



Firm Brochure

of

NEXTCAPITAL ADVISERS, INC.

Non-Discretionary Advisory Service

104 S. Michigan Avenue, 14th Floor
Chicago, IL 60603-5958
Telephone: 312-264-7000
E-mail: compliance@nextcapital.com

www.nextcapital.com

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This brochure ("Brochure") provides information about the qualifications and business practices of NextCapital Advisers, Inc. ("NextCapital Advisers"). If you have any questions about the contents of this Brochure, please contact us at: 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.

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

Item 2: Material Changes

The NextCapital Advisers Non-Discretionary Advisory Service ("Non-Discretionary Advisory Service") described in this Brochure includes material changes to the following sections:

- **Firm Email Address** - The email address for questions about the contents of the Non-Discretionary Advisory Service Brochure has changed to compliance@nextcapital.com. The previous email address was 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 Non-Discretionary Advisory Service Brochure filing (November 9, 2016).
- **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' Non-Discretionary Advisory Service" under Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.
- **Item 12: Brokerage Practices** - A new disclosure on NextCapital Advisers' soft dollar practices, including current soft dollar benefits for NextCapital Advisers' respective Managed Account Services and Personal Portfolio Service wrap program offerings have been added under the subheading titled "Soft Dollar Benefits."
- **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".
- **Firm Brochure Supplement** - While not a material change to the Non-Discretionary Advisory Service Brochure, itself, a Form ADV Part 2B Brochure Supplement is included with the Non-Discretionary Advisory Service Brochure.

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Item 4:
Advisory Business

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' Non-Discretionary Advisory Service, which is a complimentary service providing non-discretionary investment advice from NextCapital Advisers to online users ("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.*

NextCapital Non-Discretionary Advisory Service

The Non-Discretionary Advisory Service is a complimentary service providing non-discretionary investment advice from NextCapital Advisers through software, technology and the Client user interface (the "Software Platform") developed by and licensed from NextCapital Advisers' affiliate, NextCapital Software. The Non-Discretionary Advisory Service 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 the Non-Discretionary Advisory Service. NextCapital Advisers' Non-Discretionary Advisory Service provides a range of advisory services which may include, but are not limited to: (i) construction, fulfillment, and monitoring of asset class mandates (e.g., asset class allocation and recommendation of specific investment vehicles); (ii) financial planning (e.g., identification, analysis, and suggestions of saving needs and/or financial projections such as forecasts and spend down projections for retirement and other goal based planning purposes); and (iii) general recommendations (e.g., identification, analysis, and suggestions of relevant risk and diversification levels). NextCapital Advisers uses client profile inputs and proprietary algorithms that are run through the Software Platform to produce such recommendations.

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 each Client must therefore make their own arrangements for execution of any desired recommendations.

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

Item 5: Fees and Compensation

No fee is currently charged to Non-Discretionary Advisory Service Clients.

NextCapital Advisers reserves the right in the future to charge fees for the 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 any direct or indirect ("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 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 will not execute trades for Clients. Consequently, Clients, at their own cost, must make separate arrangements for the execution of any desired trades.

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 the Non-Discretionary Advisory Service, a Client must: (i) acknowledge that the Client has reviewed and agreed to NextCapital Advisers' Client Agreement; (ii) acknowledge that the Client has reviewed and agreed to NextCapital Advisers' 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 the Non-Discretionary Advisory Service.

The Non-Discretionary Advisory 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 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

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 the 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.

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' Non-Discretionary Advisory 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 and currently not utilized for the Non-Discretionary Advisory Service offering): (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 Advisory Account would include implementations of 77 or 78 or 79 or 80 or 81 or 82 or 83% equity.

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' Non-Discretionary Advisory 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 Client portfolios, they do not consider prevailing market conditions. 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 when Client's self-implement NextCapital Advisers' investment recommendations) 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

Risks Related to Accuracy of Information. NextCapital Advisers bases its investment recommendations for its Non-Discretionary Advisory 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 any management fees charged by the issuer of the ETF or mutual fund which could lower investment returns.

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 Non-Discretionary Advisory 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' Non-Discretionary Advisory Service. Prospective Clients should consult their own advisers before deciding whether to utilize NextCapital Advisers' Non-Discretionary Advisory Service.

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 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.

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.

NextCapital Advisers does not have investment authority, discretionary or otherwise, to purchase any securities on behalf of Clients as part of the Non-Discretionary Advisory Service. Once a recommendation has been generated by NextCapital Advisers, it is in the discretion of the Client to enter into a transaction based on such recommendation, including when to enter into any such transaction, and which broker to use for transaction execution.

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 to Clients, including shares in the same ETF. Securities recommended to Clients as part of the Non-Discretionary Advisory Service are personalized and based on each Client's profile. Therefore, any such purchase of the same securities could be coincidental. NextCapital Advisers will, however, require employee pre-clearance of personal securities transactions as part of its Code of Ethics to help mitigate instances where NextCapital Advisers' officers and employees purchase the same securities as those recommended to Clients.

Item 12:
Brokerage Practices

For the 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 any commissions owed.

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. Because NextCapital Advisers does not select or recommend broker-dealers for Client transactions as part of the Non-Discretionary Advisory Service, soft dollar practices do not apply to Non-Discretionary Advisory Service Clients.

For its respective Managed Account Services and Personal Portfolio Service wrap program offerings, NextCapital Advisers does not utilize soft dollars for soft dollar benefits. NextCapital Advisers, does, however, avail itself of benefits provided by its Broker, Pershing Advisor Solutions LLC and its affiliates ("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.

Item 13:
Review of Accounts

Client accounts placed into the Non-Discretionary Advisory Service are reviewed via algorithms run through the Software Platform and/or other advisory platform tools provided to NextCapital Advisers by Pershing.

NextCapital Advisers personnel oversee these outputs, as NextCapital Advisers' algorithms consider the information 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), and the update may result in a change in recommended asset allocations for 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 Client. For example, any information provided by the 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 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, 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.

Item 14: Client Referrals and Other Compensation

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

Item 15: Custody

For the Non-Discretionary Advisory Service, NextCapital Advisers does not have custody over the funds and securities in Client accounts. Clients should receive periodic statements from the custodian(s) that hold and maintain their investment assets. NextCapital Advisers urges each Client to carefully review these statements.

Item 16:
Investment Discretion

As part of the Non-Discretionary Advisory Service, NextCapital Advisers does not accept or exercise discretionary authority over the management of Client accounts.

Item 17:
Voting Client Securities

NextCapital Advisers does not vote proxies on behalf of Non-Discretionary Advisory Service Clients. Furthermore, NextCapital Advisers will 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 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.

Non-Discretionary Advisory Service

104 South Michigan Avenue, Suite 1400

Chicago, IL 60603

Telephone: 312-264-7000

E-mail: compliance@nextcapital.com

www.nextcapital.com

March 29, 2018

This Brochure Supplement provides information about certain NextCapital Advisers, Inc., ("NextCapital") employees that supplements the NextCapital ADV Part 2A Firm Brochure you should have received. Please contact NextCapital at (312) 264-7000 or compliance@nextcapital.com if you did not receive NextCapital's Firm 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.

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.