolio strategy that re-balances the percentage of assets held in various asset categories in an effort to take advantage of market pricing anomalies or strong market sectors. This strategy provides an opportunity for Belmont Capital to create extra value by taking advantage of certain situations in the marketplace. Belmont Capital considers this a moderately active strategy since we return the portfolio to its original strategic asset mix if we achieve desired short-term profits or the perceived opportunity ends. There is no guarantee that this strategy will be successful.

### *Cash as Strategic Asset*

Belmont Capital may use cash as a strategic asset and may at times move or keep client's assets in cash or cash equivalents. Belmont Capital makes no guarantees, promises, or warranties as to the accuracy of our market analysis.

### *Long-Term Holdings*

Belmont Capital's strategy consists of purchasing, holding, and rebalancing a diversified portfolio of bonds and publicly traded equities. Belmont Capital typically intends to hold these investments for over a year except when sales are necessary to rebalance the portfolio or to fund replacement acquisitions. When selecting publicly traded equities, Belmont Capital may focus on the potential for income and/or growth, depending on the client's investment objectives.

Belmont Capital does not attempt to time the market nor do we attempt to capture short-term gains. Short term buying and selling of securities is limited to those cases where a purchase has resulted in an unanticipated gain or loss in which we believe that a subsequent sale is in the best interest of the client.

### *Short-Selling*

Belmont Capital's investment strategies do not generally include selling securities short; however, Belmont Capital may implement short sales for clients who make that request.

### *Option Hedging Strategies*

Belmont Capital offers option hedging strategies which include covered calls, protective puts, as well as option spreads, including collar strategies. A collar is an options trading strategy that is constructed by holding shares of an underlying security while simultaneously buying protective puts and selling call options against that holding. A collar strategy limits the downside risk and at the same time limits the upside profit potential.

### *Inverse/Enhanced Market Strategies*

Belmont Capital may occasionally also use leveraged long and short mutual funds and/or exchange traded funds that are designed to perform in either an:

1. inverse relationship to certain market indices (at a rate of one or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; or
2. enhanced relationship to certain market indices (at a rate of one or more times the actual result of the corresponding index) as an investment strategy and/or in an effort to increase gains in an advancing market.

There can be no assurance that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct Belmont Capital, in writing, not to employ any or all such strategies for the client's accounts.

### *Margin*

Some clients of Belmont Capital maintain margin accounts. Accordingly, we may use margin transactions to implement investment advice given to these clients. Clients are responsible for any brokerage or margin charges in addition to advisory fees.

While the use of margin borrowing can increase returns, it can also magnify losses. Clients may specifically request that Belmont Capital limit or avoid the use of margin transactions in their accounts.

### *Sub-Advisers*

In some instances, Belmont Capital, under a sub-advisory agreement, may recommend that clients authorize the delegation of active discretionary management to a non-affiliated investment manager ("Sub-Adviser"). The Sub-Adviser's management fee is charged in addition to our management fee. We will make such recommendations based on the client's investment objectives, financial situation, and the other investment adviser's management style and historical performance among other things.

## **Investing Involves Risk**

Investing in securities involves risk of loss including loss of principle, and clients should be prepared to bear that risk.

## **Specific Security Risks**

### *General Risks of Owning Securities*

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of mutual funds in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

The prices of, and the income generated by, most debt securities held by a client's account may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities in the client's account generally will decline when interest rates rise and increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call" or refinance a security before its stated maturity, which may result in Belmont Capital having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities generally have higher rates of interest and may be subject to greater price fluctuations than shorter maturity debt securities. Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default.

The guarantee of a security backed by the U.S. Treasury or the full faith and credit of the U.S. government only covers the timely payment of interest and principal when held to maturity. This means that the current market values for these securities will fluctuate with changes in interest rates.

Investments in securities issued by entities based outside the United States may be subject to increased levels of the risks described above. Currency fluctuations and controls, different accounting, auditing, financial reporting, disclosure, regulatory and legal standards and practices could also affect investments in securities of foreign issuers. Additional factors may include expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs. Finally, various administrative difficulties, such as delays in clearing and settling portfolio transactions, or in receiving payment of dividends can increase risk. Finally, investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

### *Mutual Funds (Open-end Investment Company)*

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads).

The benefits of investing through mutual funds include:

#### Professionally Managed

Mutual funds are professionally managed by an investment adviser who researches, selects, and monitors the performance of the securities purchased by the fund.

#### Diversification

Mutual funds typically have the benefit of diversification, which is an investing strategy that generally sums up as "Don't put all your eggs in one basket." Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.

#### Affordability

Some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.

#### Liquidity

At any time, mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption.

Mutual funds also have features that some investors might view as disadvantages:

### Costs Despite Negative Returns

Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

### Lack of Control

Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

### Price Uncertainty

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

### Different Types of Funds

When it comes to investing in mutual funds, investors have literally thousands of choices. Most mutual funds fall into one of three main categories; money market funds, bond funds (also called “fixed income” funds), and stock funds (also called “equity” funds). Each type has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

#### *Money Market Funds*

Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high quality, short-term investments issued by the U.S. Government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV), which represents the value of one share in a fund, at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. That is why “inflation risk,” the risk that inflation will outpace and erode investment returns over time, can be a potential concern for investors in money market funds.

#### *Bond Funds*

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict bond funds to high quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards.



Some of the risks associated with bond funds include:

#### Credit Risk

There is a possibility that companies or other issuers may fail to pay their debts (including the debt owed to holders of their bonds). Consequently, this affects mutual funds that hold these bonds. Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury Bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.

#### Interest Rate Risk

There is a risk that the market value of the bonds will go down when interest rates go up. Because of this, investors can lose money in any bond fund, including those that invest only in insured bonds or U.S. Treasury Bonds. Funds that invest in longer-term bonds tend to have higher interest rate risk.

#### Prepayment Risk

Issuers may choose to pay off debt earlier than the stated maturity date on a bond. For example, if interest rates fall, a bond issuer may decide to “retire” its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

#### *Stock Funds*

Although a stock fund’s value can rise and fall quickly (and dramatically) over the short term, historically stocks have performed better over the long term than other types of investments. This is true for corporate bonds, government bonds, and treasury securities. Overall “market risk” poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons—such as the overall strength of the economy or demand for particular products or services. Not all stock funds are the same. For example:

#### Growth Funds

Growth funds focus on stocks that may not pay a regular dividend but have the potential for large capital gains.

#### Income Funds

Income funds invest in stocks that pay regular dividends.

#### Index Funds

Index funds aim to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, by investing in all—or perhaps a representative sample—of the companies included in an index.

#### Sector Funds

Sector funds may specialize in a particular industry segment, such as technology or consumer products stocks.

## TIPS Funds

Treasury Inflation Protection Securities (TIPS) are inflation-indexed securities structured to remove inflation risk. Belmont Capital does not utilize individual TIPS, but does participate in mutual funds and exchange traded funds that include TIPS within the underlying fund holdings.

## *Managed Futures Funds*

A Managed Futures Mutual Fund invests in other funds. These underlying funds will typically employ various actively managed futures strategies that will trade various derivative instruments including options, futures, forwards, or spot contracts. Further, each of these derivative instruments may be tied to commodities, financial indices and instruments, foreign currencies, or equity indices.

Managed futures strategies involve substantial risks that differ from traditional mutual funds. Each underlying fund is subject to specific risks, depending on the nature of the fund. These risks could include liquidity risk, sector risk, and foreign currency risk, as well as risks associated with fixed income securities, commodities and other derivatives. The strategy of investing in underlying funds could affect the timing, amount, and character of distributions to you and therefore may increase the amount of taxes you pay.

Each underlying fund is subject to investment advisory and other expenses, including potential performance fees, which the Managed Futures Fund indirectly pays. Your cost of investing in a Managed Futures Fund will be higher than the cost of investing directly in underlying funds and may be higher than other mutual funds that invest directly in stocks and bonds. You will indirectly bear fees and expenses charged by the underlying funds in addition to the Managed Futures Fund's direct fees and expenses. Each underlying fund will operate independently and pay management and performance based fees to each manager. Generally, the underlying funds will pay management fees that range from 0% to 2% of assets and performance fees that range from 10% to 35% of each underlying fund's returns. There could be periods in which one or more underlying fund managers receive fees even though the fund has a loss for the period.

## *Tax Consequences of Mutual Funds*

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any *personal capital gains* when the investor sells shares, the investor may have to pay taxes each year on *the fund's capital gains*. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit, and cannot use losses to offset these gains.

## *Exchange-Traded Funds (ETFs)*

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) whose primary objective is to achieve the same return as a particular market index.

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 index. 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 stock 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.

### Exchange-Traded Notes (ETNs)

An ETN is a senior, unsecured, unsubordinated debt security by an underwriting bank whose primary objective is to achieve the same return as a particular market index.

Similar to other debt securities, the credit of the issuer is the only backing for ETNs, which have a maturity date. Although performance is contractually tied to whatever index the ETN is intended to track, ETNs do not have any assets, other than a claim against their issuer for payment according to the terms of the contract. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETNs trade throughout the day on an exchange. ETNs, as debt instruments, are subject to risk of default by the issuing bank as counter party. This is the major design difference between ETFs and ETNs: ETFs are only subject to market risk whereas ETNs are subject to both market risk and the risk of default by the issuing bank.

### Closed-end Fund

Closed-end funds generally do not continually offer their shares for sale. Rather, they sell a fixed number of shares at one time, after which the shares typically trade on a secondary market, such as the New York Stock Exchange or the NASDAQ Stock Market. Risk factors pertaining to closed-end funds vary from fund to fund. The following list of risk factors provides a review of those associated with generalized closed-end fund investing. Not every risk factor in this list will pertain to each closed-end fund.

#### Market Risk

Securities may decline in value due to factors affecting securities markets generally or particular industries. The value of a trust/fund may be worth less than the original investment.

#### Valuation Risk

Common shares may trade above (a premium) or below (a discount) the net asset value (NAV) of the trust/fund's portfolio. At times, discounts could widen or premiums could shrink, which could either dilute positive performance or compound negative performance. There is no assurance that discounted funds will appreciate to their NAV.

#### Interest Rate Risk

Generally, when market interest rates rise, bond prices fall, and vice versa. Interest rate risk is the risk that the bonds and/or other income-related instruments in a fund's portfolio will decline in value because of increases in market interest rates. The prices of longer-maturity securities tend to fluctuate more than shorter-term security prices.

### Credit Risk

One or more securities in a trust/fund's portfolio could decline or fail to pay interest or principal when due. Income-related securities of below investment grade quality are predominately speculative with respect to the issuer's capacity to pay interest and repay principal when due and, therefore, involve a greater risk of default.

### Concentration Risk

A trust/fund that invests a substantial portion of its assets in securities within a single industry or sector of the economy may be subject to greater price volatility or adversely affected by the performance of securities in that particular sector or industry.

### Reinvestment Risk

Income from a trust/fund's bond portfolio will decline when the trust/fund invests the proceeds from matured, traded, or called bonds at market interest rates that are below the portfolio's current earnings rate. A decline in income could affect the common shares' market price or their overall returns.

### Leverage Risk

The use of leverage may lead to increased volatility of a trust/fund's NAV and market price relative to its common shares. Leverage is likely to magnify any losses in the trust/fund's portfolio, which may lead to increased market price declines. Fluctuations in interest rates on borrowings or the dividend rates on preferred shares that take place from changes in short-term interest rates may reduce the return to common shareholders or result in fluctuations in the dividends paid on common shares. There is no assurance that a leveraging strategy will be successful.

### Foreign Investment Risk

Investment in foreign securities (both governmental and corporate) may involve a high degree of risk. Trusts/funds invested in foreign securities are subject to additional risks such as, but not limited to, currency risk and exchange-rate risk, political instability, and economic instability of the countries from where the securities originate. In regards to debt securities, such risks may impair the timely payment of principal and/or interest.

### Alternative Minimum Tax (AMT)

A trust/fund may invest in securities subject to the alternative minimum tax.

### Fluctuating Dividends in Actively Managed Portfolios

The composition of the trust/fund's portfolio could change, which, all else being equal, could cause a reduction in dividends paid to common shares. Certain closed-end funds invest in common stocks. There is no guarantee of dividends from these common stocks. Fluctuations in dividend levels over time, up and down, are to be expected.

### Equity Securities

Equity securities represent an ownership position in a company. Equity securities typically consist of common stocks. The prices of equity securities fluctuate based on, among other things, events specific to their issuers and market, economic and other conditions.

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.

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

### *Small Capitalization Equity Securities*

Investing in smaller companies may pose additional risks as it is often more difficult to value or dispose of small company stocks, more difficult to obtain information about smaller companies, and the prices of their stocks may be more volatile than stocks of larger, more established companies. Clients should have a long-term perspective and, for example, be able to tolerate potentially sharp declines in value.

### Debt Securities (Bonds)

Issuers use debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/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. Bonds with longer rates of maturity tend to have greater interest rate risks.

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 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.

Belmont Capital attempts 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.

### Municipal Bonds

Municipal bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general.

Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk. Investing in municipal bonds carries risk unique to these types of bonds, which may include:

#### Legislative Risk

Legislative risk includes the risk that a change in the tax code could affect the value of taxable or tax-exempt interest income.

#### Tax-Bracket Changes

Municipal bonds generate tax-free income, and therefore pay lower interest rates than taxable bonds. Investors who anticipate a significant drop in their marginal income-tax rate may benefit from the higher yield available from taxable bonds.

#### Liquidity Risk

The risk that investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit rating downgraded or bonds sold by an infrequent issuer. Municipal bonds may be less liquid than other bonds.

#### Credit Risk

Credit risk includes the risk that a borrower will be unable to make interest or principal payments when they are due and therefore default. To reduce investor concern, insurance policies that guarantee repayment in the event of default back many municipal bonds.

#### General Obligation vs. Revenue Bonds

Typically, investors consider General Obligation bonds to be safer than Revenue bonds since the full faith and credit of the issuer backs the interest and principal payments. With revenue bonds, the interest and principal are dependent upon the revenues paid by users of the facility or service. Frequently the issuers of revenue bonds are either private sector corporations (e.g. hospitals) or entities that exist, often in local monopoly form, to provide a public service (e.g. power utilities or public transportation authorities). Thus the thought is that the consumer spending that provides the funding or income stream for revenue bond issuers may be more vulnerable to changes in consumer tastes or a general economic downturn compared to a state or city's ability to raise taxes to pay for its General Obligation commitments.

#### *Municipal Bonds of a Particular State*

Municipal bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Because the fund invests in securities issued by California municipalities, the fund is more susceptible to factors adversely affecting issuers of California securities than a comparable municipal bond mutual fund that does not concentrate its investments in a single state. For example, in the past, California voters have passed amendments to the state's constitution and other measures that limit the taxing and spending authority of California governmental entities, and future voter initiatives may adversely affect California municipal bonds.

### *Inflation-indexed Bonds*

Belmont may invest for client accounts in inflation-indexed bonds issued by governments, their agencies or instrumentalities and corporations. The principal amount of an inflation-indexed bond adjusts to changes in the level of the consumer price index. In the case of U.S. Treasury inflation-indexed bonds, the U.S. Government guarantees the repayment of the original bond principal upon maturity (as adjusted for inflation). Therefore, the principal amount of such bonds cannot fall below par even during a period of deflation. However, the current market value of these bonds is not guaranteed and will fluctuate, reflecting the rise and fall of yields. In certain jurisdictions outside the United States the repayment of the original bond principal upon the maturity of an inflation-indexed bond is not guaranteed. This causes the amount of the bond repaid at maturity to be less than par. The interest rate for inflation-indexed bonds is fixed at issuance as a percentage of this adjustable principal. Accordingly, the actual interest income may both rise and fall as the principal amount of the bonds adjusts in response to movements of the consumer price index. For example, typically interest income would rise during a period of inflation and fall during a period of deflation.

### *Real Estate Investment Trusts*

Real estate investment trusts (REITs) primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development and/or long-term mortgage loans. Changes in the value of the underlying property of the trusts, the creditworthiness of the issuer, property taxes, interest rates, tax laws, and regulatory requirements, such as those relating to the environment all can affect the values of REITs. Both types of REITs are dependent upon management skill, the cash flows generated by their holdings, the real estate market in general, and the possibility of failing to qualify for any applicable pass-through tax treatment or failing to maintain any applicable exemptive status afforded under relevant laws.

### *American Depositary Receipts (ADRs)*

An ADR is a stock that trades in the United States but represents a specified number of shares in a foreign corporation. Investors buy and sell ADRs on American markets just like regular stocks. Banks and brokerage firms issue/sponsor ADRs. ADRs are subject to additional risks of investing in foreign securities, including, but not limited to, less complete financial information available about foreign issuers, less market liquidity, more market volatility, and political instability. In addition, currency exchange-rate fluctuations affect the U.S. dollar-value of foreign holdings. Some ADRs and ordinary shares of foreign securities pay dividends, and many foreign countries impose dividend withholding taxes up to 30%. Depending on a custodian's ability to reclaim any withheld foreign taxes on dividends, taxable accounts may be able to recoup a portion of these taxes by use of the foreign tax credit. However, tax-exempt accounts, to the extent they pay any foreign withholding taxes, may not be able to utilize the foreign tax credit. Therefore, investors may be unable to recover any foreign taxes withheld on dividends of foreign securities or ADRs.

### *Private Funds*

A private fund is an investment vehicle that pools capital from a number of investors and invests in securities and other instruments.



In almost all cases, a private fund is a private investment vehicle that is typically not registered under federal or state securities laws. So that private funds do not have to register under these laws, issuers make the funds available only to certain sophisticated or accredited investors and cannot be offered or sold to the general public. Private funds are generally smaller than mutual funds because they are often limited to a small number of investors and have a more limited number of eligible investors. Many but not all private funds use leverage as part of their investment strategies. Private funds management fees typically include a base management fee along with a performance component. In many cases, the fund's managers may become "partners" with their clients by making personal investments of their own assets in the fund. Most private funds offer their securities by providing an offering memorandum or private placement memorandum, known as "PPM" for short.

The PPM covers important information for investors and investors should review this document carefully and should consider conducting additional due diligence before investing in the private fund. The primary risks of private funds include the following:

1. Private funds do not sell publicly and are therefore illiquid. An investor may not be able to exit a private fund or sell its interests in the fund before the fund closes.
2. Private funds are subject to various other risks, including risks associated with the types of securities that the private fund invests in or the type of business issuing the private placement.

### Master Limited Partnerships (MLPs)

MLPs are publicly traded partnerships that trade mainly on the New York Stock Exchange and/or the NASDAQ, the same as stocks. With a few exceptions, MLPs hold and operate assets related to the transportation and storage of energy (certain MLPs may have commodity risk). Most publicly traded companies are corporations. Corporate earnings are usually taxed twice. The business entity is taxed on any money it makes and then shareholders are taxed on the earnings the company distributes to them. In the 1980s, Congress allowed public trading of certain types of companies as partnerships instead of corporations. The main advantage a partnership has over a corporation is that partnerships are "pass through" entities for tax purposes. This means that the company does not pay any tax on its earnings. Distributions are still taxed, but this avoids the problem of double taxation that most publicly traded companies face. Congress requires that any company designated as an MLP has to produce 90% of its earnings from "qualified resources" (natural resources and real estate). Most MLPs are involved in energy infrastructure, i.e. things like pipelines. MLPs are required to pay minimum quarterly distributions to limited partners. A contract establishes the payments, so distributions are predictable. Otherwise, the shareholders could find the company in breach of contract.

MLPs bear three primary risks:

#### Risk of Regulation or Change

The government could step in and change the rules of the game. That can always happen. Since one of the main advantages of these securities is their tax advantages, this poses a considerable risk for an investor.

### Interest Rate Risk

It is commonly thought that these types of investments do better when interest rates are low, making their yield higher in relation to the safest investments, such as Treasury bills and securities that are guaranteed by the U.S. government. Consequently, MLPs may perform better during periods of declining or relative low interest rates and more poorly during periods of rising or high interest rates.

### Tax Risk

MLPs are pass-through entities, passing earnings through to the limited partners. Investors must be aware that there are potentially significant tax implications of investing in MLPs and they should consult with their tax advisor before investing in these securities.

## **ITEM 9 - DISCIPLINARY INFORMATION**

Belmont Capital does not have any disciplinary information to disclose.

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Belmont Capital does not offer any other services or have any affiliates in the financial industry.

## **ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### Code of Ethics

Belmont Capital has adopted the below Code of Ethics:

Belmont Capital takes the issue of regulatory compliance seriously and is committed to maintaining compliance with state and applicable federal securities laws. Additionally, Belmont Capital has a position of public trust and it is our goal to maintain that trust and provide excellent service, good investment performance, and advice that is suitable. Belmont Capital places great value on ethical conduct. Therefore, the ultimate goal of our internal policies is to challenge our staff to live up not only to the letter of the law, but also to the ideals set forth by Belmont Capital.

Belmont Capital believes that we owe clients the highest level of trust and fair dealing. As a registered investment adviser, Belmont Capital is a fiduciary to clients. As a fiduciary, our duties to clients include:

1. Providing advice that is suitable;
2. Providing full disclosure of material facts and potential conflicts of interest (so that clients have complete and honest disclosure in order to make an informed decision about our services and investment recommendations);
3. Conducting ourselves with the utmost and exclusive loyalty and good faith;
4. Seeking best execution of transactions under the available circumstances;
5. Taking reasonable care to avoid ever misleading clients; and
6. Acting in the best interests of clients.

### Personal Trading Practices

Belmont Capital and our personnel may purchase or sell securities for themselves that we also recommend to clients. This includes related securities (e.g., warrants, options, or futures). This presents a potential conflict of interest as we may have an incentive to favor our personal trades over client transactions or use the information about the transactions we intend to make for clients to our personal benefit. Our personnel seek to ensure that they do not personally benefit from the short-term market effects of their recommendations to clients. Belmont's personnel are required to report certain personal securities transactions to the firm, which are regularly monitored.

Our policies to address these conflicts include the following:

1. The client receives the opportunity to act on investment recommendations prior to and in preference to accounts of Belmont Capital and our personnel.
2. Belmont Capital prohibits trading in a manner that takes personal advantage of price movements caused by client transactions.
3. Our personnel will report all required personal securities transactions to Belmont Capital as required by securities regulations. Reportable trades for Belmont Capital are all securities with these exceptions:
  - a. Securities held in accounts over which our personnel has no direct or indirect influence or control
  - b. Transactions and holdings in direct obligations of the Government of the United States

## **ITEM 12 - BROKERAGE PRACTICES**

Clients must maintain assets in an account at a "qualified custodian," generally a broker-dealer or bank. We generally recommend that our clients use Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated, and unaffiliated with Schwab. Schwab will hold your assets in a brokerage account, and buy and sell securities when we instruct them to.

While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though you maintain accounts at Schwab, we can still use other brokers to execute trades for your account as described below (see ***Your Brokerage and Custody Costs***, below).

### How We Select Brokers/Custodians

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
2. Capability to execute, clear, and settle trades (buy and sell securities for your account)
3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
4. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
5. Availability of investment research and tools that assist us in making investment decisions
6. Quality of services
7. Competitiveness of the price of those services (commission rates, other fees, etc.) and willingness to negotiate the prices
8. Reputation, financial strength, and stability
9. Prior service to us and our other clients
10. Availability of other products and services that benefit us, as discussed below (see ***Products and Services Available to Us From Schwab***)

Generally, we arrange for securities transactions to be executed through the custodian/broker that the client decides to custody their assets with subject to best execution considerations described above. If we determine that best execution considerations favor trading with a broker other than the client's qualified custodian, clients may incur additional trading costs for the settlement and delivery of the securities to the client's custodian. These costs are a factor in Belmont Capital's best execution analysis.

### *Your Brokerage and Custody Costs*

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services. However, Schwab receives compensation by charging you commissions or other fees on trades that it executes or that settle into your Schwab account.

We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see ***How We Select Brokers/Custodians***).

### *Products and Services Available to Us*

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like us. They provide Belmont Capital and our clients with access to its institutional brokerage, trading, custody, reporting, and related services, many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts; others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200.

Following is a more detailed description of Schwab's support services:

### *Services That Benefit You*

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

### *Services That May Not Directly Benefit You*

Schwab make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. We may also be provided software and other technology that:

1. Provide access to client account data (such as duplicate trade confirmations and account statements)
2. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
3. Provide pricing and other market data
4. Facilitate payment of our fees from our clients' accounts
5. Assist with back-office functions, recordkeeping, and client reporting

Schwab provides us with investment research that includes both Schwab's own research and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab.

### *Services That Generally Benefit Only Us*

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

1. Educational conferences and events
2. Consulting on technology, compliance, legal, and business needs
3. Publications and conferences on practice management and business succession
4. Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

### *Our Interest in Schwab's Services*

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions. The

\$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients.

Belmont Capital primarily support our selection of Schwab by the scope, quality, and price of Schwab's services (see ***How We Select Brokers/Custodians***, above) and not Schwab's services that benefit only us.

### *Brokerage for Client Referrals*

Belmont Capital does not receive client referrals from any broker-dealer or third party in exchange for using that broker-dealer or third party.

### *Directed Brokerage*

Belmont Capital is prepared to work with any broker-dealer that the client chooses. The above disclosure outlines the brokers and custodians that Belmont Capital recommends.

Clients who direct Belmont Capital to use a particular broker-dealer for all trading may pay higher commission charges. Under these circumstances, Belmont Capital may not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. Clients should further understand that when they direct Belmont Capital to use a specific broker disparity in transaction charges might exist between the transaction costs charged to other clients. Belmont Capital may not be able to aggregate orders to reduce transaction costs and clients who direct Belmont Capital to use a particular broker-dealer may receive less favorable prices.

## **Aggregation and Allocation of Transactions**

Belmont Capital may aggregate transactions if we believe that aggregation is consistent with the duty to seek best execution for our clients and is consistent with the disclosures made to clients and terms defined in the client investment advisory agreement. No advisory client will be favored over any other client, and each account that participates in an aggregated order will participate at the average share price (per custodian) for all transactions in that security on a given business day. Belmont Capital will only aggregate trades for those clients who choose Schwab as their broker-dealer. Belmont Capital does not aggregate trades of our personnel with those of client accounts.

## **ITEM 13 - REVIEW OF ACCOUNTS**

### **Managed Account Reviews**

We manage portfolios on a continuous basis and generally review all positions throughout the year. Daniel Beckwith and/or Stephen Solaka, who are both Managing Directors, will perform account reviews based on a variety of factors. These factors may include but are not limited to monitoring allocation, risk tolerances and need for capital preservation.

In addition, we may conduct a special review of an account based one or more of the following:

1. A change in the client's investment objectives, guidelines and/or financial situation,
2. Changes in diversification,
3. Tax considerations,
4. Material cash deposits or withdrawals,
5. Macroeconomic events, or
6. Company specific events.

## **Account Reporting**

Each client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. Belmont Capital does not provide additional reporting on the accounts we manage.

## **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

We market our advisory services on a direct basis by the personnel employed by Belmont Capital. Also, our clients refer prospective clients to us. We do not compensate for client referrals or receive other compensation outside of the fees earned from advisory services.

## **ITEM 15 - CUSTODY**

Belmont Capital will not have custody of our clients' funds or securities when the clients authorize us to deduct our management fees directly from the client's account as long as all of the following requirements are met:

1. Clients' accounts are held by a qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution).
2. Clients will receive statements directly from their qualified custodian at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of Belmont Capital's fee.
3. It is the client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated.

## **ITEM 16 - INVESTMENT DISCRETION**

Belmont Capital has full discretion to decide the specific security to trade, the quantity, and the timing of transactions for client accounts. Belmont Capital will not contact clients before placing trades in their account, but clients will receive confirmations directly from the broker for any trades placed. Clients grant us discretionary authority in the contracts they sign with us. Clients also give us trading authority over their accounts when they sign the custodian paperwork.

However, certain client-imposed conditions may limit Belmont Capital's discretionary authority, such as where the client prohibits transactions in specific security types or directs Belmont Capital to execute transactions through specific broker-dealers. See also **Item 4 - Tailored Services and Client Imposed Restrictions** and **Item 12 - Brokerage Practices**, above.

## **ITEM 17 - VOTING CLIENT SECURITIES**

### Proxy Voting

Belmont Capital does not accept or have the authority to vote client securities. Belmont Capital will not be deemed have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent.

### ERISA

For accounts subject to ERISA, an authorized plan fiduciary other than Belmont Capital will retain proxy voting authority. Our investment advisory agreement and/or the plan's written documents will evidence and outline this authority.

### Mutual Funds

The investment adviser that manages the assets of a registered investment company (i.e., mutual fund) generally votes proxies issued on securities held by the mutual fund.

### Class Actions

Belmont Capital does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

## **ITEM 18 - FINANCIAL INFORMATION**

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. Belmont Capital does not require the prepayment of more than \$500 in fees per client, six months or more in advance, and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

## **Privacy Notice**

Your relationship with Belmont Capital Group is based on trust and confidence. To fulfill its responsibilities to you, Belmont Capital Group requires that you provide current and accurate financial and personal information. Belmont Capital Group will protect the information you have provided in a manner that is safe, secure and professional. Belmont Capital Group and its employees are committed to protecting your privacy and to safeguarding that information.



## **Categories of Information We Collect**

We may collect the following kinds of confidential personal information about you:

- Information we receive from you on applications or other forms, such as your name, address, phone number, social security number, occupation, assets, income and other financial and family information;
- Information about your transactions with us or with brokerages, banks and custodians with whom you hold investment or cash accounts. This information includes account numbers, holdings, balances, transaction history and other financial and investment activities.

## **Sharing Nonpublic Personal and Financial Information**

Belmont Capital Group is committed to the protection and privacy of your personal and financial information. Belmont Capital Group will not share such information with any non-affiliated third party except:

- When necessary to complete a transaction in the account, such as with the clearing firm or account custodians;
- When required to maintain or service the account;
- To resolve customer disputes;
- When requested by a fiduciary or beneficiary on the account;
- To our attorneys, accountants or compliance consultants;
- When required by a regulatory agency, or for other reasons required or permitted by law;
- In connection with a sale or merger of Belmont Capital Group's business;
- In any circumstance, that has your instruction or consent.

## **Protection of Personal Information**

We restrict access to your personal and account information to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards to guard your personal information.

If you require any additional information regarding Belmont Capital Group's privacy practices, please contact us at Belmont Capital Group, 1875 Century Park East, Suite 1780, Los Angeles, CA 90067

[dbeckwith@belmontcapgroup.com](mailto:dbeckwith@belmontcapgroup.com).