
Item 1:
Cover Page



Firm Brochure of
NEXTCAPITAL ADVISERS, INC.

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This 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 advinquiries@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.

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

Item 2:
Material Changes

While NextCapital Advisers, Inc. ("NextCapital Advisers") is not a newly organized investment adviser, the NextCapital Non-Discretionary Advisory Service described in this firm brochure (this "Brochure") is a new service offered by NextCapital Advisers. This Brochure is NextCapital Advisers' initial disclosure document relating to the NextCapital Non-Discretionary Advisory Service prepared according to regulatory requirements and rules. Therefore, NextCapital Advisers has not previously filed any annual updates to this Brochure and has no material changes to report.

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Item 4:
Advisory Business

NextCapital Advisers is a Delaware corporation, which registered with the Securities and Exchange Commission 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 and world-class portfolio and planning services to investors.

NextCapital Group, through its subsidiaries, is a leading provider of portfolio management and 401(k) managed account 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 financial and forecasting software to companies such as Transamerica and AonHewitt. NextCapital Software also partners with Russell Investments to provide automated portfolio management for employees saving for retirement in 401(k) plans.

This Brochure describes NextCapital Advisers' Non-Discretionary Advisory Services, which are investment advisory services provided by NextCapital Advisers to individual clients ("Clients").

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. John Patterson, through two family trusts, is the only stockholder of NextCapital Group who directly or indirectly owns greater than a 25% interest in NextCapital Group. 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 Group offers three primary web-based services: (1) NextCapital Non-Discretionary Service, a non-discretionary, complimentary service that provides investment planning and selective recommendations made available through NextCapital Advisers, (2) NextCapital Premium, a subscription-based advanced investment analytics service made available through NextCapital Software, and (3) NextCapital Personal Portfolio Service, a discretionary, fee-based service that provides investment management services made available through NextCapital Advisers. This Brochure describes the NextCapital Non-Discretionary Service. A separate Wrap Fee Program brochure describes the NextCapital Personal Portfolio Service.

NextCapital Non-Discretionary Advisory Service

NextCapital Non-Discretionary Advisory Service is a complimentary service providing non-discretionary investment advice from NextCapital Advisers. It is available to any user of

NextCapital (i.e., the free financial software service) or NextCapital Premium (i.e., the advanced analytics software service) who elects to enroll in NextCapital Non-Discretionary Advisory Service. NextCapital Non-Discretionary Advisory Service provides a range of advisory services, including: (i) portfolio construction (e.g., asset allocation/reallocation and recommendation of specific securities), (ii) financial planning (e.g., analysis of retirement savings/spend down), and (iii) general recommendations (e.g., identifying risk and diversification levels). To produce such recommendations, NextCapital Advisers uses a proprietary algorithmic advice engine and personalized information collected through client profile inputs and our account aggregation service, among other methods.

NextCapital Advisers does not execute trades for Clients through its NextCapital Non-Discretionary Advisory Service. As such, each Client must make an independent determination as to whether to follow any recommendation made by NextCapital Advisers and make its own arrangements for execution of any desired recommendations.

As of November 9, 2016, NextCapital Advisers manages \$510,891 of Client assets on a discretionary basis as part of its Personal Portfolio Service.

Item 5:
Fees and Compensation

No fee is currently charged to persons for using the NextCapital Non-Discretionary Advisory Service.

NextCapital Advisers reserves the right in the future to charge fees for NextCapital Non-Discretionary Advisory Service upon written notice to Clients prior to charging any such fees. NextCapital Advisers also reserves the right to cancel or suspend the NextCapital Non-Discretionary Advisory Service at any time and for any reason upon written notice to Clients.

A Client may choose to cancel or suspend his or her NextCapital Non-Discretionary Advisory Service at any time without penalty. NextCapital Advisers may also choose to cancel or suspend a Client's NextCapital Non-Discretionary Advisory Service at any time without penalty.

NextCapital Advisers does not receive compensation for the sale of securities or other investment products. NextCapital Advisers provides objective, non-biased investment recommendations. Neither NextCapital Group nor any of its subsidiaries has any arrangement or relationship with any fund adviser or other person related to any of the investment recommendations provided by NextCapital Advisers.

Clients may also incur other costs or fees from third parties, including brokerage costs charged by their brokers for the execution of trades, or fees or other expenses charged in connection with ETFs or mutual funds, and in some circumstances custodian fees. NextCapital Advisers does not execute trades for Clients, and Clients must therefore make their own arrangements for the execution of any desired trades at their own cost.

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

NextCapital Advisers does not charge performance-based fees.

Item 7:
Types of Clients

NextCapital Advisers generally provides investment advice to individuals seeking independent, objective and actionable investment advice to help such individuals make investment decisions and achieve their financial objectives and goals.

To access NextCapital Non-Discretionary Advisory Service, a Client must, among other things, (i) acknowledge that the Client has reviewed and agreed to our Client Agreement, (ii) acknowledge that the Client has reviewed and agreed to our Terms of Service, (iii) acknowledge that the Client has received and reviewed this Brochure, (iv) enroll in NextCapital (i.e., the free financial software service), and (v) upgrade to NextCapital Non-Discretionary Advisory Service.

NextCapital Advisers is an internet-based financial adviser, which means each Client must acknowledge his or her ability and willingness to conduct the relationship with NextCapital Advisers on an electronic basis. Under the terms of the Client Agreement, each Client agrees to receive all account information and account documents (including this Brochure), and any updates or changes to same, through his or her access to the website and NextCapital Advisers' electronic communications. Unless noted otherwise on the website or within this Brochure, NextCapital Advisers' advisory service, the signature for the Client Agreement, and all other documentation related to the advisory services are managed electronically through NextCapital Group's website. NextCapital Advisers does not make individual representatives available to discuss servicing matters or any investment advice with Clients.

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

Methods of Analysis and NextCapital Investment Strategies

Overview: NextCapital Advisers seeks to provide each Client with a personalized, objective and world-class investment portfolio and an accompanying plan that considers the Client's preferences, goals and constraints. Clients who can utilize and benefit from NextCapital Advisers' advice range from novice individual investors to sophisticated investors seeking a core strategy.

The foundation of NextCapital Advisers' investment advice methodology is the NextCapital RetirementIndex ("*RetirementIndex*"). The *RetirementIndex* is a proprietary portfolio index that tracks the aggregate global asset allocation of the largest managers of Target Date Funds ("TDFs").

NextCapital Advisers, using the *RetirementIndex* as an allocation-neutral baseline, provides a dynamic framework for personalized portfolio construction and financial planning for goal-based portfolios.

NextCapital *RetirementIndex*: The *RetirementIndex* takes a passive view of asset allocation by using the consensus asset allocation of the world's largest managers of TDFs. The managers that comprise the *RetirementIndex* represent over 95% of the invested assets in public TDFs. Each asset manager has a different perspective on forward-looking capital market expectations, global optimized portfolios and the appropriate risk for each age category, and each asset manager changes its asset allocations over time. The *RetirementIndex* tracks and analyzes each TDF in the index to determine each manager's asset allocation strategy and then generates the market consensus view from the combination of each manager in the index. This process is repeated quarterly to update the market consensus. An affiliate of NextCapital Group created the *RetirementIndex* (formerly known as MarketGlide) in 2008 and has been updating it quarterly since 2008. Since 2008, the *RetirementIndex* portfolios have consistently tracked the median return of the Target Date industry mutual funds.

By aggregating the Target Date industry views to create a consensus of the best asset 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. While security-level indices, such as the S&P 500 index, have provided investors with broad and low-cost equity exposure for decades, the *RetirementIndex* provides investors with access to a more tailored strategy because it is an aggregate index of leading retirement goal asset allocations.

The *RetirementIndex* goal based portfolios start with aggressive portfolios for young investors and glide down in the level of equity risk based on the number of years to expected retirement.

Generally, the TDF managers are invested among twenty 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.

NextCapital Advisers Investment Advice Methodology: The *RetirementIndex* provides a prudent foundation for time-horizon-based investment management – an intelligent portfolio that can be further enhanced with additional Client profiling. The investment methodology has default assumptions that NextCapital Advisers will use 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 will assume a retirement target age of 67).

Using Client data, NextCapital Advisers seeks to personalize investment 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 (the impact of a potential short-term extreme market event on the investment portfolio), and (iv) longevity (a Client's estimated life expectancy). NextCapital Advisers may also utilize additional information if provided by Clients related to the following two categories but 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 during or after the initial account opening process, provide a high-level estimate of their financial situation and/or link held-away aggregated investment accounts to a third-party institution's web site (this option provides NextCapital Advisers with the most detailed security and tax status (e.g., 401(k), IRA, Roth, etc.) information about a Client's financial plan). The investment methodology also utilizes default assumptions 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 will assume a retirement target age of 67).

Based on NextCapital Advisers' personalized Client profile process, NextCapital Advisers optimizes a Client's portfolio and glide path relative to the age-based default allocation. 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 (iv) other advice or guidance relating to such Client's portfolio.

NextCapital Advisers creates individualized investment portfolio recommendations seeking to use the optimal asset classes in which to invest, the most efficient and inexpensive ETFs to represent each of those asset classes, and the ideal mix of asset classes based on each Client's specific financial situation, investment objectives, and risk preference. Asset classes represented by an

ETF 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 the entire population of more than 1,000 ETFs to identify the most appropriate ETFs to represent each asset class. NextCapital Advisers looks for ETFs that minimize cost and tracking error (as many ETFs do not exactly track the indexes they were created to mimic) and offer market liquidity for best execution. Choosing an ETF with a low expense ratio that does not track the asset class recommended by NextCapital Advisers runs the risk of sub-optimizing a Client's portfolio performance. NextCapital Advisers chooses ETFs that are expected to have sufficient liquidity to allow Client withdrawals at any time. Finally, NextCapital Advisers selects ETFs that for taxable accounts have the appropriate tax management practices that are consistent with minimizing the tax consequences for our Clients.

NextCapital Advisers licenses the software used to formulate investment recommendations for Clients from its affiliate, NextCapital Software; however, NextCapital Advisers is responsible for the investment advice methodology and capital market assumptions used to generate investment recommendations.

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. Potential Clients should consider the following risks before enrolling in NextCapital Non-Discretionary Advisory Service:

Investment Risks. Certain investment recommendations made by NextCapital Advisers may be subject to specific risks. For example, ETFs and mutual funds are subject to the risks arising from the portfolio of underlying stocks and other financial instruments, including market and issuer risks.

Reliance on Client Information. NextCapital Advisers bases its investment recommendations for each of its services on the information provided to NextCapital Advisers by its 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 accounts of, such Client by NextCapital Advisers may be materially impacted.

Reliance on Quantitative Analysis. NextCapital Advisers' methodologies and investment strategies rely upon quantitative models and systems. Such models and systems may 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 NextCapital Adviser Clients to the risk of significant losses.

Sources of Information. NextCapital Advisers may receive data and information about such Clients' accounts directly from a Client's 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.

Time Sensitivity. 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.

Market Conditions. The success of NextCapital Advisers' investment strategy and recommendations may be significantly and adversely affected by general economic and market conditions, such as interest rates, 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.

Legislative and Tax Risk. Performance may directly or indirectly be affected by government legislation or regulation, which may include, but is not limited to: changes in investment adviser or securities trading regulation; changes in the U.S. government's guarantee of ultimate payment of principal and interest on certain government securities; and 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 her investments without a cash distribution to pay the tax due.

Foreign Investing and Emerging Markets Risk. 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 Risks. ETF performance may not exactly match the performance of the index or market benchmark that the ETF is designed to track for many reasons, including:

- the ETF 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 may, from time to time, temporarily be unavailable; and
- supply and demand in the market for either the ETF and/or for the securities held by the ETF may cause the ETF shares to trade at a premium or discount to the actual net asset value of the securities owned by the ETF.

Certain ETF 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, such Client will pay two levels of advisory compensation – advisory fees charged by NextCapital Advisers plus any management fees charged by the issuer of the ETF. This scenario may cause a higher advisory cost (and potentially lower investment returns) than if such Client purchased the ETF directly.

An ETF typically includes embedded expenses that may reduce the ETF's net asset value, and therefore directly affect the fund's performance and indirectly 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 expenses may change from time to time at the sole discretion of the ETF issuer.

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' investment programs. Prospective Clients should consult their own advisers before deciding whether to utilize NextCapital Advisers' services.

Item 9:
Disciplinary Information

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.

Item 10:
Other Financial Industry Activities and Affiliations

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

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

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 standard of business conduct and fiduciary duties to its 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, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at NextCapital Advisers must acknowledge 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 advinquiries@nextcapital.com.

Neither NextCapital Advisers nor any of its employees recommends to Clients, or buys or sells for Client accounts, securities in which NextCapital Advisers has a direct material financial interest.

For NextCapital Non-Discretionary Advisory Service, NextCapital Advisers does not have investment authority, discretionary or otherwise, to purchase any securities on behalf of Clients. Once a recommendation has been generated by NextCapital Advisers, it is in the discretion of the Client whether to enter into a transaction based on any such recommendation, when to enter into any such transaction and which broker to use for the execution thereof. However, NextCapital Advisers' officers and employees could conceivably purchase securities for their own accounts

that may, in certain instances, be the same securities as those recommended for Clients, including shares in the same ETF. The securities that are recommended to Clients are highly personalized and are based on each Client's profile. Any such purchase of the same securities would be coincidental.

Item 12:
Brokerage Practices

For NextCapital Non-Discretionary Advisory Service, NextCapital Advisers does not select or recommend broker-dealers for Client transactions. Because NextCapital Advisers does not have discretionary authority to determine the broker-dealer to be used or the commission rates to be paid, Clients are responsible for their own broker-dealer transactions, including the commissions payable.

NextCapital Advisers does not pay for any products, research or services from any brokers, nor does NextCapital Advisers receive any referrals from any brokers directing Clients to them.

Item 13:
Review of Accounts

For NextCapital Non-Discretionary Advisory Service, NextCapital Advisers provides investment recommendations algorithmically, and tests recommendations using hypothetical Client test cases, tracking delivered advice and sampling recommendations provided to Clients. NextCapital Advisers does not manually review each Client account. Investment recommendations provided to Clients will be regenerated and updated, if applicable, no less than annually, or following a material change to a Client's investment profile.

Item 14:
Client Referrals and Other Compensation

NextCapital Advisers currently does not have any third-party referral arrangements whereby NextCapital has agreed to pay such third parties fees for referring Clients to NextCapital Advisers.

**Item 15:
Custody**

For NextCapital Non-Discretionary Advisory Service, NextCapital Advisers does not have custody of the funds and securities in Client accounts. Clients may receive periodic statements from the custodian that holds and maintains the Client's investment assets. NextCapital Advisers urges each Client to carefully review such statements.

**Item 16:
Investment Discretion**

For NextCapital Non-Discretionary Advisory Service, NextCapital Advisers does not accept discretionary authority to manage securities on behalf of any Clients.

**Item 17:
Voting Client Securities**

NextCapital Advisers does not vote proxies on behalf of Clients who will receive such notices from their account's custodian. Furthermore, NextCapital Advisers does not take any action on legal notices it or a Client may receive from issuers of securities held by a Client.

**Item 18:
Financial Information**

NextCapital Advisers does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance, and thus no financial information is required to be provided by NextCapital Advisers.

