

# *Alpha Capital Funds Management, LLC*

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## *Disclosure Brochure*

*February 19, 2014*

This brochure provides information about the qualifications and business practices of Alpha Capital Funds Management, LLC. If you have any questions about the contents of this brochure, please contact us at 404.604.2293. 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.

Alpha Capital Funds Management, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Alpha Capital Funds, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

There have been no material changes to our brochure since its last annual update on March 22, 2013.

Currently, our brochure may be requested by contacting Lauren Ross, Chief Compliance Officer, at 212-207-8539 or [lross@alphacapitalmgmt.com](mailto:lross@alphacapitalmgmt.com). Our brochure is also available on our website <http://www.alphacapitalfunds.com>. We will provide you with a new brochure at any time without charge.

Additional information about Alpha Capital Funds Management, LLC (“ACFM, we, us, our, ours”) is also available via the SEC’s website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The SEC’s website also provides information about any persons affiliated with us who are registered as our investment adviser representatives. Information on our investment adviser representatives can be found in our brochure supplements.

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## ***Advisory Business***

Alpha Capital Funds Management is a limited liability company organized under the laws of the state of Georgia during November of 2010. The firm is registered with the SEC and provides investment management services to mutual funds. Brad Alford is the principal owner and Chief Investment Officer of the firm. Information about his background and qualifications can be found in the supplement at the end of this brochure.

ACFM provides investment advisory services to related investment companies through the use of quantitative asset allocation strategies using primarily mutual funds and exchange traded funds (“ETFs”) in various combinations. Management styles, objectives and constraints are described in the respective fund prospectuses. Portfolios are tailored to the funds’ objectives.

As of December 31, 2013, we have approximately \$85 million assets under management. All assets are managed by us on a discretionary basis.

## ***Fees and Compensation***

We offer our services on a fee-only basis. The funds are charged an annual fee of 65 basis points. Fees are calculated on the market value of the funds’ monthly average daily balance as determined by the custodian as of the close of business each month and are payable monthly in arrears. Fees for the initial month are

adjusted pro rata based upon the number of calendar days in the month that the advisory agreement is in effect.

We have the right to change any or all of our fee schedules as agreed upon by contract with the individual funds. We may negotiate fees at the sole discretion of our management. Comparable services for lower fees may be available from other sources

The fund custodian calculates our fees and pays us directly for our services. Our fees are considered an internal expense of the mutual funds we manage.

In addition to our fee, the mutual funds we advise may be required to pay other charges such as:

- custodial fees,
- brokerage commissions,
- mark-ups and mark-downs,
- transaction fees,
- internal fees and expenses charged by mutual funds or exchange traded funds (“ETFs”), and
- other fees and taxes on brokerage accounts and securities transactions.

Mutual fund companies and ETFs charge internal fees and expenses for their products. The fees and expenses of these underlying funds are in addition to any advisory fees charged by us **and** in addition to the internal fees and expenses charged by the mutual funds we advise which purchase them. Complete details of the internal fees and expenses of the

underlying funds are explained in the prospectuses for each investment.

### ***Performance-Based Fees***

Performance-based fees are based on a share of capital gains on, or the capital appreciation of, the client account assets under management. We do not charge performance-based fees on any of our client accounts.

### ***Types of Clients***

We provide advisory services to investment companies (mutual funds). We do not have any requirements for opening or maintaining an account.

### ***Methods of Analysis, Investment Strategies and Risk of Loss***

We construct our portfolios by screening the universe of underlying fund managers using qualitative and quantitative inputs to determine which underlying funds should be included in the portfolio. The actual selection and weight of each underlying fund is determined by expected risk-adjusted contributions to the overall portfolio in addition to our outlook for each sector and strategy. Under most market conditions, we include exposure to one or more strategies or sectors designed to increase downside protection and reduce overall fund volatility.

Underlying funds can be sold for a number of reasons and are reviewed on a

case-by-case basis. Reasons for selling an underlying fund include:

- underperformance of the underlying fund vs. peers or expectations,
- identification of a more attractive underlying fund,
- identification of a lower cost underlying fund,
- an increase in volatility of the underlying fund's returns,
- an unwanted change or drift in an underlying fund's strategy, or
- a change in the underlying fund's management.

Although we manage portfolios in a manner consistent with the stated objectives and constraints, we do not guarantee that our efforts will be successful. You should be prepared to bear the risk of loss.

All investments involve the risk of loss, including (among other things) loss of principal, a reduction in earnings (including interest, dividends and other distributions), and the loss of future earnings. These risks include market risk, interest rate risk, issuer risk, and general economic risk. A detailed explanation of the risks is contained in the prospectus for the funds we advise. You are urged to read the prospectus before investing any money.

### ***Disciplinary Information***

We have not been the subject of any legal or disciplinary events that would be

material to your evaluation of our business or the integrity of our management.

### ***Other Financial Industry Activities and Affiliations***

Alpha Capital Management (“ACM”) is an SEC-registered investment adviser that owns 22% of ACFM. Brad Alford is the principal owner and Chief Investment Officer of both ACM and ACFM. ACM may recommend to their advisory clients the purchase or sale of mutual funds we manage.

### ***Code of Ethics; Participation or Interest in Client Transactions and Personal Trading***

We have adopted a *Code of Ethics* (“*Code*”) to address the securities-related conduct of our advisory representatives and employees. The *Code* includes our policies and procedures developed to protect your interests in relation to the following:

- the duty at all times to place client interests ahead of ours;
- that all personal securities transactions of our advisory representatives and employees be conducted in a manner consistent with the *Code* and avoid any actual or potential conflict of interest, or any abuse of an advisory representative’s or employee’s position of trust and responsibility;
- that advisory representatives may not

take inappropriate advantage of their positions;

- that information concerning the identity of client security holdings and financial circumstances are confidential; and
- that independence in the investment decision-making process is paramount.

We will provide a copy of the *Code* to clients or any prospective client upon request.

We do not buy or sell securities for our own account that we purchase or sell in the funds we advise. Our advisory representatives and employees are prohibited from buying and selling the same securities for their personal and family accounts that are bought or sold for client account(s) during blackout periods, generally the three days prior to a purchase or sale of a security in the funds. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by a mutual fund we advise or
- considered for purchase or sale for a mutual fund we advise.

We have adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client’s

- best interest,
- prohibit favoring one client over another,
- require pre-clearance of securities purchases by advisory representatives and employees,
- provide for the review of transactions to discover and correct any trades that result in an advisory representatives or employee receiving a better price than a client, and
- restrict purchases and sales by advisory representatives and employees of the securities being bought or sold in our client accounts three days prior to the purchase and sale of a security by the mutual fund.

Advisory representatives and employees are required to annually certify their adherence to our Code of Ethics.

### ***Brokerage Practices***

We utilize US Bancorp Brokerage Services, LLC (“US Bancorp”) as the custodian for client accounts. We are independently owned and operated and not affiliated with US Bancorp. Our use of US Bancorp is, however, a beneficial business arrangement for us and for US Bancorp. Information regarding the benefits of this relationship is described below.

In using US Bancorp as custodian and as the securities brokerage firm responsible for executing transactions for client portfolios, we consider at a minimum US Bancorp’s:

- relationship with us,
- financial strength,
- reputation,
- reporting capabilities,
- execution capabilities,
- pricing, and
- types and quality of research.

The determining factor in the selection of US Bancorp to execute transactions for client accounts is not the lowest possible transaction cost, but whether US Bancorp can provide what is in our view the best qualitative execution for our clients.

US Bancorp provides us with access to its institutional trading and custody services. We are not required to effect a minimum volume of transactions or maintain a minimum dollar amount of client assets to receive these services:

- brokerage,
- custody,
- research, and
- access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

US Bancorp does not charge separately for holding our clients accounts, but may be compensated by clients through other transaction-related fees associated with the securities transactions it executes for client accounts.

US Bancorp also makes available to us other products and services that benefit us but may not benefit clients directly. Some of these products and services assist us in managing and administering our client accounts, such as software and other technology that:

- provide access to account data such as:
  - duplicate trade confirmations,
  - bundled duplicate account statements, and
  - access to an electronic communication network for client order entry and account information;
- facilitate trade execution, including:
  - access to a trading desk serving advisory participants exclusively and
  - access to block trading which provides the ability to combine securities transactions and then allocate the appropriate number of shares to each individual account;
- provide research, pricing information and other market data;
- facilitate payment of our fees from client accounts; and
- assist with back-office functions, record keeping and client reporting; and
- receipt of compliance publications.

US Bancorp also makes available to us other services intended to help us manage and further develop our business. These services may include:

- consulting,
- publications and conferences on practice management,
- information technology,
- business succession,
- regulatory compliance, and
- marketing.

US Bancorp may also make available or arrange for these types of services to be provided to us by independent third parties. US Bancorp may discount or waive the fees it would otherwise charge for some of the services it makes available to us. It may also pay all or a part of the fees of a third-party providing these services to us. Thus, we receive economic benefits as a result of our relationship with US Bancorp, because we do not have to produce or purchase the products and services listed above.

Because the amount of our compensation or the products or services we receive may vary depending on the broker-dealer used, we may have a conflict of interest in selecting the broker-dealer/custodian. Our selection of specific broker-dealers may be based in part on the economic benefit to us and not solely on the nature, cost or quality of custody and brokerage services provided to our clients. We nonetheless strive to act in the client's best interests at all times.

Commissions for transactions executed through US Bancorp may be higher than commissions and other fees available if we use another securities brokerage firm

to execute transactions. We believe, however, that the overall level of services and support provided to our clients by US Bancorp outweighs the benefit of possibly lower transactions cost which may be available under other brokerage arrangements.

Research received by us from custodian/broker-dealers may be used for the benefit of any or all of our clients, including accounts that did not pay commissions to the firm providing the research. Products or services other than research received by us are used only for the benefit of the account that paid commissions to the custodian/broker-dealer providing such services.

We may engage in bunched trading, which is the purchase or sale of a security for the accounts of multiple clients in a single transaction. If a bunched trade is executed, each participating client receives a price that represents the average of the prices at which all of the transactions in a given bunch were executed. Executing a bunched trade allows transaction costs to be shared equally and on a pro rata basis among all of the participating clients. If the order is not completely filled, the securities purchased or sold are distributed among participating clients on a pro rata basis or in some other equitable manner.

Bunched trades are placed only when we reasonably believe that the combination of the transactions provides better prices for clients than had individual transactions been placed for clients. Transactions for nondiscretionary client

accounts are not bunched with transactions for discretionary client accounts. Transactions for the accounts of our employees and advisory representatives may be included in bunched trades. They receive the same average price and pay the same commissions and other transaction costs, as clients. Transactions for the accounts of our advisory representatives or employees will not be favored over transactions for client accounts.

We are not obligated to include any client account in a bunched trade. Bunched trades will not be effected for any client's account if doing so is prohibited or otherwise inconsistent with that client's investment advisory agreement. No client will be favored over any other client.

## ***Review of Accounts***

All mutual funds that we advise are monitored on an ongoing basis with a formal review conducted at least quarterly. The reviews focus on the consistency of portfolio investments with each fund's stated objectives and constraints.

On a monthly basis, the performance of each fund is reviewed to monitor consistency with market benchmarks that we deem applicable. Account reviews may also be triggered by other factors such as changes in general economic and market conditions, analyst reports, issuer news and interest rate movement. Brad Alford, Chief Investment Officer, is



responsible for all reviews. Each mutual fund we advise will receive reports as required by its board of directors.

### ***Client Referrals and Other Compensation***

The economic benefits we receive as a result of our business arrangement with US Bancorp are described in the section entitled “Brokerage Practices.”

We do not directly or indirectly compensate any person who is not one of our advisory representatives or employees for client referrals.

### ***Custody***

Our only clients are mutual funds. We do not have custody of any client assets.

### ***Investment Discretion***

We offer our advisory services on a discretionary basis. This means that we do not need advance approval to determine the type and amount of securities to be bought and sold for the mutual funds we advise. We also have the ability to choose the broker-dealer through which transactions will be executed and to negotiate brokerage commissions. We do not, however, have the ability to withdraw funds from your account. This discretion is used in a manner consistent with the stated

investment objectives and constraints for each fund.

### ***Voting Client Securities***

Our portfolio managers vote the proxies on securities held in the mutual funds we advise. We have adopted policies and procedures designed to prevent conflicts of interest from influencing proxy voting decisions made on behalf of the mutual funds and to ensure that these decisions are in accordance with our fiduciary obligations. Our proxy voting policies and procedures, including information on how securities were voted, are available upon written request to Alpha Capital Funds Management, Attn: Chief Investment Officer, 3060 Peachtree Street, Suite 240, Atlanta, GA 30305.

In addition, we actively review and may elect to participate in class action lawsuits involving securities on your behalf.

### ***Financial Information***

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to you and we have not been the subject of a bankruptcy proceeding.

Bradley Huston Alford

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Brochure Supplement

February 19, 2014

This brochure supplement provides information about Brad Alford that supplements the Alpha Capital Funds Management brochure. You should have received a copy of that brochure. Please contact our Chief Compliance Officer if you did not receive Alpha Capital Funds Management's brochure or if you have any questions about the contents of this supplement.

Additional information about Brad Alford is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ***Educational Background and Business Experience***

### **Bradley Huston Alford**

Year of birth: 1965

*Formal education includes:*

- University of Alabama – 1987, BS, Commerce & Business Administration
- University of Alabama – 1989, MBA - Finance

*Designations:*

***Certified Financial Planner***<sup>™</sup>, CFP<sup>®</sup> and federally registered CFP (with flame design) marks (collectively, the “CFP<sup>®</sup> marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP<sup>®</sup> certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP<sup>®</sup> certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP<sup>®</sup> certification in the United States.

To attain the right to use the CFP<sup>®</sup> marks, an individual must satisfactorily fulfill the following requirements:

- Bachelor’s Degree (or higher) from an accredited college university;
- Three years of full-time personal financial planning experience;
- Completion of a comprehensive program of study;
- Successful passing of a 10-hour exam; and
- Consent to be bound by the Standards of Professional Conduct, the ethical and practice standards for CFP<sup>®</sup> professionals.

After certification, continued use of the designation mandates 30 hours of continuing education every two years and on-going commitment to the ethics and practice standards.

**CFA – The Chartered Financial Analyst** designation, the CFA charter, is granted by the CFA Institute.

Candidates must pass each of three six-hour exams, possess a bachelor's degree from an accredited institution (or have equivalent education or work experience) and have 48 months of qualified, professional work experience. They are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct.

### *Business background:*

- Alpha Capital Funds Management, LLC, Chief Investment Officer, 11/2010 – Present
- Alpha Capital Management, LLC, Chief Investment Officer, 07/2006 – Present
- myCFO, Inc.; Director of Investment Advisory Services; 01/2001 – 04/2002
- Monarch Venture Partners; Partner; 05/2000 – 12/2000
- Duke Endowment; Managing Director; 01/1996 – 05/2000
- Emory Endowment; Director of Endowment Investments; 10/1989 – 01/1996

### ***Disciplinary Information***

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each individual providing investment advice. Brad Alford has not been the subject of any legal or disciplinary event.

### ***Other Business Activities***

Mr. Alford is also the Chief Investment Officer and Managing Member of Alpha Capital Management, an advisory affiliate of Alpha Capital Funds Management.

### ***Additional Compensation***

Mr. Alford does not receive any additional compensation related to the advisory services provided through AFCM.

### ***Supervision***

Brad Alford is the sole managing member. There are no other members to supervise or to monitor his activity. Mr. Alford is bound by Alpha Capital Funds Management's *Code of Ethics* and Compliance Procedures, as well as each fund's prospectus. Mr. Alford may be reached at 404.604.2290.