



**Wrap Fee Program Brochure**

**of**

**NEXTCAPITAL ADVISERS, INC.**

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March 29, 2018

**This wrap fee program brochure provides information about the qualifications and business practices of NextCapital Advisers, Inc. If you have any questions about the contents of this brochure, please contact us at: [compliance@nextcapital.com](mailto:compliance@nextcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.**

**Additional information about NextCapital Advisers, Inc. is also available on the Securities and Exchange Commission's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Registration as an investment adviser does not imply a certain level of skill or training.**

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## Item 2: Material Changes

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The NextCapital Advisers Personal Portfolio Service ("Personal Portfolio Service") described in this wrap fee program brochure (this "Brochure") includes material changes to the following sections:

- **Firm Email Address** - The email address for questions about the contents of the Personal Portfolio Service Brochure has changed to [compliance@nextcapital.com](mailto:compliance@nextcapital.com). The previous email address was [advinquiries@nextcapital.com](mailto:advinquiries@nextcapital.com).
- **Ownership and Conflicts of Interest** - A new subheading titled "Ownership and Conflicts of Interest" has been added to Item 4: Advisory Business. As of NextCapital Group's Series C funding round that closed in December 2017, John Patterson no longer directly or indirectly owns more than a 25% interest in NextCapital Group.
- **Assets Under Management** - There has been a material change in the amount of discretionary assets under management (AUM) since NextCapital Advisers' last Wrap Fee Program Brochure filing (May 31, 2017).
- **NextCapital RetirementIndex and RiskIndex** - Information on the NextCapital *RetirementIndex* and *RiskIndex* has been updated and added under the subheading titled "NextCapital *RetirementIndex* and Related Methodology" in Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.
- **Prudent Equity Allocation - "Advice Range" and "Anchor Model"** - Information about NextCapital Advisers' prudent asset allocation "Advice Range" and "Anchor Model" has been added to the subheading titled "NextCapital Advisers' Investment Advice Methodology" under Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.
- **Risks Associated with Using an Algorithm** - Further disclosure on the risks of using algorithms and computer-based quantitative models and systems has been added under the subheading titled "Risks Associated with NextCapital Advisers' Personal Portfolio Service" under Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.
- **Item 12: Brokerage Practices** - A new disclosure on directed brokerage has been added under the subheading titled "Directed Brokerage." NextCapital Advisers' soft dollar practices, including current soft dollar benefits received, has also been added under the subheading titled "Soft Dollar Benefits." Finally, a disclosure on trade errors has been added under the subheading titled "Trade Errors."
- **Item 13: Review of Accounts** - Additional information related to the review and re-running of client investment recommendations has been added under the subheading titled "Reviewing and Adjusting Client Investment Recommendations". Likewise, additional information related to the review and re-balancing of Client asset allocations has been added under the subheading titled "Reviewing and Re-Balancing Client Asset Allocations".
- **Firm Brochure Supplement** - Wayne Kim has joined NextCapital Advisers, Inc. as its Director of Compliance and Associate General Counsel.

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**Item 3:**  
**Table of Contents**

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Item 1:	Cover Page.....	1
Item 2:	Material Changes.....	2
Item 3:	Table of Contents.....	3
Item 4:	Advisory Business.....	4
Item 5:	Fees and Compensation.....	7
Item 6:	Performance-Based Fees and Side-by-Side Management.....	9
Item 7:	Types of Clients.....	9
Item 8:	Methods of Analysis, Investment Strategies and Risk of Loss.....	10
Item 9:	Disciplinary Information.....	16
Item 10:	Other Financial Industry Activities and Affiliations.....	17
Item 11:	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	17
Item 12:	Brokerage Practices.....	18
Item 13:	Review of Accounts.....	23
Item 14:	Client Referrals and Other Compensation.....	25
Item 15:	Custody.....	25
Item 16:	Investment Discretion.....	25
Item 17:	Voting Client Securities.....	26
Item 18:	Financial Information.....	26
	Firm Brochure Supplement.....	27

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#### **Item 4: Advisory Business**

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NextCapital Advisers, Inc. ("NextCapital Advisers") formed as a Delaware corporation and registered with the Securities and Exchange Commission ("SEC") as an investment adviser in March 2015. NextCapital Advisers is a wholly owned subsidiary of NextCapital Group, Inc. ("NextCapital Group").

The mission of NextCapital Group is to deliver personal, objective portfolio and planning services to investors.

NextCapital Group, through its subsidiaries, is a leading provider of automated portfolio management and financial planning software. NextCapital Group's founding team was responsible for building out the first automated 401(k) portfolio management platform, the first digital wealth advisor and one of the first online banks. NextCapital Group's wholly owned subsidiary, NextCapital Software, Inc. ("NextCapital Software"), licenses automated financial planning and portfolio management software to its affiliate (via inter-company agreement(s)), NextCapital Advisers, and/or companies such as Transamerica, John Hancock, State Street Global Advisors and Russell Investments.

This Brochure describes NextCapital Advisers' Personal Portfolio Service, which is an investment management services wrap program offered to NextCapital Advisers' clients ("Clients").

#### **Ownership Interests and Conflicts of Interest**

NextCapital Group's owners include several outside investors as well as NextCapital Group's four founders: John Patterson, Jon Hagen, Dirk Quayle and Robert Foregger. NextCapital Advisers may provide services to clients of an institution that has an equity interest in NextCapital Group, either directly or through one or more of the institution's affiliates, including, Transamerica, Manulife (the parent of John Hancock), State Street Global Advisors, Russell Investments, and AllianceBernstein. No outside investor concedes that it controls NextCapital Group or is otherwise an affiliate of NextCapital Group for purposes of the Investment Advisers Act of 1940, as amended.

NextCapital Advisers provides services to clients of institutions that have equity interests in NextCapital Group, including through one or more of an institution's affiliates. Moreover, NextCapital Advisers' investment advice process recommends asset allocation models for Clients that can and will reference models which may include, but not be limited to, a diversified mix of mutual funds or exchange traded funds ("ETFs") managed by an institution or institution's affiliate. NextCapital Advisers periodically reviews ETFs, as well as other securities, to identify the most appropriate instruments to fulfill respective asset class mandates suggested by NextCapital Advisers' model portfolios. *See Item 8: Methods of Analysis, Investment Strategies and Risk of Loss* for information

regarding investment vehicles recommended by NextCapital Advisers as part of its advice and methodology services.

Neither NextCapital Advisers, NextCapital Software, NextCapital Group nor its employees have a direct material financial interest in the types of securities selected or purchased on behalf of Client accounts. This includes any remuneration for any securities, including those offered by an institution (or institution's affiliate) with an equity interest in NextCapital Group. And, although NextCapital Advisers employees or officers could feasibly purchase securities for their own accounts that may be similar or the same as securities recommended to Clients, NextCapital Advisers enforces a Code of Ethics which helps prevent and/or eliminate such conflict. *See Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.*

### **Advice and Methodology Services**

NextCapital Advisers provides advice and methodology services to Clients, through software, technology and the Client user interface (the "Software Platform") developed by and licensed from NextCapital Advisers' affiliate, NextCapital Software. These services include: (i) model portfolio creation, whereby NextCapital Advisers generates model portfolios and maintains appropriate model portfolio strategies consistent with each individual investor's profile; and/or (ii) advice and wealth forecasting, using various proprietary models and algorithms taking into account capital market assumptions, forecasting configurations, simulation data sets, asset allocation models, advice personalization, asset classification, and investment selection. *See Item 8: Methods of Analysis, Investment Strategies and Risk of Loss* for information regarding the types of investments recommended by NextCapital Advisers as part of its advice and methodology services. The provision of discretionary investment advisory services provided by NextCapital Advisers to Clients has been structured to follow the conditions of Rule 3a-4 under the Investment Company Act of 1940, and, as such, Clients may impose reasonable restrictions on investing in certain securities or types of securities as provided in the client agreement.

### **Portfolio Operations Services**

NextCapital Advisers' portfolio operations provides select support services to facilitate the setup, ongoing management, and maintenance of Client accounts. NextCapital Advisers' portfolio operations staff typically interfaces with Clients on a service basis only and does not provide any investment recommendations or advice verbally, in writing or through any other communication medium outside of the online Software Platform.

NextCapital Advisers' portfolio operations services include one or more of the following: (i) conducting portfolio evaluation services, including, but not limited to, model portfolio maintenance, asset allocation and portfolio re-balancing, tax-efficient implementation, portfolio and transition analysis, and tax-impact modeling; (ii) trading operations services, including, but not limited to, reconciliation of trade orders and activity in Client brokerage accounts with Client custodial

accounts, validation of pricing, and facilitation of communications with broker-dealers regarding trade orders and settlement; (iii) management fee calculation, billing, and reconciliation services; and (iv) proxy voting, corporate actions processing, and class action lawsuit administration.

NextCapital Advisers' Personal Portfolio Service provides automated, ongoing discretionary investment management, automatic portfolio re-balancing, and/or securities transaction services. For these services, each Client authorizes NextCapital Advisers to submit trades to broker-dealers on the Client's behalf using recommendations generated through NextCapital Advisers' proprietary algorithms which are, in turn, put through the Software Platform.

Additionally, Client accounts are automatically reviewed throughout the calendar year at regular intervals, and on an ad hoc basis if and when a Client account falls outside of a prudent asset allocation. A Client account may fall outside of a prudent asset allocation due to changes in the Client's life circumstances insofar as such Client affirmatively communicates these changes to NextCapital Advisers through the Software Platform. Likewise, NextCapital Advisers' proprietary algorithms will inform ongoing portfolio re-balancing based on thresholds established by NextCapital Advisers' Investment Committee. The automated re-balancing of Client accounts may occur as frequently as daily, and without regard to market conditions should a Client account fall outside the established threshold. See *Item 8: Methods of Analysis, Investment Strategies and Risk of Loss* and *Item 13: Review of Accounts* for more information.

NextCapital Advisers typically sends trade orders for execution to broker-dealers as soon as reasonably practicable during normal stock market hours. However, NextCapital Advisers may delay routing of trade orders to broker-dealers for Client accounts, and without notification to Clients, where it has been deemed to be in the best interests of Clients. This would occur during periods of extra-ordinary stock or bond market volatility or disruptions, disorderly market conditions, significant order imbalances, stock exchange outages, inordinate bid/ask spreads, inefficient function of price discovery mechanisms, stock exchange circuit breakers being activated, pricing discrepancies, disruptions of Treasury, Interest Rate or Credit markets, and limited and/or deteriorating liquidity.

Notwithstanding the foregoing, if a Client desires to sell securities positions during a period of abnormal market conditions, NextCapital Advisers will not decline any Client directed "sell" trade orders so long as NextCapital Advisers has received the appropriate authorizations and directions from the Client or the Client's authorized designee.

The Personal Portfolio Service bases its investment recommendations on the information provided by Clients. As such, if a Client were to provide NextCapital Advisers with inaccurate or false information (or fail to provide material information), the quality and applicability of the investment strategies and recommendations made to, and, if applicable, management of such Client accounts by NextCapital Advisers may be materially impacted.

As of January 1, 2018, NextCapital Advisers managed \$113,346,722 of Client assets on a discretionary basis.

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### **Item 5: Fees and Compensation**

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NextCapital Personal Portfolio Service charges an all-inclusive wrap fee ("Wrap Fee"), payable in arrears, at a rate of **25 basis points (0.25%)** ("Fee Rate") annually based on each Client's assets under management with NextCapital Advisers. There are four (4) billing periods (each, a "Fee Period") throughout the year, coinciding with the calendar quarters. NextCapital Advisers calculates a daily Wrap Fee, which is equal to the Fee Rate multiplied by the aggregate market value of each Client account over which NextCapital Advisers has been granted discretionary authority as of the close of trading on the New York Stock Exchange ("NYSE") on such day, or as of the close of markets on the immediately preceding trading day for any day when the NYSE is closed, and then divided by 365 (or 366 in any leap year). The Wrap Fee for each Fee Period is equal to the sum of the daily Wrap Fees calculated during the applicable Fee Period. Upon enrollment in the NextCapital Personal Portfolio Service the Client provides NextCapital Advisers written authorization to have the Wrap Fees directly deducted from the Client's accounts by the Broker. The Wrap Fees will be withdrawn on or around the tenth (10th) business day following the last business day of the applicable Fee Period. Wrap Fees will begin to be calculated on the first trade date of a Client's account and will cease on the day on which such Client's advisory agreement is terminated.

The Wrap Fee includes charges for advisory services, custody of assets, execution and clearing of transactions, and accounting reporting. Clients should consider that, depending on the amount of activity in a Client's account and the value of such advisory, custodial, trade processing, clearing and other services provided under the Wrap Fee arrangement, the Wrap Fee may or may not exceed the aggregate cost of such services if they were to be provided separately.

In addition to the Wrap Fee, a Client account may incur "transfer out" fees (charged by other brokers when such Clients transfer their accounts to a Broker). NextCapital Advisers is involved with the establishment of a Broker's fee structure, but receives no remuneration from any Broker or from Brokers who may charge Clients such "exit" fees.

### **Negotiability of Fees**

Except as otherwise noted below, Wrap Fees are generally non-negotiable. In the event of a change to the Personal Portfolio Service pricing model, NextCapital Advisers may, in its sole discretion, offer existing NextCapital Adviser Clients the opportunity to retain the pricing rates that apply to such Client at the time of the change, rather than migrate the Client to the new rate.

## Account Termination

If a Client wishes to terminate an existing relationship with NextCapital Advisers, they can do so at any time by emailing [compliance@nextcapital.com](mailto:compliance@nextcapital.com). Client termination will take effect promptly upon NextCapital Advisers' receipt of such notification, and final Wrap Fees owed to NextCapital Advisers will be calculated and deducted from the Client account at such time.

NextCapital Advisers may terminate a Client's access to any of NextCapital Advisers' services under appropriate circumstances, including, but not limited to, when: (i) NextCapital Advisers believes there is a breach or violation of the applicable account documentation (e.g., investment advisory agreement) or other documentation governing NextCapital Advisers' relationship with the Client; or (ii) if a Client's requested account restrictions cannot be reasonably accommodated.

## Other Account Fees

NextCapital Advisers does not receive any direct or indirect (e.g. soft-dollar) compensation derived from Client commissions. *See Item 12: Brokerage Practices* for additional information on Soft Dollar Benefits. NextCapital Advisers provides objective, unbiased investment recommendations. Neither NextCapital Group nor any of its subsidiaries have any fee arrangement with any fund adviser or other person related to any of the investment recommendations provided by NextCapital Advisers.

In addition to the Wrap Fee, Clients may also pay fees or expenses to third parties. Some securities or other investment products, such as mutual funds or ETFs, may charge product fees that Clients indirectly pay. NextCapital Advisers does not charge these fees to Clients and NextCapital Advisers does not benefit, directly or indirectly, from any such fees. Mutual funds and ETFs typically include embedded expenses that may reduce the mutual fund's or ETF's net asset value, and therefore directly affect the mutual fund's or ETF's performance and, in turn, affect a Client's portfolio performance or an index benchmark comparison. Expenses of a mutual fund or ETF may include management fees, custodian fees, brokerage commissions, and legal and accounting fees. Mutual fund and ETF expenses may change from time to time at the sole discretion of the mutual fund administrator or ETF issuer, as applicable. Where NextCapital Advisers is selecting securities for inclusion in Client accounts under the Personal Portfolio Service, NextCapital Advisers continually evaluates such investments and embedded fees on behalf of Clients' managed accounts and will provide each mutual fund's and ETF's current information, including expenses, upon request.

Client accounts participating in the Personal Portfolio Service must be held at a full-service registered broker-dealer (the "Broker") that allows NextCapital Advisers to submit trades on behalf of Client accounts. For Clients whose accounts are not held at a Broker prior to enrollment in the Personal Portfolio Service, NextCapital Advisers will assist Clients in transferring assets into new accounts held at a Broker. The Broker will be a "Qualified Custodian," as defined by SEC Rule 206(4)-2, to meet the custodial and brokerage needs of Clients. Certain Client accounts may be eligible for "trading away" (limited to accounts larger than \$100,000), which is where NextCapital

Advisers executes trades with a broker-dealer other than the Broker. However, if NextCapital Advisers trades away, the Client account may incur trading costs in addition to the fees charged to the account as part of the Wrap Fee. The broker-dealer executing the transaction may charge additional fees such as, commissions, markups, markdowns or “spreads” paid to market makers. Additionally, if a foreign currency transaction is required, a foreign broker-dealer firm may receive compensation in the form of a dealer spread, markup or markdown. There may be other exchange or similar fees, including, but not limited to, foreign ordinary conversion and creation or redemption of ETFs charged by third parties, as well as foreign tax charges. As a result, if NextCapital Advisers was to trade away from the Broker, the strategy could be more costly to a Client account than if NextCapital Advisers placed the trade orders with the Broker for execution. *See Item 12: Brokerage Practices* for additional information.

***It is important that Clients carefully review statements regularly provided by the Broker to ensure that the transactions, amount of Wrap Fees and any other fees charged to the Client account are accurate and reflect the services provided as part of the NextCapital Personal Portfolio Service.***

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**Item 6:  
Performance-Based Fees and Side-by-Side Management**

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NextCapital Advisers does not charge performance-based fees.

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**Item 7:  
Types of Clients**

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Through its Personal Portfolio Service, NextCapital Advisers generally provides investment advice and portfolio operations services to individuals who are seeking independent, objective and actionable investment advice and management to help such individuals make investment decisions and achieve their financial objectives and goals.

The Personal Portfolio Service is provided by NextCapital Advisers directly through the internet-based Software Platform. As such, a Client must be willing to conduct the Client relationship with NextCapital Advisers on an electronic basis. In such case, under the terms of the client agreement, the Client will agree to receive all account information and account documents (including this Brochure, and any updates or changes to the same), through his or her access to the Software Platform and electronic communications.

NextCapital Advisers Client accounts are subject to a minimum initial account size of \$5,000.00, unless such minimum is waived by NextCapital Advisers in its sole discretion.

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

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This section summarizes NextCapital Advisers' method of analysis, investment strategies and related matters that may be relevant to Clients.

**Methods of Analysis and NextCapital Advisers' Investment Strategies**

**Overview:** NextCapital Advisers seeks to provide each Client with a personalized, objective investment plan that considers the Client's preferences, goals and constraints. Clients who can utilize and benefit from NextCapital Advisers' method of analysis and/or investment strategies range from novice individual investors to sophisticated investors seeking investment strategy advice.

**NextCapital *RetirementIndex* and Related Methodology:** The foundation of NextCapital Advisers' investment advice methodology is the NextCapital RetirementIndex ("*RetirementIndex*") and related methodology. The *RetirementIndex* is a proprietary portfolio index that aims to track the consensus global asset allocation of the largest asset managers of Target Date Funds ("*TDFs*"). NextCapital Advisers, using the *RetirementIndex* as an asset class allocation baseline, provides a framework for personalized portfolio assignment and financial planning for goal-based portfolio assignments.

The objective of the NextCapital *RetirementIndex* is to provide a prudent global baseline asset allocation for individual investors targeting a retirement goal. The NextCapital *RetirementIndex* aims to achieve this objective by creating a representative benchmark of the Target Date Fund and Retirement Income Fund industry that reflects the consensus market asset allocation appropriate for an investor based on their years to retirement (maturity).

The NextCapital *RetirementIndex* is derived from the consensus asset allocation of the largest asset managers of TDFs and retirement income funds. Each expert asset manager has a different perspective on: capital market assumptions, optimized global asset class allocation portfolios, and the appropriate risk level for each investor (based on their years to retirement/maturity). Further, these views may change over time. The *RetirementIndex*, in turn, analyzes the largest asset managers to determine each manager's implied optimal asset allocation and then generates a market consensus view based on derived optimal asset allocations. The *RetirementIndex* is updated quarterly and reconstituted on an annual basis.

By aggregating Target Date industry views to create a consensus of the largest fund managers, the *RetirementIndex* seeks to ensure that investors do not concentrate risk by relying on the economic and asset allocation views of a single asset manager. Thus, the *RetirementIndex* provides a prudent alternative to the risky process of selecting a single provider glide path and the other bundled asset management activities and services included with that selection.

The *RetirementIndex* goal based portfolios start with capital growth-seeking portfolios for young investors and glide down in the level of equity risk based on the number of years to expected retirement/maturity. Generally, the TDF managers are invested among twenty-plus major global asset classes or styles. The asset classes represented in the *RetirementIndex* are non-overlapping, are minimally correlated with each other, consider global risk factors and are investable using a variety of low-cost fund managers.

Asset class eligibility for representation in the *RetirementIndex* relies on providing sufficient and near exhaustive coverage of investable global capital market opportunities for long-only beta portfolios, capturing the most granular asset class exposures that are commonly found in the TDF industry, statistically adding diversification benefits to the portfolio that may not be spanned by a linear combination of other asset classes, aiming to be as mutually exclusive as possible with respective benchmark indices that have at least several years of returns history, and providing investment opportunities through low cost funds.

The NextCapital *RiskIndex* delivers the set of consensus implied asset allocations for any particular level of allocation to capital growth and capital preservation assets ranging from 100% to 0%.

#### **NextCapital Advisers' Investment Advice Methodology:**

NextCapital Advisers' Personal Portfolio Service advice includes: (i) providing the *RetirementIndex* glide path and asset allocation models; (ii) providing a personalized advice framework that generates a retirement goal based financial plan, including portfolio assignment, savings and retirement age; (iii) generating investment models with ETFs and/or mutual funds to implement asset class model assignments; and (iv) varying combinations of (i)-(iii), above.

The *RetirementIndex* provides a foundation for prudent, time-horizon-based investment management – a tailored portfolio that can be further personalized with additional Client profiling. Using Client data, NextCapital Advisers seeks to personalize retirement advice for each Client based on four primary factors: (i) human capital (i.e., a Client's future earnings and savings potential); (ii) a funded ratio (i.e., a Client's ability to achieve a retirement spending goal with current savings and future contributions); (iii) sequence risk (e.g., the impact of a potential short-term extreme market event on the investment portfolio); and (iv) longevity (i.e., a Client's estimated life expectancy). NextCapital Advisers may also utilize additional information, as provided by Clients, related to the following two categories (however, this additional information is not required): (i) risk preference (i.e., a Client's ability to withstand future market volatility and other market events); and (ii) future goals (i.e., a Client's goals for retirement, college education, etc.)

Client profile information may be collected in several ways. Clients may complete a proprietary investor planning process produced by NextCapital Advisers before or during the initial account opening process, provide a high-level estimate of their financial situation and/or link to

independently held investment accounts with third-parties ("Held-Away" accounts) that are aggregated to the Software Platform (this option provides NextCapital Advisers with the most detailed security and tax status information - e.g., 401(k), IRA, Roth, etc. - about a Client's financial plan). The investment methodology also utilizes default assumptions that NextCapital Advisers uses if certain information is not provided by a Client in a questionnaire, or otherwise (e.g., if a Client does not enter the age at which such Client desires to retire, the investment methodology assumes a retirement target age of 65).

Based on NextCapital Advisers' personalized Client profile process, NextCapital Advisers personalizes a Client's portfolio and glide path relative to the age-based default allocation utilizing investment methodology and the Software Platform. The potential results for each Client may include: (i) a customized portfolio allocation and glide path; (ii) wealth and spend-down forecasts; (iii) savings advice; (iv) portfolio insights (e.g., information on topics such as portfolio diversification, investment costs, investment tax liabilities and performance); and (v) other advice or guidance relating to such Client's portfolio.

NextCapital Advisers provides Clients with a prudent asset allocation driven by its personalized, goal-based advice algorithm. This prudent asset allocation can range from +/-3% ("Advice Range") relative to an asset allocation (the "Anchor Model") derived from NCA's advice algorithm which, in turn, is output through the Software Platform. For example, if the Advice Range is 77%-83% equity asset allocation, then the Anchor Model is 80% equity asset allocation. Prudent implementations of the Client account would include implementations of 77 or 78 or 79 or 80 or 81 or 82 or 83% equity. It should be noted, however, that the Advice Range represents a guide for managing the portfolio, but there are situations wherein the portfolio may be outside of this range, including, but not limited to, periods of extra-ordinary stock or bond market volatility or disruptions. *See Item 13: Review of Accounts* for additional information on Reviewing and Adjusting Client Investment Recommendations and Reviewing and Re-Balancing Client Asset Allocations.

NextCapital Advisers seeks to use optimal asset classes in which to invest. This includes, for example, tax-efficient and inexpensive ETFs, mutual funds, or other securities to fulfill asset class mandates. Asset classes represented by ETFs, mutual funds or other securities in a Client portfolio may include: Cash & Cash Equivalents, US Treasury Bonds, US Treasury Inflation Protected Securities ("TIPS"), US Agency Bonds, US Mortgage Backed Bonds, US Municipal Bonds, US Corporate Bonds, US High Yield Bonds, Developed Markets Sovereign Bonds, Emerging Markets Sovereign Bonds, US Large Cap Value, US Large Cap Growth, US Small Cap Value, US Small Cap Growth, Developed Markets Equities, Global ex-US Small Cap, Emerging Markets Equities, US REITs, Global ex-US REITs, and Commodities.

NextCapital Advisers periodically reviews available ETFs, mutual funds and other securities to identify the most appropriate ETFs, mutual funds or other securities to fulfill each asset class mandate. NextCapital Advisers looks for ETFs, mutual funds or other securities that minimize cost and tracking error (as many ETFs and mutual funds do not exactly track the indexes they were

created to mimic) and offer market liquidity for best execution. NextCapital Advisers strives to choose ETFs, mutual funds or other securities that are expected to have sufficient liquidity to allow Client withdrawals at any time. Finally, for taxable accounts, NextCapital Advisers selects ETFs, mutual funds or other securities that have tax management practices that are consistent with the goal of reducing Client tax consequences. It should be noted, however, that NextCapital Advisers does not provide tax advice.

As previously stated, NextCapital Advisers licenses the Software Platform used to formulate investment recommendations for Clients from its affiliate, NextCapital Software.

### **Risks Associated with NextCapital Advisers' Personal Portfolio Service:**

*Risk of Loss.* The identification of investment opportunities is difficult and involves a significant degree of uncertainty. Investing in securities involves a risk of loss. NextCapital Advisers does not guarantee the future performance of any Client's account, or the success of any investment recommendation or strategy that NextCapital Advisers may make for a Client's portfolio.

*Risks Associated with Using an Algorithm.* The algorithms used by the NextCapital Advisers are based on NextCapital Advisers' capital market assumptions and analysis. The investment objectives of the algorithms are not intended to replicate a perfect "model" portfolio, but are, instead, intended to reflect NextCapital Advisers' investment philosophy. When these algorithms are used to implement and re-balance Client portfolios, they do not consider prevailing market conditions when trading within Client portfolios. These models and systems also entail the use of sophisticated statistical calculations and complex computer systems, and there is no assurance that NextCapital Advisers will be successful in carrying out such calculations correctly, or that the use of these quantitative models and systems will not expose Clients to the risk of significant losses. More specifically, NextCapital Advisers' ability to implement key investment objectives is dependent on a number of considerations, including, but not limited to, the economic, analytical and mathematical components of each model, the accurate encapsulation of those components in a complex computational environment (including the Software Platform), the data quality incorporated into the models, changes in market conditions, the successful expression of the models' views into any applicable investment portfolio construction, and the ability of NextCapital Advisers to interpret and implement model outputs. Several of the aforementioned considerations (and others) present the possibility of human error. While NextCapital Advisers has established certain systematic rules and processes for monitoring Client portfolios to ensure they are managed in accordance with their investment objectives, there is no guarantee that these rules or processes will effectively manage the risks associated with algorithms in all market conditions. Consequently, while NextCapital Advisers employs controls to help ensure that models are sound in their development and appropriately adapted, calibrated and implemented into the Software Platform, the risks and certain errors associated with algorithms can and will persist. Furthermore, errors may be very difficult to detect in some instances, with some errors potentially going undetected for long periods of time, or not detected at all. NextCapital Advisers' controls and processes are designed to help ensure that

certain types of errors are subject to review once discovered, however, the effect of errors on the investment process and, as applicable, Client account performance (positive or negative) may not be fully apparent when discovered.

The SEC has provided further information for investors to consider when utilizing digital advice services. The SEC guidance can be accessed using the following web address:

[https://www.sec.gov/oiea/investor-alerts-bulletins/ib\\_robo-advisers.html](https://www.sec.gov/oiea/investor-alerts-bulletins/ib_robo-advisers.html)

*Risks Related to Accuracy of Information.* NextCapital Advisers bases its investment recommendations for its Personal Portfolio Service on the information provided by Clients. As such, if a Client were to provide NextCapital Advisers with inaccurate or false information, or fail to provide material information, the quality and applicability of the investment strategies, recommendations made to, and, if applicable, management of accounts of such Client by NextCapital Advisers may be materially impacted. NextCapital Advisers may also receive data and information about Client accounts from its custodian and Broker. Additionally, NextCapital Advisers may utilize data and information from one or more third party data providers in order to evaluate and analyze securities. If such data and/or information were to prove inaccurate, false or otherwise materially compromised, NextCapital Advisers may be materially impacted.

*Market Risks.* The recommendations NextCapital Advisers provides and other information comprising a recommended investment strategy may be time sensitive, especially during times of significant market volatility. Thus, acting on an investment recommendation after the date of recommendation may cause significant losses to a Client's portfolio. Moreover, the success of NextCapital Advisers' investment strategy and recommendations may be significantly and adversely affected by general economic and market conditions, such as changes in interest rates, the availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the investments NextCapital Advisers recommends to Clients.

*Regulatory and Legal Risks.* Performance may directly or indirectly be affected by government legislation or regulation, which may include, but is not limited to: (i) changes to federal and state securities laws; the (ii) outcome of regulatory examinations, investigations and enforcement actions; (iii) changes in the U.S. government's guarantee of ultimate payment of principal and interest on certain government securities; and (iv) changes in the tax code that could affect interest income, income characterization and/or tax reporting obligations (particularly for ETF securities dealing in natural resources). In certain circumstances, a Client may incur taxable income on their investments without a cash distribution to pay the tax due. Recommendations provided by NextCapital Advisers may also be affected by changes in domestic and international current events and political circumstances. Moreover, recommendations may also be adversely affected by individual legal claims and class action claims.

*Foreign Investing and Emerging Markets Risks.* Foreign investing involves risks not typically associated with U.S. investments, and the risks may be exacerbated further in emerging market countries. These risks may include, among others, adverse fluctuations in foreign currency values, as well as adverse political, social and economic developments affecting one or more foreign countries. In addition, foreign investing may involve less publicly available information and more volatile or less liquid securities markets, particularly in markets that trade a small number of securities, have unstable governments, or involve limited industry. Investments in foreign countries could be affected by factors not present in the U.S., such as restrictions on receiving the investment proceeds from a foreign country, foreign tax laws or tax withholding requirements, unique trade clearance or settlement procedures, and potential difficulties in enforcing contractual obligations or other legal rules that jeopardize shareholder protection. Foreign accounting may be less transparent than U.S. accounting practices and foreign regulation may be inadequate or irregular.

*ETF and Mutual Fund Risks.* ETF or mutual fund performance may not exactly match the performance of the index or market benchmark that the ETF or mutual fund is designed to track for many reasons, including:

- The ETF or mutual fund will incur expenses and transaction costs not incurred by any applicable index or market benchmark;
- Certain securities comprising the index or market benchmark tracked by the ETF or mutual fund may, from time to time, be temporarily unavailable;
- Certain ETFs or mutual funds may use synthetic products to reduce tracking error with the market benchmark tracked by the fund which relies on the synthetic counterparty to carry through with its obligation to pay the agreed upon index return. If that does not occur, the ETF or mutual fund risks incurring losses that would impact investors; and
- Supply and demand in the market for either the ETF and/or for the securities held by the ETF or mutual fund may cause the ETF or mutual fund shares to trade at a premium or discount to the actual net asset value of the securities owned by the ETF or mutual fund.

Certain ETF or mutual fund strategies may, from time to time, include the purchase of fixed income, commodities, foreign securities, American Depositary Receipts, or other securities for which expenses and commission rates could be higher than normally charged for exchange-traded equity securities, and for which market quotations or valuation may be limited or inaccurate.

Clients should be aware that when a Client invests in ETFs or mutual funds, the Client will pay two levels of compensation – advisory fees charged by NextCapital Advisers **plus** any management fees charged by the issuer of the ETF or mutual fund. This scenario may cause a higher advisory cost (and potentially lower investment returns) than if such Client purchased the ETF or mutual fund directly.

An ETF or mutual fund typically includes embedded expenses that may reduce the ETF's or mutual fund's net asset value, and therefore directly affect the fund's performance and, in turn, affect a Client's portfolio performance or an index benchmark comparison. Expenses of the fund may include investment adviser management fees, custodian fees, brokerage commissions, and legal

and accounting fees. ETF or mutual fund expenses may change from time to time at the sole discretion of the ETF or mutual fund issuer.

A mutual fund may keep a portion of its assets in low-paying cash alternatives to allow the mutual fund to meet investor redemption requests. If that amount is substantial, it can reduce a fund's returns to the Client's account. The mutual fund can also be affected by the actions of other investors. If a mutual fund experiences an increase in redemption demands, the mutual fund manager might have to sell investments at a less than ideal time to meet those demands. Likewise, if a mutual fund has a sudden influx of money, it might have difficulty finding worthy investments.

The timing of a purchase or sale of a mutual fund in a taxable account can affect a Client's tax liability as mutual funds pass-through dividends and capital gains resulting from activity in the mutual fund. This typically occurs once per year around year-end; however, if a taxable Client account purchases mutual fund shares just before this distribution, the Client will owe taxes that year on that distribution, even if the Client's shares of the mutual fund have not appreciated. Dividends distributed from fixed income ETFs or mutual funds are technically interest income and may be subject to tax at ordinary income tax rates. NextCapital Advisers does not provide tax advice. Clients should consult their tax and accounting advisors before enrolling in the Personal Portfolio Service.

*Inflation, Currency, and Interest Rate Risks.* Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of an investor's future interest payments and principal. Inflation also generally leads to higher interest rates, which, in turn, may cause the value of many types of fixed income investments to decline. In addition, the relative value of the U.S. dollar-denominated assets primarily managed by NextCapital Advisers may be affected by the risk that currency devaluations affect Client purchasing power.

**The foregoing list of risks does not purport to be a complete enumeration or explanation of the risks involved with NextCapital Advisers' Personal Portfolio Service. Prospective Clients should consult their own advisers before deciding whether to utilize NextCapital Advisers' Personal Portfolio Service.**

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**Item 9:  
Disciplinary Information**

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There are no legal or disciplinary events that are material to a Client's evaluation of NextCapital Advisers or the integrity of NextCapital Advisers' management.

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**Item 10:**  
**Other Financial Industry Activities and Affiliations**

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NextCapital Advisers has no other financial industry activities or affiliations required to be disclosed in this Brochure.

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**Item 11:**  
**Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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In accordance with the Investment Advisers Act of 1940, as amended, NextCapital Advisers has adopted a Code of Ethics for all supervised persons of the firm describing NextCapital Advisers' high standards of business conduct and fiduciary duty to act in the best interests of Clients. The Code of Ethics includes written policies and procedures governing the conduct of the firm's supervised persons, including, but not limited to, provisions relating to the confidentiality of Client information, a prohibition on insider trading, disclosure of conflicts of interest, restrictions on the acceptance of significant gifts (and the reporting of gifts and business entertainment items), personal securities trading, and limits on state and local political contributions, among others. All supervised persons at NextCapital Advisers must acknowledge adherence to the terms of the Code of Ethics annually, or as amended. Upon request, NextCapital Advisers will provide a copy of the Code of Ethics to Clients and prospective clients. To request a copy of the Code of Ethics, please contact NextCapital Advisers at: [compliance@nextcapital.com](mailto:compliance@nextcapital.com).

NextCapital Advisers will generate advice and buy or sell securities for Client accounts based on the advice generated via automated algorithmic software recommendations. NextCapital Advisers will often use highly liquid index ETFs, mutual funds or other securities for Client accounts, and NextCapital Advisers tracks any purchases made by NextCapital Advisers employees or management. Generally, NextCapital Advisers does not anticipate that its buying or selling activity will materially affect the price of high-liquidity ETFs or other securities used by NextCapital Advisers; however, NextCapital Advisers limits the ability of employees and management with access to material non-public information to purchase certain ETFs or other securities to ensure there are no conflicts of interest with Client accounts and employee securities transactions.

**Dollar Based Transactions and Fractional Shares**

NextCapital Advisers translates orders placed on behalf of Clients in terms of U.S. Dollars to a corresponding number of shares for purposes of executing orders in the market and, thereafter, maintaining assets in a Client's account. As a consequence of dollar-based transactions, a Client may hold fractional share interests in certain securities. Fractional share amounts in certain securities

such as ETFs may be unrecognized, illiquid, unmarketable or unable to transfer to another brokerage account outside of the Personal Portfolio Service.

NextCapital Advisers, through use of a facilitation account established at the Broker, may allocate, at its discretion, transactions to Client accounts resulting in a Client account holding fractional share interests in securities. In order to facilitate the allocation of fractional shares, NextCapital Advisers must participate side-by-side in Client transactions only to the extent required to zero-out NextCapital Advisers' Average Price Allocation Account ("AvgPx Account") at the Broker prior to the end of each trading day. At no time does NextCapital Advisers enter into principal transactions with Client accounts, whereby NextCapital Advisers buys from, or sells to, any Client account shares of any securities through NextCapital Advisers' fractional share facilitation account ("Fractional Account").

NextCapital Advisers and the Broker have established procedures to eliminate the opportunity for NextCapital Advisers to benefit financially from this limited side-by-side participation in Client transactions, and to avoid any material conflict that may result from residual fractional shares being allocated to NextCapital Advisers' Fractional Account.

### **Allocating Fractional Shares**

The algorithmic trading strategies that NextCapital Advisers employs requires order generation and trade execution in whole shares. In order to facilitate fractional share allocations to a Client account, NextCapital Advisers' Order Management System ("OMS") requires orders to be blocked together for execution (where applicable, per NextCapital Advisers' Best Execution Policy). These trade executions will then occur in NextCapital Advisers' AvgPx Account at the Broker. At the end of each trading day, the Broker requires that NextCapital Advisers' AvgPx Account be zeroed-out. Therefore, NextCapital Advisers must allocate the fractional share remainders left over from Client orders and allocations to NextCapital Advisers' Fractional Account.

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## **Item 12: Brokerage Practices**

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### **Trade Aggregation**

NextCapital Advisers' policy is to aggregate Client trade orders where possible and when advantageous to Clients. In these instances, Client accounts participating in any aggregated transactions will receive an average share price and any transaction costs will be shared equally and on a pro-rata basis. In order to avoid buying and selling the same security for all Client accounts through multiple broker-dealers, NextCapital Advisers may aggregate all such Client transactions into one block trade that is executed through one broker-dealer. This practice may enable NextCapital Advisers to obtain more favorable execution, including better pricing and enhanced

investment opportunities than would otherwise be available if orders were not aggregated. Using block transactions may also assist NextCapital Advisers in potentially avoiding an adverse effect on the price of a security that could result from simultaneously placing a number of separate, successive, or competing Client trade orders. However, as it pertains to Client accounts, this practice may result in “trading away” from the Broker, which is where NextCapital Advisers executes trades for a Client with a broker-dealer other than the Broker. It should be noted that only certain accounts (accounts larger than \$100,000 at the time of trading) are eligible for “trading away”.

NextCapital Advisers may aggregate purchase or sale orders for a Client account with purchase or sale orders in a particular security for other Clients accounts when such aggregation may result in a more favorable net result to all participating Clients; however, NextCapital Advisers is under no obligation to so aggregate orders. Circumstances may arise where NextCapital Advisers determines that, while it would be both desirable and suitable to aggregate Client orders for a particular security or other investment, there is a limited supply or demand for the security or other investment. Under such circumstances, NextCapital Advisers will seek to allocate investment opportunities equitably, over time, to Client accounts, as Clients are not assured of participating equally or at all in particular investment allocations. As a consequence of NextCapital Advisers’ position, different groups of Clients are likely to receive different execution prices and consequently would experience different rates of return.

### **Best Execution**

NextCapital Advisers has an obligation to seek “best execution” of Client trade orders. This means NextCapital Advisers will act with full discretionary authority to execute trades with those Brokers it believes are capable of providing the execution that is the most favorable to Clients under the circumstances. NextCapital Advisers may determine that the Broker or another broker-dealer’s execution capabilities provide the most favorable options under the circumstances. In complying with its best execution obligation, NextCapital Advisers will review several factors that reflect on the quality of broker-dealer trade execution.

NextCapital Advisers may consider the full range and quality of a broker-dealer’s services, including, but not limited to, execution price, as well as the following factors:

- The nature of the security;
- The size and type of transaction;
- The nature and character of relevant markets;
- The executing broker’s execution, clearing, settlement capabilities and reputation;
- The importance of speed, knowledge, efficiency, consistency and anonymity provided by the executing broker-dealer; and
- Other investment opportunities.

Additional trading costs associated with “trading away,” as previously described, may be one of several factors NextCapital Advisers assesses when fulfilling its best execution obligation. NextCapital Advisers may consider different factors or may place different weight on the factors it uses to meet its best execution obligation. NextCapital Advisers best execution obligation does not require NextCapital Advisers to solicit competitive bids for each transaction or to seek the lowest available cost of trade orders, so long as NextCapital Advisers reasonably believes that the broker-dealer selected can be reasonably expected to provide Clients with the most favorable execution under the circumstances.

## **Broker Selection**

In selecting broker-dealers to serve as the Broker for Client accounts, NextCapital Advisers first determines which broker-dealers have an investment management platform that allows NextCapital Advisers to execute trades on behalf of Clients. NextCapital Advisers then assesses broker-dealers using factors that include, but are not limited to, the following:

- Financial strength and reputation of the broker-dealer;
- Proper registration, licensing, and background checks of both the broker-dealer and individuals of the broker-dealer;
- Whether the broker-dealer has a trading platform that supports the administrative requirements for trading and record keeping;
- The amount of experience the broker-dealer has in handling the transaction, brokerage, custodial and record-keeping needs of an internet based investment adviser;
- Whether the broker-dealer's securities pricing, transaction, and custodial costs are reasonable;
- The likelihood the broker-dealer will meet or exceed its best execution obligations for Client account transactions;
- The level of responsiveness that the broker-dealer will bring to NextCapital Advisers' execution needs for Client accounts;
- The extent to which the broker-dealer has access to securities that NextCapital Advisers selects for Client account transactions;
- The broker-dealer's block trading capabilities;
- The broker-dealer's ability to facilitate creation and redemption of shares of ETFs; and
- The accuracy of trades and trade confirmations and, in the event that errors occur, a rapid and fair error correction process.

Currently, NextCapital Advisers only utilizes Pershing Advisor Solutions LLC and its affiliates (“Pershing”) as the Broker for Client securities transactions. NextCapital Advisers anticipates utilizing other Brokers in the near-future.

## **Directed Brokerage**

In a directed brokerage arrangement, the Client - rather than NextCapital Advisers - determines the selection of a particular broker-dealer for securities transactions in the Client account. NextCapital

Advisers currently does not allow Client-directed brokerage transactions, but may allow for such transactions in the future.

To the extent NextCapital Advisers is required to direct some or all of the trades for a Client account to a specific broker-dealer, NextCapital Advisers does not have any role in, or responsibility for, the Client's selection of the specific broker-dealer. As such, NextCapital Advisers does not have any control over the broker's services, including commissions charged by the broker, and the nature and quality of executions provided by such broker. Therefore, NextCapital Advisers cannot ensure in any given Client-directed brokerage transaction that it will be able to obtain the best price.

Furthermore, to the extent a Client elects to direct securities transactions in their account to a specific broker-dealer, the Client's transactions may need to be handled separately from other Client orders. Because of the conditions imposed by Client-directed brokerage transactions and the possibility that these transactions could adversely impact other NextCapital Advisers Client transactions (i.e., those that do not have similar conditions imposed), Clients should be made aware that Client-directed brokerage transactions may not be aggregated with other Client orders, and, as such, Client-directed brokerage transactions could be executed last.

Finally, should it allow for Client-directed brokerage transactions in the future, NextCapital Advisers will attempt to accommodate execution through the Client-directed broker. However, to the extent NextCapital Advisers maintains discretion in selecting the Broker for securities transactions, NextCapital Advisers has no obligation to use the Client-directed broker-dealer if, in NextCapital Advisers' judgment, the use of the broker-dealer would be inconsistent with NextCapital Advisers' fiduciary obligations to obtain best execution. Consequently, NextCapital Advisers does not accept any responsibility for not using the Client-directed broker for any such Client transactions in which NextCapital Advisers does not allocate to that broker. NextCapital Advisers may also use step outs for Client recapture purposes in order to mitigate dispersion and achieve best execution.

## **Soft Dollar Benefits**

Soft dollars relate to the practice of using a portion of commissions generated when executing client transactions to acquire research and brokerage services from broker-dealers. Certain investment advisers will consider research and other services in making brokerage decisions and, when they deem appropriate, these investment advisers may use a portion of commissions generated when executing client transactions through a broker (or "Soft Dollars") to acquire research and brokerage services ("Soft Dollar Benefits") in a manner consistent with the "safe harbor" provided under Section 28(e) of the Securities Exchange Act of 1934, as amended. Under the safe harbor and SEC interpretation of the same, investment advisers may use Soft Dollars to pay for Soft Dollar Benefits, even when such benefits may also be available for cash, to the extent permitted by law and applicable jurisdictions, when such Soft Dollar Benefits assist investment advisers in meeting client investment objectives or in managing client accounts.

### Soft Dollar - Research Services

Under Section 28(e)(3) of the Securities Exchange Act of 1934, a person provides research services insofar as he or she: (i) furnishes advice, either directly or through publications or writings, as to the

value of securities, the advisability of investing in, purchasing, or selling securities, and the availability of securities or purchasers or sellers of securities; or (ii) furnishes analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts. The SEC has said that a common element among advice, analyses, and reports is that each contains the expression of reasoning or knowledge about the subject matter.

#### Soft Dollar - Brokerage Services

The SEC applies a "temporal standard" to "brokerage services" eligible under the Section 28(e) safe harbor. Under this view, brokerage services relate to activities from the time an investment adviser communicates with a broker for purposes of transmitting an order until funds or securities are delivered or credited to a client's account. As such, brokerage services eligible under Section 28(e) may include various communication services related to the execution, clearing and settlement of transactions, such as connectivity services between an investment adviser and a broker or other relevant parties (including dedicated lines between the broker and an order management system, dedicated lines between the trading desk and the broker, and message services). Additionally, algorithmic trading software, as well as software to route orders to market centers or direct market access systems would be considered brokerage services within the safe harbor.

#### Soft Dollar - NextCapital Advisers' Practices

Client trades executed through Pershing are not subject to commission or transaction charges. NextCapital Advisers does, however, avail itself of benefits provided by its Broker, Pershing. Pershing provides NextCapital Advisers with trading tools and sponsors/pays for NextCapital Advisers' access to a third-party trade order execution management system ("EMS"). Access to the EMS allows NextCapital Advisers use of Pershing's algorithmic trading systems and direct market access systems, in addition to providing NextCapital Advisers with the ability to route and execute Client trade orders through other Brokers.

### **Trade Allocation**

Where NextCapital Advisers has discretion to place orders to execute transactions on behalf of Client accounts, NextCapital Advisers may allocate such transactions to selected broker-dealers on certain markets, at certain prices and at certain commission rates as NextCapital Advisers, in good faith, deems appropriate. NextCapital Advisers will take into consideration, in the selection of broker-dealers, not only the available prices and rates of brokerage commissions, but also other relevant factors including, without limitation, execution capabilities and other services provided by broker-dealers, provided that such services are in compliance with Section 28(e) of the Securities Exchange Act of 1934.

### **Trading Costs and Fees**

A Client's account is not subject to commissions on transactions when the Broker executes a trade order in the Client account. However, NextCapital Advisers, as permitted by the Broker and/or the

client agreement, may choose to submit trades to a broker-dealer other than the Broker if NextCapital Advisers reasonably believes another broker-dealer can obtain a more favorable execution under the circumstances. Transactions executed at a broker-dealer other than the Broker are frequently referred to as “trading away”.

Certain Client accounts (limited to accounts larger than \$100,000), are eligible for “trading away”; however, if NextCapital Advisers executes trades with a broker-dealer other than the Broker, then a Client account may incur trading costs in addition to the fees charged to the account as part of the Wrap Fee program. The broker-dealer executing the transaction may charge additional fees, such as: commissions, markups, mark-downs or “spreads” paid to market makers. Additionally, if a foreign currency transaction is required, a foreign broker-dealer firm may receive compensation in the form of a dealer spread, markup or markdown. There may be other exchange or similar fees, including, but not limited to, foreign ordinary conversion fees, ETF creation fees charged by third parties, as well as foreign tax charges. As a result, if NextCapital Advisers was to trade away from the Broker, the strategy could be more costly to a Client account than if NextCapital Advisers places Client account trade orders with the Broker for execution.

## **Trade Errors**

NextCapital Advisers has adopted policies and procedures for correcting trade errors. Trade errors can result from a variety of situations involving portfolio management, including, but not limited to: miscommunication of information, such as incorrect number of shares, incorrect price, incorrect account, or other circumstances such as inadvertently calling a transaction a buy rather than a sell (and vice-versa). NextCapital Advisers policies and procedures require that all errors affecting Client accounts be resolved promptly and fairly. The intent of the policy is to restore a Client account to at least the appropriate financial position considering all relevant circumstances surrounding an error. In other words, in accord with the industry standard, a Client should never suffer a loss as a result of a trade error.

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## **Item 13: Review of Accounts**

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Client accounts placed into the Personal Portfolio Service are continually reviewed via algorithms run through the Software Platform and/or other trading systems and advisory platform tools provided to NextCapital Advisers by Pershing.

NextCapital Advisers personnel oversee these outputs, as NextCapital Advisers' algorithms consider the information and risk profile provided by each Client, including individual goals (financial and otherwise), current financial status, investment objectives, and risk preference. Algorithms run through the Software Platform and/or other third party systems also take into account overall

market movement, significant changes to one or more of the securities comprising a Client account, or changes in the applicable Client's life circumstances (to the extent the Client reports such changes to NextCapital Advisers).

In addition, algorithms run through the Software Platform may rely upon information received from Held-Away accounts of Clients. When dispensing recommendations or undertaking actions on behalf of a Client account, NextCapital Advisers will rely upon the most recently available information from these Held-Away accounts, even though the information may potentially be out-of-date. Thus, it is important for Clients to continually ensure the integrity of Held-Away account sources.

### **Reviewing and Adjusting Client Investment Recommendations**

Client accounts are reviewed periodically throughout the calendar year. For example, each year on the birthday of a Client, as well as quarterly, thereafter, NextCapital Advisers may automatically update its investment recommendations (based upon, for example, information known about the Client, such as advancement in age, incomplete rollovers, and automated feeds of salary data for defined contribution managed accounts), and the update may result in a change in managed asset allocations of the Client account. Client accounts will also be reviewed and adjusted in those instances where a Client account is identified to fall outside of the Advice Range outlined in *Item 8: Methods of Analysis, Investment Strategies and Risk of Loss*.

NextCapital Advisers bases its investment recommendations on information provided by the Institution or the Client. For example, any information provided by the Institution or a Client with regard to the Client's birthday, marital status, income, retirement age, savings rate, Held-Away accounts, or new managed accounts impacts the recommendations dispensed, and the actions undertaken by NextCapital Advisers on behalf of the Client. As such, if a Client or the Institution were to provide NextCapital Advisers with inaccurate or false information, fail to provide material information or fail to update material information in a timely manner, the quality and applicability of the investment strategies and recommendations delivered to the Client through the Managed Account Services, as a result of the process to review the Client's account, may be materially impacted. Any change with regard to marital status, income, retirement age, savings rate, Held-Away accounts, or new managed accounts should be immediately reported by the Client to NextCapital Advisers by reporting the change directly through the Software Platform or, alternatively, via phone or in writing to NextCapital Advisers.

### **Reviewing and Re-Balancing Client Asset Allocations**

Likewise, on a daily basis, NextCapital Advisers' algorithms monitor managed asset allocations pursuant to thresholds established by NextCapital Advisers' Investment Committee. NextCapital Advisers has discretion to re-balance Client assets in order to meet target asset allocations within these thresholds. Should a Client's target allocation fall out the established thresholds, NextCapital Advisers will re-balance Client assets to a level within the relevant thresholds. The automated

re-balancing of Client accounts may occur as frequently as daily, and without regard to market conditions. It should be noted, however, that there may be situations wherein the portfolio may be outside of a relevant threshold, including, but not limited to, periods of extra-ordinary stock or bond market volatility or disruptions, disorderly market conditions, significant order imbalances, stock exchange outages, inordinate bid/ask spreads, inefficient function of price discovery mechanisms, stock exchange circuit breakers being activated, pricing discrepancies, disruptions of Treasury, Interest Rate or Credit markets, and limited and/or deteriorating liquidity.

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**Item 14:  
Client Referrals and Other Compensation**

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NextCapital Advisers does not have any referral arrangements whereby it compensates third-parties for referring Clients to NextCapital Advisers.

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**Item 15:  
Custody**

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NextCapital Advisers does not assume custody of Client assets, except to the extent a Client authorizes NextCapital Advisers (as the Client's authorized agent) to deduct management fees from the Client account. Client assets and Client accounts are held in the name of each Client and maintained in the custody of the Broker, who is also a "Qualified Custodian" as defined by SEC Rule 206(4)-2. Clients will receive periodic statements from the Broker. NextCapital Advisers urges each Client to carefully review account statements received from their Broker and compare such official custodial records to any account statements that NextCapital Advisers provides. NextCapital Advisers' statements may vary from the Broker's statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities or other instruments.

As part of the Client enrollment process, the Client elects to authorize NextCapital Advisers (as the Client's authorized agent), to deduct management fees directly from the Client's account at the Broker. Clients will be reminded, through periodic materials from NextCapital Advisers, to review Broker statements against NextCapital Advisers-provided Client account statements to ensure that the amount of fees deducted are correct.

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**Item 16:  
Investment Discretion**

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NextCapital Advisers exercises discretionary authority over Client accounts and is granted discretionary authority by the Client at the outset of the Client's advisory relationship with NextCapital Advisers. Discretionary authority is provided through an investment advisory or similar agreement which grants NextCapital Advisers a limited power of attorney over Client accounts to select the identity and amount of any investments to be bought or sold for the Client, calculate and deduct management fees from the Client account, generate and direct execution of Client account trade orders (as necessary), and vote Client securities.

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**Item 17:  
Voting Client Securities**

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NextCapital Advisers is granted proxy-voting responsibility for all Client accounts, unless a Client elects to opt-out from such voting arrangement. Where NextCapital Advisers has proxy-voting responsibility, NextCapital Advisers will instruct the voting of Client proxies as a fiduciary.

Proxies are an asset of a Client, and therefore should be treated with the same care, diligence, and loyalty as any other asset belonging to a Client. Given the complexity of issues that may be raised in connection with proxy voting, NextCapital Advisers has enlisted a third-party research firm, Egan-Jones, to provide guidelines on how to vote proxies in the best interests of Clients. NextCapital Advisers' Investment Committee has adopted and implemented Proxy Voting Policies and Procedures utilizing Egan-Jones recommendations. NextCapital Advisers' Investment Committee reviews these guidelines annually. NextCapital Advisers' Proxy voting history will be made available to any Client upon request. Requests can be made to: [compliance@nextcapital.com](mailto:compliance@nextcapital.com)

NextCapital Advisers has enlisted Broadridge Financial Solutions to assist in the coordination and voting of client proxies. This service includes timely delivery of meeting and record date information, proxy analysis through an electronic, web-based, vote execution platform, and detailed recordkeeping of NextCapital Advisers' proxy voting.

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**Item 18:  
Financial Information**

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NextCapital Advisers does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance, and therefore no financial information is required to be provided by NextCapital Advisers. NextCapital Advisers has no financial commitment that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to Clients, and NextCapital Advisers has not been the subject of a bankruptcy.



## **Firm Brochure Supplement**

**of**

**NEXTCAPITAL ADVISERS, INC.**

***Personal Portfolio Service***

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Chicago, IL 60603

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March 29, 2018

**This Brochure Supplement provides information about certain NextCapital Advisers, Inc., ("NextCapital") employees that supplements NextCapital Wrap Fee Program Brochure you should have received. Please contact NextCapital at (312) 264-7000 or [compliance@nextcapital.com](mailto:compliance@nextcapital.com) if you did not receive NextCapital's Wrap Fee Program Brochure or if you have any questions about the contents of this Brochure Supplement. Additional information about NextCapital is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**NextCapital's discretionary investment advice is provided by a team comprised of more than five Supervised Persons. NextCapital has provided supplementary information below for the Supervised Persons with the most significant responsibility for the day-to-day advice provided to Clients.**

## **Dirk Quayle, CFA**

Born 1963

### Education

BBA, Finance, University of Iowa 1985

CFA, CFA Institute, 1992

### Business Background

1986-1989 AVP, Sumitomo Bank LTD.

1989-1997 Director, VP., Deutsche Bank AG.

1997-2014 President, Business Logic Corp.

2014-present President, NextCapital Advisers, Inc. and President, NextCapital Group

### Disciplinary Information

None

### Other Business Activity

None

### Additional Compensation

None

### Supervision

Mr. Quayle is supervised by John Patterson, CEO and Chairman of NextCapital Group pursuant to NextCapital's policies and procedures.

## **Robert Foregger**

Born 1968

### Education

BS, Business Administration, University of Vermont 1990

### Business Background

1991-1995 Senior Product Manager, Blanchard Funds.

1995-1997 Senior Product Manager, Signet Financial Services

1998-2007 COO, EverBank.com and Chief Strategy Officer, EverBank Financial Corporation.

2007-2008 President, Fidelity Investments Personal Trust Co. and SVP, Fidelity Investments.

2009-2011 Chief Strategy Officer, Personal Capital Corporation

2013-present EVP, NextCapital Advisers, Inc. and EVP, NextCapital Group

Disciplinary Information

None

Other Business Activity

Board Member, Ursa Major Corporation

Additional Compensation

None

Supervision

Mr. Foregger is supervised by John Patterson, CEO and Chairman of NextCapital Group pursuant to NextCapital's policies and procedures.

**John Belcaster**

Born 1964

Education

B.A., Northwestern University 1986

M.A., Yale University 1989

J.D., Yale Law School 1992

Business Background

1986-1988 Management consultant, Arthur Andersen

1993-2002 Partner, Miner, Barnhill & Galland (law firm)

2005-2014 Faculty, Northside Prep and Payton College Prep, macro- and microeconomics

2014-2017 General Counsel, PayForward, Inc.,

2016-present General Counsel, NextCapital Group, Inc.

2017-present Chief Compliance Officer, NextCapital Advisers, Inc.

Disciplinary Information

None

Other Business Activity

None

Additional Compensation

None

Supervision

Mr. Belcaster is supervised by John Patterson, CEO and Chairman of NextCapital Group pursuant to NextCapital's policies and procedures.

## **David Slusarski**

Born 1974

### Education

BBA, Finance, Loyola University of Chicago 1999

### Business Background

1999-2001 AVP Risk Management, TD Waterhouse, Inc.  
2001-2008 Group Manager, Trading & Trade Operations, Fisher Investments, Inc.  
2009-2013 Principal, Client & Portfolio Operations, Structural Investment Management LLC  
2013-2015 Independent Financial Consultant  
2015-2017 Chief Compliance Officer, NextCapital Advisers, Inc.  
2015-present Director, Portfolio Operations, NextCapital Advisers, Inc.

### Disciplinary Information

None

### Other Business Activity

None

### Additional Compensation

None

### Supervision

Mr. Slusarski is supervised by Mr. Quayle pursuant to NextCapital's policies and procedures.

## **Tristan Linke**

Born 1985

### Education

B.A. (Hons.) in European Business with Distinction, Finance, DCU Business School, 2010  
Diplom-Betriebswirt in Diplom-Betriebswirt in Europäischer Betriebswirtschaft Distinction (German M.Sc. equivalent), Management, Economics and Finance, ESB Business School, 2010  
M.Sc., Quantitative Finance with Distinction, Financial Econometrics, Lancaster University, 2011  
Visiting Ph.D. candidate, Finance, Faculty of Business & Economics, University of Amsterdam, 2015  
Ph.D. candidate, Finance, Financial Econometrics, Lancaster University Management School, 2011-2016

### Business Background

2007 Summer Analyst, Lehman Brothers International, Zürich, Switzerland

2007-2008 Analyst M&A, Helbling Corporate Finance AG, Helbling Group, Zürich, Switzerland  
2009 Analyst, Credit Suisse Analyst Investment Banking, Zürich, Switzerland  
2012-2016 Teaching Associate, Dept. of Accounting and Finance, Lancaster University  
2016-present Senior Analyst, NextCapital Advisers, Inc.

Disciplinary Information

None

Other Business Activity

None

Additional Compensation

None

Supervision

Mr. Linke is supervised by Mr. Quayle pursuant to NextCapital's policies and procedures.

**Wayne Kim**

Born 1985

Education

B.S., Finance, University of Illinois at Urbana-Champaign 2007  
J.D., University of Wisconsin Law School 2011  
Post-baccalaureate Certificate, Finance, Northwestern University 2014

Business Background

2012-2014 Regulatory Analyst, FINRA  
2014-2017 VP and Senior Compliance Manager, BMO Financial Corp.  
2018-present Director of Compliance / Associate General Counsel, NextCapital Advisers, Inc.

Disciplinary Information

None

Other Business Activity

None

Additional Compensation

None

Supervision

Mr. Kim is supervised by Mr. Belcaster pursuant to NextCapital's policies and procedures.