



# Ace Capital

## Item 1: Firm Brochure Cover Page

This brochure provides information about the qualifications and business practices of Ace Capital. If you have any questions about the contents of this Brochure, please contact Ace Capital at (800) 790-6882, by email at: [info@acecapital.com](mailto:info@acecapital.com) or by fax: (434) 473 - 6538. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Ace Capital, Inc. ("Ace Capital") is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information that you may use to determine whether to hire or retain them.

Additional information about Ace Capital is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifying number, known as a CRD number. The CRD number for Ace Capital is 174757. The SEC's web site also provides information about any persons affiliated with Ace Capital who are registered, or are required to be registered, as Investment Adviser Representatives of Ace Capital.

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*Registration does not imply a certain level of skill or training.*



## Item 2: Material Changes

Since our last filing made in January 2015, we have experienced the following material changes:

- We are now offering our services solely through the internet as an internet only adviser. This is reflected in Items 4 and 5 below as are services and fees have changed.

Ace Capital will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year, which is December 31st. The firm, Ace Capital, will provide other ongoing disclosure information about material changes as they occur. Ace Capital will also provide you with information on how to obtain the complete Brochure. Currently, the Brochure may be requested at any time, without charge, by contacting Claude Royal at (434) 473-6580.



### Item 3: Table of Contents

#### Table of Contents

Item 1: Firm Brochure Cover Page.....	i
Item 2: Material Changes .....	ii
Item 3: Table of Contents .....	1
Item 4: Advisory Business.....	3
A. Description of the Advisory Firm.....	3
B. Types of Advisory Services.....	3
i. Platinum Service .....	3
ii. Do-It-Yourself Service .....	5
iii. Services Limited to Specific Types of Investments .....	5
C. Client Tailored Services and Client Imposed Restrictions .....	6
D. Wrap Fee Programs .....	6
E. Amounts Under Management.....	6
Item 5: Fees and Compensation .....	6
B. Payment of Fees .....	7
C. Clients Are Responsible For Third Party Fees .....	7
D. Prepayment of Fees.....	7
E. Outside Compensation For the Sale of Securities to Clients .....	7
Item 6: Performance-Based Fees and Side-By-Side Management.....	7
Item 7: Types of Clients .....	7
Minimum Account Size.....	8
Item 8: Methods of Analysis, Investment Strategies and Risk of Investment Loss .....	8
A. Methods of Analysis and Investment Strategies.....	8
B. Risk of Loss.....	9
Item 9: Disciplinary Information.....	12
Item 10: Other Financial Industry Activities and Affiliations.....	12
A. Registration as a Broker/Dealer or Broker/Dealer Representative .....	12
B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.....	12
C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests...	12



D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections.....	13
Item 11: Code of Ethics, Participation in Transactions, Personal Trading.....	13
A. Code of Ethics.....	13
B. Recommendations Involving Material Financial Interests .....	13
C. Investing Personal Money in the Same Securities as Clients .....	13
D. Trading Securities At/ Around the Same Time as Client(s) Securities .....	13
Item 12: Brokerage Practices .....	13
A. Factors Used to Select Custodians and/or Broker/Dealers .....	13
1. Research and Other Soft-Dollar Benefits .....	14
2. Brokerage for Client Referrals.....	14
3. Clients Directing Which Broker/Dealer/Custodian to Execute Transactions.....	14
B. Aggregating (Block) Trading for Multiple Client Accounts.....	15
Item 13: Reviews of Accounts.....	15
A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews .....	15
B. Factors That Will Trigger a Non-Periodic Review of Client Accounts .....	15
C. Content and Frequency of Regular Reports Provided to Clients .....	15
Item 14: Client Referrals and Other Compensation .....	15
A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes) .....	15
B. Compensation to Non -Advisory Personnel for Client Referrals .....	15
Item 15: Custody .....	15
Item 16: Investment Discretion.....	15
Item 17: Voting Client Securities (Proxy Voting).....	16
Item 18: Financial Information .....	16
A. Balance Sheet .....	16
B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients .....	16
C. Bankruptcy Petitions in Previous Ten Years.....	16



## Item 4: Advisory Business

### A. Description of the Advisory Firm

Ace Capital Inc. (“Ace Capital”) is a Registered Investment Adviser (“Adviser”) which offers investment advice regarding securities and insurance products through an online web-based application for our clients. Ace Capital is registered through and regulated by the United States Securities and Exchange Commission (“SEC”).

Ace Capital was founded by Claude M. Royal in 2015. We provide two levels of service through our web-based application: Do-It-Yourself Subscription Service and Platinum Investment Management Service.

### B. Types of Advisory Services

Ace Capital is a firm that takes into consideration all financial aspects of a client(s) current status when offering financial services to potential client(s). Ace Capital offers highly advanced tactical asset management which helps make the firm unique. Ace Capital offers investment management and advisory services through two services from which the client may select which are:

Investment Management  
Do-It-Yourself Service

These programs are described in greater detail below.

#### i. Platinum Service

Ace Capital’s Investment Management consists of a full-service investment management account. Investment management is the professional management of securities (stocks, mutual funds, bonds and other securities) and assets (e.g., real estate) in order to meet a client’s specified investment goals. As part of the Platinum Service, clients will use our web-based software application to assist them in developing a tailored customized portfolio designed to meet unique investment objectives. The investments in the portfolio account may include mutual funds, stocks, exchange traded funds, leveraged securities, bonds, etc.

The client will input information into the system via an interactive questionnaire such as current age, desired retirement age, financial circumstances, investment goals and objectives, etc. Based on the information provided, the software will determine the client’s risk tolerance and create a roadmap to guide the client’s wealth management program by incorporating different aspects of their financial status into an overall plan designed to meet the client’s goals and objectives. Ace Capital, through its online application, will analyze the situation and recommend an appropriate model portfolio or mix of portfolios described below. Our recommendations and ongoing management are based upon your investment goals and objectives, risk tolerance, and the investment program and portfolio(s).

The purpose of these portfolios is to attempt to provide investment portfolio downside protection in a falling market and investment portfolio appreciation possibilities in a rising market, by exchanging investments in the portfolio(s) upon buy and sell signals generated by Ace Capital. Tactical Asset Allocation portfolios offered by Ace Capital include:

- Tactical Equity Strategy
- Tactical Bond Strategy
- Tactical Alternative Strategy
- 401(k) & 403(b) Tactical Strategy

#### Tactical Equity Strategy:

This portfolio seeks to be offensive during all uptrends in the U.S. market, and defensive during all downtrends. Our investment methodology is long term supply and demand analysis utilizing robust trading systems across a broadly diversified set of markets; put simply: Sector Based Institutional Volume Trend Following Analysis. It is a systematic (i.e. rules-based) investment approach that focuses on capital preservation while attempting to provide positive annual returns.



The Tactical Equity Strategy will use equities, bonds and inverse securities. Most of the time leveraged securities are used when long positions are being held. Activity takes place monthly and at the inception of each intermediate to long-term uptrend and/or downtrend. Ace Capital reserves the right to issue buy or sell signals outside of historically favorable and unfavorable periods when economic indicators or market situations develop.

#### **Tactical Bond Strategy:**

This portfolio seeks to be offensive during all uptrends in the U.S. bond market, and defensive during all downtrends. Our investment methodology is long term supply and demand analysis utilizing robust trading systems across a broadly diversified set of markets; put simply: Bond Based Institutional Volume Trend Following Analysis. It is a systematic (i.e. rules-based) investment approach that focuses on capital preservation while attempting to provide positive annual returns.

The Tactical Bond Strategy will use, but is not limited to, long and short duration investment quality bonds, international bonds, High Yield bonds, treasuries and government securities. Activity takes place at the inception of each intermediate to long-term uptrend and/or downtrend. Ace Capital reserves the right to issue buy or sell signals outside of historically favorable and unfavorable periods when economic indicators or market situations develop.

#### **Tactical Alternative Strategy:**

This portfolio seeks to be offensive during all uptrends in the U.S. market, and defensive during all downtrends. Our investment methodology is long term supply and demand analysis utilizing robust trading systems across a broadly diversified set of markets; put simply: Institutional Volume Based Trend Following Analysis. It is a systematic (i.e. rules-based) investment approach that focuses on capital preservation while attempting to provide positive annual returns.

The Tactical Alternative Strategy will use gold, oil, equities, bonds and inverse securities. When gold or oil is not in a buy mode then most of the time leveraged securities are used when equity/bond long positions are being held. Activity takes place monthly and at the inception of each intermediate to long-term uptrend and/or downtrend. Ace Capital reserves the right to issue buy or sell signals outside of historically favorable and unfavorable periods when economic indicators or market situations develop.

#### **401(k) & 403(b) Tactical Strategy:**

Ace Capital has developed a dynamic alternative approach for managing 401k's and 403(b)'s that is potentially more effective than traditional "buy and hold" portfolio management. In an attempt to improve performance and reduce volatility, Ace Capital takes into consideration possible trade restrictions set by plans in the 401k and 403(b) retirement accounts.

The Ace Capital approach factors in short-term market trends and influences that can potentially have big impacts on asset values and returns. While no one can predict with certainty where the market is headed, Ace Capital seeks to greatly improve performance and mitigate risk by concentrating assets in the asset classes that show signs of over performing and reducing exposure to those that are showing signs of not performing well. This type of management trades less frequent and is mostly designed for individuals who have their money inside a 401k and 403(b), etc. because of trade restrictions inherent in these types of accounts

After completing the questionnaire, clients will have the ability to determine which mix of portfolio(s) to use in the allocation program. Each Investor Profile sets exposure limits to high and low volatility portfolios. To keep the portfolio in line with the client's Investor Profile set by the web-based application, the portfolio(s) will be rebalanced semiannually or at Ace Capital's discretion. Each client(s) has the ability to ignore the risk profile determinations set by the application.

With all investment management accounts, Ace Capital, through its software, will:

- Review your present financial situation
- Monitor and track assets under management
- Advise on portfolio selection
- Build a risk management profile
- Assist in setting and monitoring goals and objectives



Client(s) are obligated to enter any new information into the web-based application promptly when the financial situation, goals, objectives, or needs change.

Depending on the portfolio selected, each client will have the ability to impose reasonable restrictions on the management of your account, including the ability to instruct us not to purchase certain investments such as: mutual funds, leveraged investments, stocks and/or other securities. These restrictions may be a specific company security, industry sector, asset class, or any other restriction.

Under certain conditions, securities from outside accounts may be transferred into the advisory account; however, the application may recommend the sell of any security if it is not suitable for the current recommended investment strategy. Each client(s) are responsible for any taxable events in these instances. Certain assumptions may be made with respect to interest and inflation rates and the use of past trends and performance of the market and economy. Past performance is not indicative of future results.

Client(s) will enter into a separate custodial agreement with the custodian which authorizes the custodian to take instructions from us regarding all investment decisions for your account. Ace Capital will select the securities and amount to be bought and sold, within the parameters of the objectives and risk tolerance of the client(s). Each client will be notified of any purchase or sales through trade confirmations and statements that are provided by the custodian. These statements list the total value of the account, itemize all transaction activity, and list the security types, amounts and value of each. Client(s) at all times maintain full and complete ownership rights to all assets held in your account, including the right to withdraw securities or cash, proxy voting and receiving transaction confirmations.

Ace Capital, through its application, manages the Investment Management assets on a discretionary basis, which means the client(s) have given Ace Capital the authority to determine the following without the client(s) consent:

- Securities to be bought or sold for the account
- Amount of securities to be bought or sold for the account

**Discretionary Trading Authority** – Except as otherwise set forth in the Investment Advisory Agreement a client is giving limited power of attorney to Ace Capital as it relates to investigation, purchase and sell on behalf of Client, various securities and investments. Ace Capital is authorized to execute purchase and sales of securities on Client's behalf without consulting Client(s) regarding each sale or purchase. Client is responsible to update Ace Capital in a timely manner if there are any changes to investment objectives, suitability or financial status.

Ace Capital is available during normal business hours either by telephone, email, or chat function through the website to answer your questions.

## **ii. Do-It-Yourself Service**

Ace Capital's Do-It-Yourself service is a subscription service that allows the client to receive the buy and sell signals for the model portfolio(s) or a recommended mix of model portfolios based on the interactive web-based risk tolerance questionnaire. The client will input information into the system via an interactive questionnaire such as current age, desired retirement age, financial circumstances, investment goals and objectives, etc.

Based on the information provided in the interactive web-based application, the software will determine the client's risk tolerance and recommend an appropriate model portfolio or mix of portfolios described above. It is then up to the client to implement the recommendations provided by the software. A client does have the option to implement a single model and disregard the recommendation from Ace Capital.

## **iii. Services Limited to Specific Types of Investments**

Ace Capital limits its investment management and advisory services to: Leveraged Exchange Traded Funds, Inverse Exchange Traded Funds, Leveraged Mutual Funds, Inverse Mutual Funds, Exchange Traded Funds, Mutual Funds, Stocks, Bonds, Business Development Companies, Fixed Income, Real Estate Investment Trusts, Private Placements, Annuities, Life Insurance, Municipal Securities and Government Securities.



### C. Client Tailored Services and Client Imposed Restrictions

Ace Capital offers the same suite of services to all of its clients. When completing the interactive questionnaire, clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent Ace Capital from properly servicing the client account, or if the restrictions would require Ace Capital to deviate from its standard suite of services, Ace Capital reserves the right to end the relationship.

### D. Wrap Fee Programs

Ace Capital does not participate in any wrap fee programs.

### E. Amounts Under Management

Ace Capital has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$0.00	\$0.00	January 2015

## Item 5: Fees and Compensation

Client may terminate the Account with thirty (30) days written notice. Client may terminate the Account without penalty, for a full refund, within five (5) business days of signing this Agreement. Ace Capital will withdraw advisory fees directly from the Client's accounts with authorization. Ace Capital will not be compensated on the basis of a share of capital gain or capital appreciation of the funds or any portion of the funds of the client(s). There is no account minimum.

Service	Fee	Frequency
Investment Management Service	0% to 1.95%	Monthly
Do-It-Yourself Service	\$0.00 - \$79.00	Monthly
	\$0.00 – 500.00	Semi - Annually
	\$0.00 - \$900.00	Annually

These fees are negotiable. If the fee is negotiated and differs from the above, the fee will be listed.

Investment Management Service Fees are paid monthly in arrears. **Folio Institutional & FTJ Fundchoice** will be the custodian for client accounts. Fees will be deducted from the client's account. Bills will be sent out for the days managed to the address of record if assets leave during the middle of a billing cycle for services rendered by Ace Capital. Folio Institutional & FTJ Fundchoice have fees for being a Custodian that are separate and in addition to fees listed in this agreement. Please see the Custodian's documentation for their fee schedules.

Ace Capital requires a 30 day cancellation notice in writing emailed to: [info@acecapital.com](mailto:info@acecapital.com) or sent via mail to 134 Royal Ridge Circle, Rustburg, VA 24588. Fees are paid in arrears and therefore no refund is necessary.





Do-It-Yourself Service fees are charged in either a month or year in advance. There is no refund policy for either the monthly, semi-annual or annual subscriptions. The fees are final and found in the Subscription Agreement. Clients may terminate their contracts without penalty within five (5) business days of signing the Subscription Agreement.

## **B. Payment of Fees**

For Ace Capital's Investment Management Service, clients will authorize the custodian to directly debit fees from the client's account held at the custodian to pay us. Clients will be provided with a quarterly statement reflecting deduction of the advisory fees.

Fees for Ace Capital's Do-It-Yourself Service are paid through credit card, debit card, or direct debit from your checking or savings account. Clients will sign up for either a monthly, semi-annual or one year contract that is automatically renewable after the one year anniversary unless a cancellation notice is received from the client. Clients may terminate their contracts at any time including within the initial one year period. All terminations must be sent through the web-based application that all online clients use to control their accounts. Upon termination of any account, no prepaid fees that are in excess of the management services performed will be refunded to you. Any fees that are due, but have not been paid, will be billed to you and are due immediately. No increase in the annual fee shall be effective without prior written notification to you. We believe our fee is reasonable considering the fees charged by other investment advisers offering similar services/programs.

## **C. Clients Are Responsible For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. Custodian fees, mutual fund fees, transaction fees etc.). Ace Capital's fee does not include brokerage commissions, transaction fees, transfer taxes, wire transfer and electronic fund fees, and other related costs and expenses. Clients may also pay fees and expenses at the Fund level (e.g. shareholder service fees, etc.), and may incur additional charges when purchasing or redeeming Fund shares. In addition, some Funds have 30 to 90 day holding periods, and may charge an early redemption fee if a sell signal is issued within the required holding period. Early redemption fees can occur due to the timing of Ace Capital signals, withdrawals by the Client, and from Ace Capital redeeming advisory fees.

Clients are furnished with specific Fund restrictions upon request. Ace Capital provides no guarantee of exchange execution on the signal receipt date. While Ace Capital attempts to move all Clients within 24 hours of a signal, a delay of up to five (5) business days could occur because of factors beyond the control of Ace Capital. Such a delay could significantly affect performance. Ace Capital assumes no responsibility for losses resulting from such delays.

Clients should review broker/dealer and Custodian paperwork to determine final fee(s) schedule that are separate and in addition to fees charged by Ace Capital's Total Advisory Fee.

## **D. Prepayment of Fees**

Ace Capital collects fees in advance for the Do-It-Yourself Service. Fees that are collected in advance will not be refunded based on the prorated amount of work completed and after notice of termination during the billing period.

## **E. Outside Compensation For the Sale of Securities to Clients**

Ace Capital does not receive any outside compensation for the sale of securities to clients.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

Ace Capital does not accept performance-based fees or other fees based on a share of capital gains or on capital appreciation of the assets of a Client.

## **Item 7: Types of Clients**

Ace Capital generally provides investment advice to the following Types of Clients:

- ❖ Individuals



- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans
- ❖ Trusts, Estates, or Charitable Organizations
- ❖ Corporations or Business Entities

### ***Minimum Account Size***

There is no account minimum.

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

### **A. Methods of Analysis and Investment Strategies**

Ace Capital may utilize the following methods of security analysis:

#### **Fundamental Analysis**

Fundamental analysis is a technique that attempts to determine a security's value by focusing on the underlying factors that affect a company's actual business and its future prospects. Fundamental analysis is about using real data to evaluate a security's value. It refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

The end goal of performing fundamental analysis is to produce a value that we can compare with the security's current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short).

#### **Technical Analysis**

Technical Analysis is a technique that attempts to determine a security's value by developing models and trading rules based upon price and volume transformation. Technical analysis assumes that a market's price reflects all relevant information so the analysis focuses on the history of a security's trading behavior rather than external drivers such as economic, fundamental and news events. The practice of technical analysis incorporates the importance of understanding how market participants perceive and act upon relevant information rather than focusing on the information itself. Ultimately, technical analysts develop trading models and rules by evaluating factors such as market trends, market participant behaviors, supply and demand and pricing patterns and correlations.

As with other types of analysis, the predictive nature of technical analysis can vary greatly; models and rules are often modified and updated as new patterns and behaviors develop. Past performance is not an indicator of future return.

#### **Cyclical Analysis**

While we do not attempt to time the market, we may use cyclical analysis in conjunction with other strategies to help determine if shifts are required in your investment strategies depending upon long and short-term trends in financial markets and the performance of the overall national and global economy.

#### **Charting Analysis**

This is a set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

Ace Capital may utilize the following investment strategies when implementing investment buy/sell signals for each of the portfolio(s).

- Long Term Purchases – Securities held for at least a year.
- Short Term Purchases – Securities sold within a year.
- Trading – Securities sold within 30 days.

Investing in securities involves a risk of loss that Clients should be prepared to bear.



## B. Risk of Loss

Past Performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable regardless of the type of method of analysis or investment strategy. Investing in securities such as: including, but not limited to, Leveraged Exchange Traded Funds, Inverse Exchange Traded Funds, Leveraged Mutual Funds, Inverse Mutual Funds, Exchange Traded Funds, Mutual Funds, Stocks, Bonds, Business Development Companies, Fixed Income, Real Estate Investment Trusts, Private Placements, Annuities, Life Insurance, Municipal Securities and Government Securities involves risk of loss. Further, depending on the different types of investments, there may be varying degrees of risk. You should be prepared to bear investment loss, including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services, strategies and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities as described below:

Alternative Investment Risk: Investing in alternative investments is speculative, not suitable for all clients, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include:

- Loss of all or a substantial portion of the investment due to leveraging, short-selling or other speculative investment practices
- Lack of liquidity in that there may be no secondary market for the fund and none expected to develop
- Volatility of returns
- Absence of information regarding valuations and pricing
- Delays in tax reporting
- Less regulation and higher fees than mutual funds.

Mutual Funds Risk: The following is a list of some general risks associated with investing in mutual funds.

- Country Risk - The possibility that political events (a war, national elections), financial problems (rising inflation, government default), or natural disasters (an earthquake, a poor harvest) will weaken a country's economy and cause investments in that country to decline.
- Currency Risk -The possibility that returns could be reduced for Americans investing in foreign securities because of a rise in the value of the U.S. dollar against foreign currencies. Also called exchange-rate risk.
- Income Risk - The possibility that a fixed-income fund's dividends will decline as a result of falling overall interest rates.
- Industry Risk - The possibility that a group of stocks in a single industry will decline in price due to developments in that industry.
- Inflation Risk - The possibility that increases in the cost of living will reduce or eliminate a fund's real inflation-adjusted returns.
- Manager Risk -The possibility that an actively managed mutual fund's investment adviser will fail to execute the fund's investment strategy effectively resulting in the failure of stated objectives.
- Market Risk -The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- Principal Risk -The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

Stock Fund Risk: Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons, such as the overall strength of the economy or demand for particular products or services.

Charting Analysis Risk: Possible risks associated with this investment method of analysis is possible increased transaction costs, recognition of taxable gains and losses and adversely affected investor returns.

Fundamental Analysis Risk: Possible risks associated with this investment method of analysis is adversely affected investor returns due to irregular or regular market cycles. Fundamental analysis, when used in isolation, has a number of risks:



- There are an infinite number of factors that can affect the earnings of a company, and its stock price, over time. These can include economic, political and social factors, in addition to the various company statistics.
- The data used may be out of date.
- It is difficult to give appropriate weightings to the factors.
- It assumes that the analyst is competent.
- It ignores the influence of random events such as oil spills, product defects being exposed, and acts of God and so on.

**Technical Analysis Risk:** Possible risks associated with this investment method of analysis is possible increased transaction costs, recognition of taxable gains and losses and adversely affected investor returns.

- Technical analysis is derived from the study of market participant behavior and its efficacy is a matter of controversy.
- Methods vary greatly and can be highly subjective; different technical analysts can sometimes make contradictory predictions from the same data.
- Models and rules can incur sufficiently high transaction costs.

**Cyclical Analysis Risk:** Possible risks associated with this investment method of analysis is possible increased transaction costs, recognition of taxable gains and losses and adversely affected investor returns. Looking at market cycles in conjunction with other investment strategies can be useful when making investment decisions. However, market cycles are not always predictable. Each financial investment strategy has benefits and risks. Not every investment decision will be profitable, and there can be no guarantee of any level of performance.

**Frequent Trading Risk:** Some strategies require frequent trading which could adversely affect investor returns by triggering the recognition of taxable gains and losses and experiencing increased transaction costs.

**Market Risk:** The value of a security (such as a stock, bond, or mutual fund) can fluctuate due to price movements in the broader market resulting in a decrease in the value of a client(s) investments. This is also referred to as “systematic risk.”

**Business Risk:** When investing in securities issued by an individual company, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as “unsystematic risk” and can be reduced through appropriate diversification. There is the risk that the company will perform poorly, go bankrupt, or have its value reduced based on factors specific to the company or its industry. For example, if a company’s employees go on strike or the company receives unfavorable media attention for its actions, the value of the company’s securities may decline.

**Credit Risk:** When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make interest and/or principal payments.

**Inflation Risk:** Inflation erodes the value of a dollar and your purchasing power over time. Due to inflation, a dollar received in the future is worth less than a dollar received today. Fixed income investments such as bonds and certificates of deposit can be particularly sensitive to inflation risk as the value of fixed interest income payments erodes over time.

**Currency Risk:** Investments denominated in foreign currencies are subject to fluctuations in value due to the rise or fall in value of the home currency vs. the foreign currency. This is also referred to as “exchange rate risk.”

**Interest Rate Risk:** Interest rate risk is the possibility that the value of a fixed income investment such as a bond will decline as market interest rates rise.

**Income Risk:** The possibility that a fixed income fund’s dividends will decline as a result of falling interest rates.

**Exchange Traded Fund Risk:** The risk that the value of an Exchange Traded Fund in which a strategy invests will be more volatile than the underlying portfolio of securities or sector the Exchange Traded Fund is designed to track, or that the costs to the fund of owning shares of the Exchange Traded Fund will exceed those the fund would incur by investing in such securities directly.



**Leveraged and Inverse Exchange Traded Funds/Mutual Funds Risk:** Leveraged ETFs /Mutual Funds seek to deliver multiples of the performance of the index or benchmark they track. Inverse ETFs /Mutual Funds (also called “short” funds) seek to deliver the opposite of the performance of the index or benchmark they track. Like traditional ETFs/Mutual Funds, some leveraged and inverse ETFs/Mutual Funds track broad indices, some are sector-specific, and others are linked to commodities, currencies, or some other benchmark. Inverse ETFs/Mutual Funds often are marketed as a way for investors to profit from, or at least hedge their exposure to, downward moving markets.

Leveraged inverse ETFs/Mutual Funds (also known as “ultra short” funds) seek to achieve a return that is a multiple of the inverse performance of the underlying index. An inverse ETF/Mutual Fund that tracks a particular index, for example, seeks to deliver the inverse of the performance of that index, while a 2x (two times) leveraged inverse ETF/Mutual Funds seeks to deliver double the opposite of that index’s performance. To accomplish their objectives, leveraged and inverse ETFs/Mutual Funds pursue a range of investment strategies through the use of swaps, futures contracts, and other derivative instruments.

Most leveraged and inverse ETFs/Mutual Funds “reset” daily, meaning that they are designed to achieve their stated objectives on a daily basis. Their performance over longer periods of time -- over weeks or months or years -- can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. This effect can be magnified in volatile markets.

**Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Investors face the possibility that certain securities or investments may not be easily or quickly sold for cash. For example, U.S. Treasury bills are considered to be highly liquid and real estate properties can be less liquid.

**Political Risk:** The risk of loss associated with government actions (such as nationalization) or policy changes that negatively affect the value of a specific company or business industry and the value of investments related to that company or industry.

**Manager Risk:** The possibility that a mutual fund’s investment adviser will fail to execute the fund’s investment strategy effectively resulting in the failure of stated objectives.

**Insurance Product Risk:** The rate of return on variable insurance products is not stable, but varies with the stock, bond and money market subaccounts that you choose as investment options. There is no guarantee that you will earn any return on your investment and there is a risk that you will lose money. Before you consider purchasing a variable product, make sure you fully understand all of its terms. Carefully read the prospectus. Some of the major risks include:

- Liquidity and Early Withdrawal Risk – There may be a surrender charges for withdrawals within a specified period, which can be as long as six to eight years. Any withdrawals before a client reaches the age of 59 ½ are generally subject to a 10 percent income tax penalty in addition to any gain being taxed as ordinary income.
- Sales and Surrender Charges – Asset-based sales charges or surrender charges. These charges normally decline and eventually are eliminated the longer you hold your shares. For example, a surrender charge could start at 7 percent in the first year and decline by 1 percent per year until it reaches zero.
- Fees and Expenses – There are a variety of fees and expenses which can reach 2% and more such as:
  - o Mortality and expense risk charges
  - o Administrative fees
  - o Underlying fund expenses
  - o Charges for any special features or riders.
- Bonus Credits – Some products offer bonus credits that can add a specified percentage to the amount invested ranging from 1 percent to 5 percent for each premium payment. Bonus credits, however, are usually not free. In order to fund them, insurance companies typically impose high mortality and expense charges and lengthy surrender charge periods.
- Guarantees – Insurance companies provide a number of specific guarantees. For example, they may guarantee a death benefit or an annuity payout option that can provide income for life. These guarantees are only as good as the insurance company that gives them.
- Market Risk – The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.



- Principal Risk – The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

Overall Risks: Clients need to remember that past performance is no guarantee of future results.

- All funds carry some level of risk. You may lose some or all of the money you invest, including your principal, because the securities held by a fund goes up and down in value. Dividend or interest payments may also fluctuate, or stop completely, as market conditions change.
- Before you invest, be sure to read a fund's prospectus and shareholder reports to learn about its investment strategy and the potential risks. Funds with higher rates of return may take risks that are beyond your comfort level and are inconsistent with your financial goals.
- While past performance does not necessarily predict future returns, it can tell you how volatile (or stable) a fund has been over a period of time. Generally, the more volatile a fund, the higher the investment risk. If you'll need your money to meet a financial goal in the near-term, you probably can't afford the risk of investing in a fund with a volatile history because you will not have enough time to ride out any declines in the stock market.

Generally speaking, risk and potential return are related. While an investment with higher risk may have the potential for higher return, it may also have a greater potential for losses, increased volatility or negative returns, particularly in response to above normal challenges related to economic or political pressures or other events. This is not an all-encompassing list of risks involved with investing. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

#### **i. Risks of Specific Securities Utilized**

Ace Capital generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **Item 9: Disciplinary Information**

Ace Capital is required to disclose all material facts regarding any legal or disciplinary events that would be material to evaluate the integrity of the firm. Ace Capital does not have any information to disclose concerning the firm or its owner. This financial practice adheres to a high ethical standard.

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

#### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither Ace Capital nor its representatives are registered as or have pending applications to become a Broker/Dealer or Broker/Dealer Representative.

#### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither Ace Capital nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator or a Commodity Trading Advisor.

#### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Claude M. Royal is a licensed insurance agent and owner of Great Bridge Financial, Inc. d/b/a Great Bridge Financial. From time to time, he will offer clients advice and/or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. Ace Capital always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of Ace Capital in their outside capacities.





#### **D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections**

Ace Capital does not direct clients and/or client funds to third party money managers.

### **Item 11: Code of Ethics, Participation in Transactions, Personal Trading**

#### **A. Code of Ethics**

Ace Capital has adopted a Code of Ethics for all supervised persons of the firm describing its high standards of business conduct and fiduciary conduct. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All of our supervised persons must acknowledge the terms of the Code of Ethics annually, or as amended.

Ace Capital has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

#### **B. Recommendations Involving Material Financial Interests**

Ace Capital does not recommend that clients buy or sell any security in which a related person to Ace Capital has a financial interest.

#### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of Ace Capital may buy or sell securities for themselves that the software recommends to clients. This may provide an opportunity for representatives of Ace Capital to buy or sell the same securities before or after the software recommends the same securities to clients resulting in representatives profiting off the recommendations the software provides to clients. Representatives are prohibited from executing a securities transaction during a period of five days before and five days after the day which any client has a pending buy or sell order in the same security until that order is executed or withdrawn; however, in appropriate cases, the Chief Compliance Officer may waive such prohibition at his discretion if all client trades have been cleared or executed. Such transactions may create a conflict of interest. Ace Capital will always document any transactions that could be construed as conflicts of interest and will always transact client business before its own when similar securities are being bought or sold.

#### **D. Trading Securities At/Around the Same Time as Client(s) Securities**

From time to time, representatives of Ace Capital may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of Ace Capital to buy or sell securities before or after the software recommends securities to clients resulting in representatives profiting off the software's recommendations provided to clients by Ace Capital. Such transactions may create a conflict of interest. Representatives are prohibited from executing a securities transaction during a period of five days before and five days after the day which any client has a pending buy or sell order in the same security until that order is executed or withdrawn; however, in appropriate cases, the Chief Compliance Officer may waive such prohibition at their discretion if all client trades have been cleared or executed. Ace Capital will always transact client's transactions before its own when similar securities are being bought or sold.

### **Item 12: Brokerage Practices**

#### **A. Factors Used to Select Custodians and/or Broker/Dealers**

The Custodian and/or Broker/Dealer recommended here at Ace Capital is Folio Institutional & FTJ Fundchoice.



The Custodian and/or Broker/Dealers was chosen based on different factors such as, but not limited to:

- Relatively Low Transaction Fees,
- Access to different investment(s) (i.e. Mutual Funds, Stocks, Real Estate Investment Trusts, etc.)
- 401(k) Administration
- Which account size and type the custodian was best at handling, and
- Which custodian offered paper statement and confirmations vs. completely electronic,

Ace Capital will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

### ***1. Research and Other Soft-Dollar Benefits***

Custodians may make available to us other products and services that benefit us but may not directly benefit the client or the account. These products and services assist us in managing and administering our clients' accounts. These include:

- Investment research
- Access to client account data (such as duplicate trade confirmations and account statements)
- Facilitated trade execution and allocate aggregated trade orders for multiple client accounts
- Pricing and other market information
- Facilitated payment of our fees from our clients' accounts
- Assistance with back office functions, recordkeeping, and client reporting
- Educational conferences and events
- Consulting on technology, compliance, legal and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefit providers, human capital consultants and insurance providers

Custodians provide some of these services themselves. In other cases, they arrange for third party vendors to provide the services to us. Fees may be discounted or waived on these services or payment may be made by Custodian(s). There may be other benefits such as occasional business entertainment of our personnel.

### ***2. Brokerage for Client Referrals***

Ace Capital receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### ***3. Clients Directing Which Broker/Dealer/Custodian to Execute Transactions***

Ace Capital recommends that the client uses a specified broker-dealer and custodian in order to execute security transactions. When evaluating the Custodian and/or Broker/Dealer used at Ace Capital a number of factors including, but not limited to:

- Trading costs
- Account fees
- Additional charges (e.g. Wire Fee, ACH Fee, Mailing Fee, Transfer of Asset Fee, etc.),
- Business models of brokerage and/or custodian,
- Client account size,
- Client Preferences (e.g. Paper Statements, Paper Confirmations, etc.)

Ace Capital may be unable to achieve the most favorable execution of client transactions if clients choose to direct brokerage away from the recommended broker-dealers and custodians. Ace Capital will allow the client to direct brokerage to other broker-dealers and custodians other than the recommended broker-dealers and custodians may increase trading costs, because without the ability to utilize the recommended broker-dealers, Ace Capital may not be able to aggregate orders to reduce transactions costs, thus resulting in higher brokerage commissions and less favorable prices. Not all advisers recommend to their client(s) the use of specific broker-dealers and custodians.





## **B. Aggregating (Block) Trading for Multiple Client Accounts**

Ace Capital maintains the ability to block trade purchases across accounts but will rarely do so. The execution practices of Ace Capital's custodian negate any disadvantage clients might otherwise face based upon Ace Capital's general policy of rarely engaging in block trading.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Ace Capital provides all clients with continuous access via the web-based application to real-time reporting information about their account status, securities positions and balances. Client accounts are reviewed at least annually or as agreed. Reviews will be conducted by the Chief Compliance Officer. A client may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance). Client(s) are obligated to enter any new information into the web-based application promptly when the financial situation, goals, objectives, or needs change.

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive from the custodian a monthly and/or quarterly written report, depending on custodian, detailing the client's account performance.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

Ace Capital does not receive any economic benefit, directly or indirectly from any third party for advice rendered to Ace Capital clients.

### **B. Compensation to Non –Advisory Personnel for Client Referrals**

Ace Capital does not compensate solicitors for referring clients to Ace Capital.

## **Item 15: Custody**

Ace Capital does not take custody of client accounts at any time. Custody of client's accounts are held at the custodian, Folio Institutional & FTJ Fundchoice.

Clients will receive account statements from the custodian and should carefully review those statements. Ace Capital sends its clients regular notifications, indicating notification of disbursements from their accounts as a result of direct withdrawal of client fees from client accounts. In addition to Ace Capital's notifications, clients will receive account statements from the custodian. Clients are urged to review the account statements they receive from the qualified custodian.

## **Item 16: Investment Discretion**

Platinum Service client accounts will be managed on a discretionary basis.

**Discretionary Investment Management** – Client authorizes Ace Capital, thru this limited power of attorney, to investigate, purchase and sell on behalf of Client, various securities and investments. Ace Capital is authorized to execute purchases and sales of



securities on Client's behalf without consulting Client regarding each sale or purchase. Client is responsible to update Ace Capital in a timely manner if there are any changes to investment objectives, suitability or financial status. Client(s) at any time may revoke this limited power of attorney. Any additional limitations to the limited power of attorney will be stated in the Investment Advisory Contract.

Before this Discretionary Investment Management is accepted by Ace Capital the Client(s) must indicate such beside this corresponding section of the Investment Advisory Contract indicating this type of investment management authority.

### **Item 17: Voting Client Securities (Proxy Voting)**

Ace Capital will not ask for, nor accept, voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

### **Item 18: Financial Information**

#### **A. Balance Sheet**

Ace Capital does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore does not need to include a balance sheet with this brochure.

#### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither Ace Capital nor its management has any financial conditions likely to reasonably impair our ability to meet contractual commitments to clients.

#### **C. Bankruptcy Petitions in Previous Ten Years**

Neither Ace Capital nor its management has been the subject of a bankruptcy petition in the last ten years.