

## CAPTRUST Financial Advisors

4208 Six Forks Road, Suite 1700

Raleigh, NC 27609

Phone: (919) 870-6822

Toll Free: (800) 216-0645

Fax: (919) 870-8891

<http://www.captrustadvisors.com>

December 15, 2016

This Wrap-Fee Brochure is CAPTRUST's disclosure brochure ("Brochure") for wealth clients utilizing CAPTRUST's SMA Wrap Fee Program. The Brochure provides information about the qualifications and business practices of CAPTRUST Financial Advisors. In compliance with recent regulatory requirements, we are obligated to provide clearly written, meaningful, current disclosure of our business practices, conflicts of interest and the background of our Financial Advisors.

If you have any questions about the contents of this Brochure, please contact us at (919) 870-6822 or toll-free at (800)216-0645, or you may reach the Compliance Dept by email at [compliance@captrustadvisors.com](mailto:compliance@captrustadvisors.com).

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.

CAPTRUST Financial Advisors is an investment adviser registered under the Investment Advisers Act of 1940. Registration of an Investment Adviser does not imply any level of skill or training. This Brochure is intended, in part, to provide information which can be used to make a determination to hire or retain an Adviser.

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

(Please see our Privacy Policy on Page 12)

## Item 2 – Summary of Material Changes

Under Item 4, we have updated the total amount of discretionary and nondiscretionary client assets under advisement. As of October 31, 2016, CAPTRUST's Form ADV discloses a total of \$199,085,473,934 in assets under advisement. This included \$3,376,700,696 in Wealth Client (discretionary) assets under management, \$8,741,919,833 in Institutional Client (discretionary) assets under management for a total of \$12,118,620,529 in discretionary assets under advisement. The balance of the assets under advisement included on the Form ADV, represent *nondiscretionary* institutional assets.

Currently, the total number of wealth assets under advisement amounts to \$3,500,766,561. This number includes \$278,778,928 discretionary wealth assets managed in this SMA Program.

CAPTRUST ADV Part 2B, Item 2 has been changed to reflect that J. Fielding Miller, Chief Executive Officer, has joined the Investment Committee. Mr. Miller's educational background (Bachelor of Science, Business Administration degree in business marketing from East Carolina University) and business background has been summarized. Eric Freedman, Scott Matheson and Grant Verhaeghe are no longer members of the Investment Committee. Scott is focused on CAPTRUST's Defined Contribution Practice and Grant is focused on the CAPTRUST's Asset/Liability Practice. Eric Freedman left the firm on October 7, 2016.

A full copy of our Brochure may be requested by email at [compliance@captrustadvisors.com](mailto:compliance@captrustadvisors.com) or by contacting us toll-free at (800)216-0645.

Additional information about CAPTRUST Financial Advisors is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website provides information about any persons affiliated with CAPTRUST Financial Advisors who are registered, or are required to be registered, as investment adviser representatives of CAPTRUST Financial Advisors.

## Item 3 -Table of Contents

<b>ITEM 1 – COVER PAGE .....</b>	<b>I</b>
<b>ITEM 2 – SUMMARY OF MATERIAL CHANGES .....</b>	<b>II</b>
<b>ITEM 3 -TABLE OF CONTENTS .....</b>	<b>III</b>
<b>ITEM 4 – SERVICES, FEES AND COMPENSATION .....</b>	<b>1</b>
FEES DISCLOSURES AND CONFLICTS OF INTEREST .....	4
ACCOUNT TERMINATION .....	7
<b>ITEM 5 – ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS.....</b>	<b>7</b>
ACCOUNT REQUIREMENT .....	7
TYPES OF CLIENTS.....	7
<b>ITEM 6 – PORTFOLIO MANAGER SELECTION AND EVALUATION .....</b>	<b>7</b>
PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	7
METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	8
VOTING CLIENT SECURITIES .....	9
<b>ITEM 7 – CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS.....</b>	<b>9</b>
<b>ITEM 8 – CLIENT CONTACT WITH PORTFOLIO MANAGERS.....</b>	<b>10</b>
<b>ITEM 9 – ADDITIONAL INFORMATION .....</b>	<b>10</b>
DISCIPLINARY INFORMATION .....	10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	10
<b>CODE OF ETHICS.....</b>	<b>11</b>
REVIEW OF ACCOUNTS .....	12
INVESTMENT DISCRETION .....	12
<b><i>PRIVACY POLICY .....</i></b>	<b>12</b>
ITEM 3 - DISCIPLINARY INFORMATION .....	18
ITEM 4 - OTHER BUSINESS ACTIVITIES .....	18
ITEM 5 - ADDITIONAL COMPENSATION.....	18
ITEM 6 - SUPERVISION .....	18

## Item 4 – Services, Fees and Compensation

**INTRODUCTION:** CAPTRUST Financial Advisors, also known as CapFinancial Partners, LLC, (“CAPTRUST” or “Adviser”) was established in April 2003 and approved as a Registered Investment Adviser in September 2003. The CapFinancial Group, LLC (a North Carolina limited liability company) is a 100% owner of CAPTRUST. CapFinancial Holdings, Inc. (a North Carolina corporation) is the majority owner of The CapFinancial Group, LLC and Mr. James Fielding Miller, the CEO of CAPTRUST, owns slightly more than 40% of CapFinancial Holdings, Inc.

The CapFinancial Group, LLC and CapFinancial Holdings, Inc. are owned and operated by CAPTRUST employees and based in Raleigh, North Carolina. CAPTRUST is an Investment Adviser registered under the Investment Advisers Act of 1940. CAPTRUST’s affiliate, CapFinancial Securities, LLC, (“CFS”) is a member FINRA/SIPC. As a fully disclosed, introducing broker/dealer, CFS utilizes the clearing, execution and custodial services of Pershing LLC, an independent clearing firm.

CAPTRUST’s wrap fee programs (“Wrap Fee Programs” or “Program”) are designed to assist clients, both wealthy individuals and institutions (such as corporations and other business entities, trusts, estates, and charitable organizations) (“Client”), to identify their investment needs and to obtain professional asset management for a convenient single “wrap” fee (“Wrap Fee”). CAPTRUST is the “Program Sponsor” of Wrap Fee Program(s), which are administered through Pershing, LLC (“Pershing” or “Clearing Firm”) so in order to participate in Wrap Fee Programs sponsored by CAPTRUST, Clients must utilize CFS and establish an account at Pershing, LLC. Currently, Pershing is the only custodian for the CAPTRUST Wrap Fee Programs.

CAPTRUST also sponsors another Wrap Fee Program called the “Portfolio Managed Account Program” or “PMA Program”; provides wealth management and consulting services (other Wealth Management Services on a “non-wrap fee” basis, as well as Retirement Plan Services, all of which are disclosed in separate Disclosure Brochures (Forms ADV Part 2 or Form ADV Part2 A - Appendices).

As of October 31, 2016, CAPTRUST’s Form ADV discloses a total of \$199,085,473,934 in assets under advisement. This included \$3,376,700,696 in Wealth Client (discretionary) assets under management, \$8,741,919,833 in Institutional Client (discretionary) assets under management for a total of \$12,118,620,529 in discretionary assets under advisement. The balance of the assets under advisement included on the Form ADV, represent *nondiscretionary* institutional assets.

Currently, the total number of wealth assets under advisement amounts to \$3,500,766,561. This number includes \$278,778,928 discretionary wealth assets managed in this SMA Program.

**CLIENT INVESTMENT PROCESS:** The Financial Advisor at CAPTRUST (“Financial Advisor” or “FA”) assists the Client in determining his/her Investment Goals and Objectives (“IGO”) before selecting and recommending an investment style allocation and/or a diversified portfolio of investments, including investment vehicle(s) and/or Independent Investment Manager(s) (“Investment Manager” or “SMA Manager”) appropriate for the Client. This is done both initially and on an on-going basis. The Financial Advisor collects financial and personal information from the Client, assists the Client in establishing his/her Client’s IGO and strategies, and evaluates the suitability of the product(s) for the Client. The Financial Advisor recommends to the Client, SMA Manager(s) from the list of available SMA Managers.

The Adviser will provide the Client with CAPTRUST's Separately Managed Account Agreement ("SMA Agreement") and the CFS's [new] account opening paper work (such as brokerage forms/agreement(s), with a copy of this "Wrap Brochure" and a copy of each SMA Manager's ADV Part 2. Completed account opening paperwork is reviewed and approved by CAPTRUST's Compliance Department.

Once approved, CAPTRUST utilizes its affiliated broker/dealer, CapFinancial Securities, LLC ("CFS") to open a separate account at Pershing, LLC (CFS' clearing firm) for the Client's managed account assets. As a part of this process, the Client and CAPTRUST will enter into a SMA Agreement (the written investment advisory agreement) for the CAPTRUST SMA Program (described in detail below). The SMA Agreement will, among other things, describe CAPTRUST's fee for its services.

The Client is required to inform CAPTRUST and the Financial Advisor, at least annually, of any changes to their financial condition or of any additional investment restrictions and/or modifications to existing investment restrictions the Client wishes to impose. CAPTRUST immediately forwards to the SMA Manager(s) any responses from the Client which would impact the daily management of the Client's portfolio. Clients are welcomed to direct questions about their portfolio or account(s) to his/her CAPTRUST Financial Advisor ("FA"), or to his/her CAPTRUST Client Management Consultant ("CMC"). CAPTRUST reviews suitability for each Client SMA account ("Account" or "Investment Portfolio"), based on the Client's risk profile and total value of assets disclosed by the Client.

The services that may be offered by CAPTRUST to Clients include the following:

- Establishing written investment strategies through the documentation of a Client's IGO as outlined by the Client and his/her Financial Advisor.
- Determining asset allocation strategies to meet the financial goals of the Client.
- Determining specific investment style allocations.
- Identifying tax optimization strategies.
- Researching and evaluating investment management firms, their Investment Managers, and other investment vehicles appropriate for the Client's Investment Portfolio.
- Identifying specific independent, unaffiliated money management firms appropriate for the Client's Investment Portfolio.
- Hiring independent money management firm(s) on behalf of the Client.
- Reporting and reviewing the performance of money management firms and other investment vehicles.
- Performing quarterly investment reviews.
- Periodic rebalancing and investment plan re-allocating Client's Investment Portfolio.
- Acting as the Portfolio (Investment) Manager for the CAPTRUST Wrap and non-wrap Programs.
- Providing investment consulting services not related to managed account services.

## **"SMA" (SEPARATELY MANAGED ACCOUNT)**

**Description of Program:** The minimum initial investment for participation in this CAPTRUST Program is typically \$100,000 or more and varies from one Investment Manager to the next. Each account in the SMA Program is a discretionary account where each selected SMA Manager implements changes to the Client's Investment Portfolio without obtaining the Client's prior consent to those changes.

CAPTRUST has *limited* investment discretion with respect to the *Client's securities* in the SMA Program. Rather, the SMA Manager(s) selected by the Client is granted investment discretion by the Client and exercise this authority in the day-to-day portfolio management of the Client's account(s).

In accordance with the Client's IGO and the asset classes in their Investment Portfolio, CAPTRUST recommends certain SMA Managers for each asset class / and based on an SMA Manager's investment style. Under this model, CAPTRUST utilizes strategic asset allocation and investment manager recommendations based on CAPTRUST's research and forward looking views. Applying its strategic investment models that vary according to varying risk levels, CAPTRUST recommends an SMA Manager by asset class. The Client, however, selects the particular SMA Manager(s) for its accounts. The Client can elect to change SMA Manager(s) at any time. CAPTRUST does have the discretion to change the Client's SMA Manager(s) but, an SMA [Program] Manager will generally not be removed or replaced by CAPTRUST without the Client's knowledge. However, if the Client is not otherwise available and CAPTRUST's Investment Committee or the Client's CAPTRUST FA deems it advisable to do so, CAPTRUST will exercise the right to remove or replace an SMA Manager without the Client's prior consent. In such a case, CAPTRUST will promptly advise the Client of each such change. Examples would be where the Client's financial circumstances change or economic or market conditions change, or, if in CAPTRUST's opinion, the SMA Manager(s) selected no longer meets the Client's IGO, or no longer manages according to its stated investment style parameters, or there is a fundamental change in the management of the SMA Manager which would mandate a switch.

The Client may override CAPTRUST's suggestions as to SMA Manager(s) or investment vehicles, in whole or in part.

**Investments/Strategies:** Most SMA Managers in the SMA Program utilize long-only equity and/or fixed income strategies. Some SMA Manager sell covered calls. Occasionally, we recommend an SMA Manager for the SMA Program that shorts securities, uses options, futures, and other derivatives/securities, and/or employ more sophisticated trading techniques, but only if deemed suitable for a particular Client who is determined to be a sophisticated investor.

**SMA Investment Manager Reviews:** Performance of SMA Managers is monitored on a quarterly basis by members of the CAPTRUST Consulting Research Group ("CRG"). CRG monitors each recommended SMA Manager in the SMA Program for performance against its peers and the stated benchmark, and for adherence to its stated strategy. CRG requests quarterly due diligence questionnaires from each SMA Manager for consideration by CRG in its analyses.

Performance of SMAs is calculated from several different sources. The actual performance of an individual SMA that is reported to a Client is calculated by CAPTRUST's performance reporting team using Informa's Performer and/or Advent APX. The performance of an SMA Manager is recorded on an investment manager's fact sheet is obtained from the industry-recognized SMA databases, eVestnet and/or Zephyr.

**Performance Reviews:** The Clearing Firm provides the Client's Financial Advisor with quarterly investment performance reports, which the Financial Advisor is to review with the Client. In addition to performance for each of their CAPTRUST accounts, CAPTRUST also provides Clients with a composite level performance report accompanied by an asset summary through its Advent APX system.

**Confirmations/Statements:** Clients may elect to have daily] confirmations redirected, in accordance with then current legal requirements. Clients may elect to have duplicate statements sent to their Financial Advisor or other interested party. Monthly account statements and confirmations may be received by Clients electronically.

**Fees for Services:** The maximum annual fees for CAPTRUST's services under the SMA Program are:

**SMA ACCOUNTS – Fixed Income**

Assets under management	Manager & Platform Fee Minimum	Manager & Platform Fee Maximum	CAPTRUST Maximum Fee
First \$1mill	0.35%	0.65%	Up to 2.25%
Next \$4mill	0.25%	0.55%	Up to 1.75%
Over \$5mill	0.20%	0.50%	Up to 1.25%

**SMA ACCOUNTS – Equity**

Assets under management	Manager & Platform Fee Minimum	Manager & Platform Fee Maximum	CAPTRUST Maximum Fee
First \$1mill	0.60%	1.00%	Up to 2.25%
Next \$4mill	0.45%	0.85%	Up to 1.75%
Over \$5mill	0.40%	0.80%	Up to 1.25%

---

***Fees Disclosures and Conflicts of Interest***

For CAPTRUST SMA Program, fees ("SMA Fees") charged to the Client are documented in the Client's SMA Agreement. SMA Fees are annual and will be payable quarterly, in advance, at the beginning of each calendar quarter. The initial fee will be prorated (calculated on a per diem basis) beginning on the date of acceptance of the contract based upon the value of the Account on the date of acceptance to cover the period from that date through the end of that calendar quarter. Thereafter, the SMA Fees for each ensuing calendar quarter will be based on the account value (calculated as the market value of all long and short securities positions in the Account) on the last business day of the preceding calendar quarter and will be due the following business day. When additional assets are received into an Account during a quarter or if assets are withdrawn during a quarter, a fee adjustment will be made in the first week following the end of such quarter and will be reflected upon the client statement. A pro-rata refund of SMA Fees charged for a calendar quarter (calculated on a per diem

basis as of the date of closing) will be made if an Account is closed within that calendar quarter.

Unless the parties agree otherwise, in writing, the applicable SMA Fees will be deducted directly from the applicable Account and the Client authorizes the Clearing Firm, on behalf of CAPTRUST, to debit the cash or money market balances in the Account in payment of the SMA Fees and to debit other positions in the Account if the cash and money market balances in the Account are not sufficient to cover the payment of the SMA Fees. SMA Fees, minimum accounts sizes, and services are negotiable and may be waived under certain circumstances. For example, CAPTRUST, or the Financial Advisor, in its sole discretion, may charge a lesser fee based upon certain criteria (e.g. existing financial planning client relationship, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with Client, etc.).

Although the fees listed above are minimum/maximum “default” fees, they may be negotiable under certain circumstances. The fee encompasses all transaction related costs associated with the execution of the transaction. The service fee schedule associated with the SMA Manager(s) selected for a Client, which is disclosed as an Exhibit to the Client’s SMA Agreement, may be changed upon written notification from CAPTRUST to Clients. Changes to a Client’s SMA Agreement, however, may only be made by written consent of the Client.

Transactions in SMA Accounts, regardless of the SMA Manager, are executed without additional commission costs through Pershing, CAPTRUST’s Wrap Fee Program Administrator and clearing firm. The SMA Manager and Pershing’s execution procedures are designed to make every attempt to obtain the best execution possible in accordance with the SMA Manager’s duty of best execution. Clients participating in the SMA Program should consider whether or not the participation in a wrap fee program may or may not result in certain costs or disadvantages to the Client as a result of possibly less favorable executions.

Transactions for SMA Wrap Accounts generally are executed through Pershing, and commission charges, custodial and other fees are included within the total wrap fee. However, SMA Managers have the ability to trade these accounts with other broker-dealers and may do so in accordance with the SMA Manager’s duty to seek best execution. SMA Managers may have an incentive to execute exclusively through Pershing if executing through other broker-dealers poses additional cost to the SMA Manager or if operational issues preclude the SMA Investment Manager from efficiently settling transactions arranged with brokers other than Pershing. Clients in this SMA Program will generally receive the same execution prices as the other clients using the same SMA Manager. However, these prices may differ from the execution prices received by other clients in different SMA wrap programs, or other clients of the SMA Manager that are not using an SMA program. Typically, Clients in each SMA Wrap Program are considered a single group of Directed Brokerage clients and traded as a group on a rotational basis pursuant to the SMA Manager’s trade order, aggregation, and allocation rotation procedures, as disclosed in the SMA Manager’s Form ADV Part 2.

---

Pershing receives servicing fees from certain mutual fund families to participate in Pershing’s mutual fund no-transaction-fee program (called FundVest®). CapFinancial Securities, LLC (CFS), as an introducing broker/dealer, participates in Pershing’s FundVest® Program in which Pershing shares revenue with CFS. However, SMA Program accounts do not typically hold mutual funds, as SMA Program Managers are managing accounts using individual securities, not mutual funds, so SMA Program



accounts are not the subject of FundVest revenue sharing. On a rare occasion an SMA Manager may allocate to a mutual fund managed by that SMA Manager, but there are no such funds in Pershing's FundVest Program for which CFS is sharing revenue.

However, as a broker-dealer, CFS also receives compensation from the Clearing Firm based on the value of credit balances in certain money market fund or cash deposit accounts. For example, if cash is swept into a money market fund, CFS, as a broker/dealer, receives compensation based on the value of assets in these funds. Although SMA Program accounts do not typically hold cash, when cash is held in an SMA account, CAPTRUST (because of its affiliation to CFS) has an incentive to recommend that clients select money market funds as a sweep vehicle that pays more compensation to CFS than other money market funds.

Fees described herein paid to CAPTRUST Financial Advisors in connection with the provision of investment advice and/or Client-related services within the CAPTRUST Wrap Programs may be more than CAPTRUST's Financial Advisors would receive if Clients paid separately for investment advice, brokerage, and other services and; therefore, CAPTRUST Financial Advisors may have a financial incentive to recommend its CAPTRUST Wrap Program services over other programs or advisory services, and to use CFS rather than Fidelity or Schwab or other custodial broker-dealers.

CAPTRUST Programs may cost the Client more or less than purchasing such services separately and will depend on the trading activity in the Client's account. The cost of non-wrapped investment advisory services is generally lower than investment advisory services provided under the Wrap Fee Program.

CAPTRUST may give advice to other Clients that may be different from the advice given to Program Clients. Clients should consider the value of the additional consulting services when making such comparisons. The combination of custodial, consulting, and brokerage services may not be available separately or may require multiple accounts, documentation, and fees. In addition, certain advisors may not be available to certain clients outside the SMA Program because of minimum account sizes, fee schedules, geographic availability, or other factors. A non-wrapped pricing arrangement may be more cost effective for accounts that do not experience frequent trading activity. Because of the single fee charged to a CAPTRUST Program Account, CAPTRUST may be regarded as having a conflict of interest in that it may realize a greater profit on a Wrap Program account with a relatively low rate of portfolio turnover compared to other types of accounts, assuming the same level of fees.

All fees may be subject to negotiation. When negotiating fees, factors considered, but not limited to, include: (i) clients with multiple accounts; (ii) size of the account; (iii) a prior or existing relationship; and (iv) a client's particular needs or financial characteristics. Due to the fact that fees may vary, clients with existing accounts may be charged fees not matching precisely the foregoing fee schedules or the fees paid by other clients.

Other costs that may be assessed that are not part of those outlined above

The Program Wrap Fee does not include: (i) administrative fees, such as wire fees, charged by Clearing Firm (ii) certain odd-lot differentials, transfer taxes, regulatory transaction fees passed through to the account by the Clearing Firm, postage and handling fees, and charges imposed by law with regard to transactions in the Client's Account; (iii) fees for portfolio transactions executed away from the broker/custodian selected by the client, dealer mark-ups, electronic fund and wire transfers, spreads paid to market-makers, and exchange fees, among others.

### ***Account Termination***

Clients may terminate their Advisory Agreement, without penalty, by sending written notice of termination to CAPTRUST within five business days of its signing. Thereafter, either party may terminate the SMA Agreement by notifying the other in writing. The Clearing Firm has up to 5 business days to process the termination of the contract. Termination will not affect CAPTRUST's or the Client's responsibilities under the SMA Agreement for previously initiated transactions or for balances due in an Account upon termination. Upon termination, neither CAPTRUST, nor the SMA Manager will have any further obligation to act or advise with respect to any assets in the Account(s).

Upon termination of a SMA Agreement, the Client may, but is not required to, request that CAPTRUST liquidate the Account(s) and, if so, CAPTRUST will do so in an orderly and efficient manner. Note that in connection with the liquidation of securities, although mutual funds and investment trusts are not typically held in an SMA, (i) in certain circumstances there may be fees chargeable to the Client in connection with liquidating positions; and (ii) the decision to liquidate may result in tax consequences that should be discussed with the Client's tax advisor. All efforts will be made to process the liquidation in an efficient and timely manner; but, in no event, will CAPTRUST be responsible for market fluctuations in SMA Account(s) from the time of written notice until complete liquidation. Factors that may affect the liquidation of SMA Account(s) would be size and type of issues, liquidity of the market, and market makers' abilities. Should the necessary securities markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening. Although very infrequent (and based on suitability for a particular Client), certain SMA Program Managers may invest Client assets in mutual funds that are proprietary to the SMA Manager; such proprietary holdings must be liquidated upon the Client's termination of the SMA Program Manager.

## **Item 5 – Account Requirements and Types of Clients**

### ***Account Requirement***

Certain SMA Managers may not be available to certain Clients outside the consulting relationship because of minimum account sizes, fee schedules, geographic availability, or other factors.

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

CAPTRUST provides investment advisory services to Individuals, Trust, Estates and charitable organizations, foundations, endowments, corporations or other businesses not listed here.

Although the minimum initial investment for participation in this CAPTRUST Program is typically \$100,000, the value of this account is subject to fluctuation, and therefore there is not a minimum maintenance requirement. Adviser retains the right to waive minimum initial account sizes should Adviser feel it is necessary.

## **Item 6 – Portfolio Manager Selection and Evaluation**

CAPTRUST uses industry standards to measure the performance of the SMA Program Managers the firm recommends and selects; however, CAPTRUST does not use a third party auditor to review and verify the performance of SMA Managers.

### ***Performance-Based Fees and Side-by-Side Management***

CAPTRUST does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a Client).

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

CAPTRUST's investment strategy begins with an understanding of a Client's financial goals. Financial Advisors use demographic and financial information provided by the Client to assess the Client's risk profile and investment objectives in determining an appropriate plan for the Client's assets. Investment strategies generally include long- or short-term purchases of stock portfolios, mutual funds and fixed income securities and may include margin transactions, and options strategies.

CAPTRUST utilizes a risk-based approach to over-all asset allocation. CAPTRUST may recommend SMA Managers who manage portfolios using the following asset classes: US Equities; Intl. Equities; Fixed Income; Alternatives; Commodities; and Real Estate.

**CAPTRUST RESEARCH:** CAPTRUST research of investment management firms includes a proprietary screening and evaluation of those firms and their portfolio managers, as well as other managed investment vehicles. CAPTRUST employs a multi-step process in screening SMA Managers to determine if they are suitable for its SMA Program. Each SMA Manager is evaluated on the basis of extensive information provided by that SMA Manager, including descriptions of its investment process, investment strategies employed, operational structure, and its Form ADV, Part 2. CAPTRUST then attempts to verify that information by comparing it to other data from publicly available data collection sources. During this process, CAPTRUST also employs proprietary technical quantitative and qualitative analyses.

CAPTRUST requests that SMA Managers adhere to Global Investment Performance Standards (GIPS) issued by the CFA Institute and every attempt is made to obtain performance information which is calculated on a uniform and consistent basis. In most cases, performance data approved by CAPTRUST for Client viewing will have been calculated based on a uniform and consistent standard. However, some SMA Managers may provide information which does not entirely conform to these uniform standards. In those instances, the affected performance information will be specifically identified as having not been calculated based on the uniform standard normally used.

It is important to note that investing in securities involves certain risks that are borne by the investor. Each SMA Investment Manager's Form ADV Part 2 describes the strategies and risks associated with investing with that Investment Manager. However, in general, risks associated with investing include, but are not limited to:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it,

a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not. Some investments utilized in strategies employed by SMA Managers carry liquidity risk.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Concentration Risk:** The probability of loss due to heavy exposure to a single investment, equity or issuer. Some investments utilized in strategies employed by SMA Investment Managers carry a kind of concentration risk since Clients may own more than one fund managed by the same issuer; or Clients may be invested in several funds with similar strategies which poses a type concentration risk.
- **Other risks:** Our recommended strategies include these risks (listed above) as well as other risks that are more specifically associated with managers, strategies, funds or instruments we select or recommend. For example, some recommended managers use derivatives (such as options as a hedge) which pose special risks; others carry liquidity risk specific to underlying investments; additionally, some of our asset allocated model portfolios have a particular concentration risk since we may allocate a large portion of a portfolio to a single manager, or a fund complex. Some portfolios include alternative (or uncommon) investment strategies; or allocations to funds with limited or no prior history of operations. Each recommended manager discloses risks associated with investing in their fund(s) separately (in their respective brochures and/or prospectuses). Although we acknowledge that Clients are relying on CAPTRUST to manage portfolio risk, Clients are encouraged to read SMA Manager's disclosure brochures, prospectuses and ask questions of our financial advisors, portfolio managers or compliance team members. Call (919) 870-6822 or send a message to [compliance@captrustadvisors.com](mailto:compliance@captrustadvisors.com).

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

In general, where SMA Managers have been provided discretionary authority by CAPTRUST Clients, Clients delegate the right to vote proxies to the SMA Manager. Clients should review SMA Manager's proxy voting guidelines which should be found in the SMA Manager's Form ADV Part 2 Disclosure Brochure.

To obtain a copy of an SMA Manager's Proxy Voting Policy or for a copy of an SMA Manager's Proxy Voting record, Clients can contact CAPTRUST directly at: (800) 216-0645 or (919) 870-6822 or may write to CAPTRUST 4208 Six Forks Road #1700, Raleigh NC 27609 or [compliance@captrustadvisors.com](mailto:compliance@captrustadvisors.com) to obtain the information.

### **Item 7 – Client Information Provided to Portfolio Managers**

For the CAPTRUST SMA Program, CAPTRUST is the Client's investment adviser and the SMA Manager is the Client's Portfolio Manager. SMA Portfolio Managers do not have the same access to your personal information as CAPTRUST. Your personal information such as, income, net worth, risk tolerance, and

investment objectives is not communicated to your portfolio manager, but utilized by CAPTRUST to determine the appropriate asset allocation and make recommendations regarding SMA manager selection.

### **Item 8 – Client Contact with Portfolio Managers**

Clients typically communicate with their Financial Advisor at CAPTRUST who acts as the Relationship Manager. Most direct communication with the SMA Managers occurs between the CAPTRUST's CRG and the SMA Manager. There are *no specific* restrictions on direct client communication with SMA Managers in the SMA Program. Clients may request direct communication with SMA Managers through their CAPTRUST FA who will coordinate such a meeting.

### **Item 9 – Additional Information**

#### ***Disciplinary Information***

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client or prospective client's evaluation of CAPTRUST or the integrity of CAPTRUST's management. CAPTRUST's management has no reportable disciplinary history for this Item. SMA Manager's are also required to make disclosures of disciplinary information in their respective ADV Part 2 disclosure brochures which are delivered separately to Clients in the SMA Program.

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

CAPTRUST, an investment adviser registered under the Investment Advisers Act of 1940, is affiliated by common ownership with CapFinancial Securities, LLC ("CFS") a member of the FINRA and SIPC. CAPTRUST is also registered as a Commodity Trading Advisor with the National Futures Association because occasionally CAPTRUST renders investment advice with respect to commodities and/or futures, but CAPTRUST does not manage futures or commodities products.

Pensionmark Financial Group, LLC ("PFG"), an investment adviser registered under the Investment Advisers Act of 1940, is affiliated with CAPTRUST by common ownership. Some associated persons of PFG are also registered as Investment Advisory Representatives of CAPTRUST and/or registered representatives of CFS.

Freedom One Retirement Services, LLC ("FORS") is also affiliated with CAPTRUST by common ownership. CAPTRUST acts as a discretionary ERISA 3(38) investment manager for Plan Clients for whom recordkeeping services are provided FORS ("Freedom401k Clients"). Freedom401k Clients may be paying more or less for recordkeeping services than other Plan Clients utilizing unaffiliated record keepers.

Many Financial Advisors are life insurance licensed in order to act as agent of record for those Clients who own life insurance products. Financial Advisors at CAPTRUST may occasionally recommend fixed or variable annuities or life insurance to their Wealth Clients when assisting them in executing their financial plan. Both CFS and CAPTRUST have business entity insurance licenses.

CFS as a registered broker-dealer, offers individuals (Wealth Clients) and institutional (Plan Clients) general securities investment services. Most CAPTRUST Investment Adviser Representatives are simultaneously registered as CFS Registered Representatives. A Financial Advisor generally spends 20%

of his/her time on work done for Clients focused on activities consistent with the definition of broker/dealer activities.

If a trade error were to occur, it may result in profit or loss to CFS. CFS has controls in place to limit such trade errors. Financial Advisors will not participate in any profits resulting from such errors.

As a result of certain investment related recommendations (or other investment advisory services) provided to its Clients, the Adviser may facilitate certain securities purchases and/or sales; or insurance product purchases and/or sales on behalf of Clients. Such transactions may be facilitated by Adviser, through CFS, in its capacity as a registered broker/dealer and insurance agent (business entity). Commissions charged by CFS may be higher or lower than obtainable elsewhere. All related compensation is separate from advisory services.

In general, CAPTRUST recommends that Wealth Clients establish brokerage accounts through CFS with Pershing ("Custodian") to maintain custody of Clients' assets and to effect trades for their accounts. Clients using CAPTRUST Wrap Programs are required to use Pershing which provides the managed account platform for CAPTRUST's Wrap Programs. However, some CAPTRUST Wealth Clients utilize Fidelity or Schwab for custodial and execution services ("other custodians") under CAPTRUST's nonwrap wealth advisory services. Pershing is a FINRA registered Broker-Dealer. CAPTRUST is independently owned and operated and not affiliated with Pershing or any custodian.

## **Code of Ethics**

Personal transactions in securities by directors, officers and employees of CAPTRUST who have access to nonpublic information regarding Clients' purchase and sale of securities, are involved in making securities recommendations to Clients or who have access such non-public recommendations ("access persons") are subject to the restrictions and procedures in CAPTRUST's Code. All supervised persons at CAPTRUST must acknowledge the terms of the Code of Ethics annually, or as amended.

The Code addresses, among other things, the following: (i) general principles that address CAPTRUST's fiduciary obligations to its Clients, (ii) personal securities trading procedures restricting the purchase and sale, by access persons for their own accounts, of specific securities; (iii) provisions relating to the confidentiality of Client information; (iv) a prohibition on insider trading; and (v) restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment.

Occasionally, access persons of Adviser may recommend that Clients buy or sell the same securities or investment products that access persons of the Adviser also own. In such circumstances, Adviser shall give precedence to Client transactions. CAPTRUST's employees and persons associated with CAPTRUST are required to follow the Code of Ethics. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of CAPTRUST will not interfere with (i) making decisions in the best interest of advisory Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of CAPTRUST's Clients. In addition, the Code requires pre-approval of specific types of transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as Clients, there is a possibility that employees might benefit from market

activity by a Client. Employee trading is monitored under the Code of Ethics to reasonably prevent conflicts of interest between CAPTRUST and its Clients.

### ***Review of Accounts***

Financial Advisors (Investment Advisor Representatives) are responsible for performing periodic reviews and consulting with CAPTRUST Clients to evaluate the suitability and allocations of types of assets and investments in relation to a Client's objectives and the necessity or desirability of any change in such objectives. Unaffiliated mutual fund holdings and SMA Managers are monitored on a continuous and regular basis by CAPTRUST Consulting Research Group. Eric Freedman, Chief Investment Officer, heads up the Consulting Research Group. ADV Part 2B lists all the members of the Consulting Research Group who are involved in the review process and in determining the investment advice to be given by the Adviser. Denise Buchanan, Chief Compliance Officer, heads up the Compliance Team. Additionally, CAPTRUST receives monthly Account statements/quarterly performance reports from Pershing for managed accounts including SMA Accounts. Quarterly performance reports are prepared by CAPTRUST for SMA Program Accounts. Clients may access online performance reports produced by Pershing. For information on how to access your reports at Pershing, please call your CAPTRUST Financial Advisor at (919)870-6822 or (800)216-0685 or you may email [compliance@captrustadvisors.com](mailto:compliance@captrustadvisors.com).

Client agrees to inform CAPTRUST in writing of any material changes to the Client's financial circumstances that might affect the manner in which Client's assets should be invested. Client may contact the firm during normal business hours to consult with the firm concerning the management of the Client's account(s).

### ***Investment Discretion***

For CAPTRUST Clients using the SMA Program, the SMA Investment Manager has the authority to determine, without obtaining specific Client consent, both the securities to be bought and sold in their accounts as well as the amount of the securities to be bought or sold. This discretion must be provided at the beginning of the Adviser/Client relationship and documented upon the SMA Agreement.

### ***Privacy Policy***

CapFinancial Partners, LLC ("CAPTRUST") recognizes that its clients have an expectation that CAPTRUST and its affiliates will maintain the confidentiality of Clients' nonpublic personal information. Consequently, CAPTRUST has adopted this Privacy Policy concerning information obtained during the servicing of Client's account(s).

**Nonpublic information:** Nonpublic information obtained by CAPTRUST for purposes of providing services hereunder will not be furnished to third parties for any other purpose other than in furtherance of the services to be provided hereunder. Notwithstanding the foregoing, CAPTRUST may disclose nonpublic information (i) to the extent such disclosure is required by court order or by a valid order of a governmental body governmental or quasi-governmental agency (such as FINRA) (ii) prior or after the time of disclosure such information becomes part of the public knowledge or literature, not as a result of any inaction or action of CAPTRUST, (iii) reasonably necessary for CAPTRUST to enforce its legal rights in any dispute with that Client; or (iv) is approved by Client, in writing, for release. CAPTRUST does not disclose nonpublic personal information about its clients to any party except as permitted by law.

**Sources of Personal Information:** We collect Personal Information about you from meetings with you and on applications or other forms you have submitted to CAPTRUST, as well as information about your investments or transactions with us or others (such as third party service providers or fund companies) from other sources.

**How CAPTRUST Protects the Confidentiality of Clients' Nonpublic Personal Information:**

CAPTRUST does not sell or trade clients' information with nonaffiliated companies. When information is provided to third party service providers, safeguards are in place to assure that information is used only for the purpose it is provided. CAPTRUST maintains its records on secured computers. Prospective employees are screened for criminal convictions. Once hired, employees are made aware of CAPTRUST's Privacy Policy and of the confidential nature of the information they handle. Employees are limited to accessing only that customer information that is necessary to perform their job functions.

**To Whom This Policy Applies:** This Notice applies to all our clients who enter into an Advisory Services Agreement with us. Our Former Clients: Even if you are no longer a client, our Privacy Policy will continue to apply to you.

**Access to and Correction of Information:** Upon the written request of Clients, we will make available for their review any file we may maintain for their personal Information; provided, however, that any Information collected in connection with, or in anticipation of, any claim or legal proceeding will not be made available. If Clients notify us that any Information is incorrect, we will review it. If we agree, we will correct our records. If we do not agree, Clients may submit a short statement of dispute, which we will include in any future disclosure of the disputed Information.

**Further Information:** We reserve the right to change this Privacy Policy at any time. The examples contained within this Privacy Policy are illustrations and are not intended to be exclusive. This Policy attempts to comply with federal and state regulations regarding privacy. Clients may have additional rights under other foreign or domestic laws that may apply to them.

**"Opt Out" Provision:** Since CAPTRUST does not sell or share any Personal Information an "opt out" provision would not be applicable to this Privacy Policy. Clients may call (800)216-0645 to request further information regarding this policy.



**Consulting Research Group**

**Investment Committee**

11/1/2016

This brochure supplement provides information about CAPTRUST Financial Advisors Consulting Research Group's Investment Committee. Specifically, the persons who determine the investment advice to be given are summarized in this supplement to the CAPTRUST Financial Advisors ("CAPTRUST") Disclosure Brochure. You should have received a copy of that brochure. Please contact the Compliance Department at (919) 870-6822 if you did not receive the CAPTRUST Disclosure Brochure or if you have any questions about the contents of this supplement. Additional information about CAPTRUST is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**J. Fielding Miller**  
Chief Executive Officer

Born: 1960

Educational Background

Fielding earned his Bachelor of Science, Business Administration degree in business marketing from East Carolina University.

Business Experience

As the co-founder of CAPTRUST Financial Advisors, Fielding is credited with setting the course for the company becoming one of the nation's largest independent financial advisory firms. As Chairman and CEO, he continues to lead our corporate strategy, ensuring that CAPTRUST remains competitively positioned to serve our clients' needs in an increasingly complex and volatile market environment.

Dates		Firm	Position			
10/2003	Present	CAPFINANCIAL PARTNERS LLC (CAPTRUST)	RALEIGH	NC	USA	CEO
6/2002	10/2003	Wachovia Securities Financial Network	RALEIGH	NC	USA	Financial Advisor
1997	6/2002	CapTrust Financial Advisors, LLC	CHARLOTTE RALEIGH	NC	USA	President

**Mark Paccione, CFA**  
Director, Investment Research

Born: 1975

Educational Background

Mark earned his BA in Mathematical Economics from Wake Forest University.

Business Experience

Dates		Firm	Position		
10/2005	Present	CAPFINANCIAL PARTNERS, LLC	RALEIGH	NC	Director, Investment Research
03/2004	09/2005	MORGAN STANLEY & CO. INCORPORATED	SAN FRANCISCO	CA	Sales Assistant
10/2002	10/2003	ELECTRONIC TRADING GROUP	SAN RANCISCO	CA	Equity Trader

**David Hood**  
Director, Investment Research

Born: 1978

Educational Background

David is a graduate of University of North Carolina at Chapel Hill with a BA in Political Science and a BA in Journalism and Mass Communication. David earned his MBA from Wake Forest University in finance.

Business Experience

Dates		Firm	Position		
09/2009	Present	CapFinancial Partners, LLC (CAPTRUST Financial Advisors)	RALEIGH	NC	Senior Manager, Investment Research
08/2007	08/2009	Wake Forest University	Winston-Salem	NC	Graduate Student
06/2004	07/2007	Electric Supply Co of NC	Durham	NC	Associate
8/2002	6/2004	King & Spalding LLC	Washington	DC	Legal Assistant, Antitrust lit

**Hunter Brackett**  
Senior Manager, Investment Research

Born: 1974

Educational Background

Hunter is a graduate of Washington and Lee University with a Bachelor of Arts in Economics. Hunter earned his MBA from UNC Kenan-Flagler Business School, with a concentration in Investment Management.

Business Experience

Dates		Firm	Position		
06/2012	Present	CapFinancial Partners, LLC (CAPTRUST Financial Advisors)	RALEIGH	NC	Senior Manager, Investment Research
11/2011	05/2012	Sabbatical	Chapel Hill	NC	
03/2008	10/2011	NCM Capital Mgt	Durham	NC	Sector Leader Research Analysis
03/2004	02/2008	Lehman Brothers	NY	NY	Equity Research Associate

**Matt Ogden**  
Manager, Investment Research

Born: 1984

Educational Background

Matt earned a Bachelor of Arts degree in Mathematical Economics from Colgate University

Business Experience

Dates		Firm	Position		
04/2010	Present	CAPTRUST Financial Advisors	Raleigh	NC	Manager, Investment Research
06/2006	12/2009	Rocaton Investment Advisors	Norwalk	CT	Analyst

### Item 3 - Disciplinary Information

The Investment Committee Members of CAPTRUST'S Consulting Research Group ("CRG") summarized here are Investment Advisor Representatives of CAPTRUST. Investment Advisory Representatives are required to disclose all material facts regarding any legal and disciplinary events that would be material to your evaluation of the representative. None of these CAPTRUST Investment Advisory Representatives (Fielding Miller, Mark Paccione, David Hood, Hunter Brackett and Matt Ogden) have any information applicable to this Item.

### Item 4 - Other Business Activities

Investment Committee Members may also be Registered Representatives of CapFinancial Securities, LLC, an affiliated registered broker-dealer and member FINRA/SIPC. However, Investment Committee Members in CRG are salaried employees whose compensation is not determined by assets under management or commissions (transaction based fees) or product revenue.

In this way, CAPTRUST eliminates the conflict of interest so they have no financial incentive to recommend securities and other investments that may result in commissions, brokerage fees, 12b-1 fees or other payments.

When CapFinancial Securities, LLC collects revenue as a broker/dealer on products associated with CAPTRUST Plan Client assets, members of CRG do not act as "broker of record," but rather, the Financial Advisor who is responsible for relationship management may do so. However, all product revenue associated with Plan assets is reflected upon an invoice to Plan Clients and used to offset or lower the Plan Client's advisory fee. CAPTRUST is constrained by fiduciary principles to act in your best interest.

### Item 5 - Additional Compensation

The members of CRG do not receive additional compensation for advisory services other than fees paid by the Client.

### Item 6 - Supervision

The investment advisory activity of CRG is supervised by Denise Buchanan, Chief Compliance Officer. Ms. Buchanan can be reached at (919) 870-6822.

The CAPTRUST Financial Advisor ("Financial Advisor") responsible for performing periodic reviews and consulting with the individual Plan Clients is in a relationship management role. The members of the Consulting Research Group summarized here are responsible for ongoing reviews of markets, sectors and individual securities. This continuous and regular investment supervision is conducted by the CAPTRUST Consulting Research Group ("CRG") under the Investment Committee's direction and supervision. David Hood manages CRG's Investment Manager Due Diligence program. Mark Paccione manages the CRG team focused on Wealth Clients. Mark Paccione and David Hood report directly to J. Fielding Miller; Hunter Brackett and Matt Ogden report directly to David Hood.