

# **WYNN CAPITAL MANAGEMENT, INC.**

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## **ADV Part 2A – Disclosure Brochure**

March 1, 2018

This brochure provides information about the qualifications and business practices of Wynn Capital Management, Inc. (hereafter referred to as the “Firm” or “WCM”) and serves as a replacement to **Part II of Form ADV Uniform Application for Investment Adviser Registration**. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Wynn Capital Management is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training but information about current management is available in Part 2B. In addition, the SEC’s website provides further registration information and is available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **ITEM 2 – MATERIAL CHANGES**

On July 28, 2010, the SEC published “Amendments to Form ADV” which revises the disclosure document (the “brochure”) that we are required to provide to new and existing clients. This brochure, dated March 1, 2013, is a new document prepared in accordance with the SEC’s new requirements and rules. As such, this document is materially different in structure but not materially different in content from our prior filings. In the future, this brochure will summarize the material changes to the brochure since our last annual update.

Under new SEC rules, we will provide clients with a summary of any material changes to this and subsequent brochures within 120 days of the end of our fiscal year. We will also provide ongoing disclosure about material changes, as necessary. If there have been no material changes, clients will be offered the option to review our ADV-Part 2 at least on an annual basis.

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#### **ITEM 4 – ADVISORY BUSINESS**

Wynn Capital Management, Inc., owned and managed since 1990 by Bruce W. Wynn, is a registered investment adviser that provides investment supervisory services to individuals, pension plans, charitable foundations, corporations and trusts. The Firm's primary service is managing fixed income portfolios on behalf of clients under discretionary investment authority. It also provides investment advice to clients who manage their own portfolios (non-discretionary).

#### **ITEM 5 – FEES AND COMPENSATION**

A. Advisory Fees and Compensation The Firm generally requires a minimum of \$5,000,000 to open an advisory account. However, smaller accounts may be accepted at the discretion of management. WCM reserves the right to waive the minimum account size or impose a higher minimum account size for certain investment strategies.

For all clients, the Firm's compensation is derived from all-inclusive, annual fees which are billed quarterly. The client is billed in advance of the quarter for services provided during that period (i.e. for services from January 1<sup>st</sup> to March 31<sup>st</sup>, payment is due on or before January 1<sup>st</sup>). The fees are based upon, among other things, services to be provided and amount of assets under management.

The fee is a "fixed" amount and is not based on account valuation. The advisory fee covers all transactions, whether 1 or 100, as well as account servicing needs. Currently, the following average scale is used:

Minimum Account Size for Wynn Capital Management: Negotiable

<u>Annual Fee Rate Schedule</u>	
\$1 to \$10 Million	.40 of 1%
\$10 to \$20 Million	.35 of 1%
Over \$20 Million	Negotiable

### B. Payment of Client Fees

Investment advisory clients are billed in advance for advisory fees on a quarterly basis, prior to the start of the service quarter. Payment is made in two ways: (1) Direct billing where the funds are withdrawn from their brokerage/custodial account. This type of payment requires that the client receive “advance” notification of the withdrawal. After 7-10 days, an invoice to their custodian is generated requesting payment unless the client has provided a reason to dispute the billing. (2) Payment by check: For clients who prefer not to use direct billing, invoices are generated and personal/bank checks are provided to our firm.

Fees can be changed by WCM if 30 days written notice is provided. The fee may be adjusted to reflect additional funds or securities under management, significant withdrawals or decreases in accounts, or any change that would warrant a review of existing fees.

C. Termination of Advisory Relationship and Fees: Clients may terminate their investment advisory relationship with 30 days notice. The final charge/invoice for investment services rendered would cover the period from the most recent valuation date to the termination date, prorated daily.

### **ITEM 6 – PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Our Firm does not utilize performance based fees (i.e. fees based on capital appreciation of client assets).

Side-by-Side Management – Not applicable; we do not manage or hedge mutual funds.

### **ITEM 7 - TYPES OF CLIENTS**

Most of the Firm’s clients are high net worth individuals, corporations, and trusts. The majority have maintained accounts with the Firm for many years. We also provide services to banking institutions, pension plans, and charitable institutions.

The Firm manages fixed income accounts, both tax-exempt and taxable, almost exclusively and does not solicit equity or balanced accounts. For clients with total assets exceeding \$1,000,000, WCM recommends individual fixed income investments, particularly municipal bonds.

### **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

The Firm employs various methods to evaluate investments and manage portfolios. Our security analysis is based upon a number of factors including those derived from commercially available software, websites, securities rating services, general economic indexes, market/financial information, due diligence reviews, and specific investment analyses that a client may request.

#### **Steps for Active Fixed-Income Analysis and Investment Strategies Process:**

1. Try to anticipate interest rate moves, taking into consideration national and global factors.
2. Consider inflation / real interest rates.

3. Consider political and legislative environment that may affect investments.
4. Gauge tax-free and taxable bond market supply, working with brokers and Bloomberg website.
5. Select bonds based on cash availability, residency status, tax implications, and goals.
6. Seek high-quality securities along with attractive interest rates and dollar pricing.
7. Review call and put features that may affect yield or maturity.
8. Make fixed income bond purchases or swaps based on prior criteria.

First and foremost in setting investment strategies for each client, their personal objectives will govern all strategy decisions. Investment selection takes into account tax liabilities, quality considerations, and anticipated changes in client's future financial situation. Some clients require current income while others prefer long term growth.

**Ladder Strategy:** Currently, we prefer to use the ladder strategy for building bond portfolios. Ladders are typically built using fixed income securities and may include municipal bonds, corporate bonds, zero-coupon bonds, certificates of deposit, and U.S. Treasury/Government Securities. In utilizing a bond ladder, WCM is able to spread investment dollars among bonds that mature at various times. Like a ladder, each bond is a rung, and as each rung matures your principal is available for reinvestment at current interest rates. This helps smooth out interest rate fluctuations and is similar to dollar cost averaging in stocks. In a normal interest rate environment, shorter maturities will yield less than longer maturities and may also be subject to greater price fluctuations. Thus, our philosophy works best for investors who desire a "buy and hold" strategy for a substantial portion of their assets.

Client portfolios may also include individual equity securities, but these are generally part of the clients' investment holdings prior to working with WCM. Since management of equities is not a specialty of WCM, the Firm may suggest the client maintain a separate account or relationship with an equity broker.

**Risk of Loss:** Investing in securities involves a risk of loss that clients should be prepared to bear. The Firm seeks to limit or mitigate risk by purchasing "high quality" fixed income securities. We focus on preservation of principal and prudent growth of client funds. However, investing in any security involves a risk of loss that the investor should be prepared to bear. Bonds have the following known risks that we try to anticipate or mitigate:

- *Credit Risk:* Creditworthiness of issuers impacts ability to pay and may also result in a lowered credit rating (i.e. Standard & Poor's, Moody's).
- *Default Risk:* Often due to poor revenue, management failure, or fraud.
- *Interest Rate Risk:* Rising inflation erodes real value of the bonds. As interest rates rise, yields on existing bonds show market declines but no loss unless sold.
- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. WCM works with various brokers to provide best execution when a sale or liquidation is required.
- *Market Risk:* The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of the

- security's underlying value or circumstances.
- *Reinvestment Risk:* There is a risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return or interest rate.

## **ITEM 9 – DISCIPLINARY INFORMATION**

There is no disciplinary information to report.

## **ITEM 10 – OTHER FINANCIAL ACTIVITIES AND AFFILIATIONS**

A. Broker-Dealer Registration Status: WCM is not registered as a broker-dealer or a registered representative of a broker-dealer.

B. Other Affiliations: The Firm does not have a specific affiliation to any one brokerage or clearing firm, broker-dealer representative or other investment company employee. At present, the majority of our clients utilize the services of Wells Fargo Advisors (aka Wells Fargo). Wells Fargo holds the clients' securities and cash, issues confirmations and statements, and provides other back-office services. There is no direct compensation provided from the Firm to Wells Fargo for their services nor any preference given to Wells Fargo products.

C. Custody: We do not maintain custody of any client securities, assets, or cash. Outside firms are utilized by the client(s) for these purposes.

## **ITEM 11 - CODE OF ETHICS, AND PERSONAL TRADING PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

**Code of Ethics** The Firm has adopted a Code of Ethics which establishes standards of conduct for its supervised persons. The Code of Ethics includes general requirements that such supervised persons comply with their fiduciary obligations to Clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of Client information. It requires supervised persons to report their personal securities transactions and holdings quarterly to the Advisor's Compliance Officer, and requires the Compliance Officer or their designated representative to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the Advisor's Compliance Officer. Each supervised person of the Advisor receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received these materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during that year. Clients and prospective Clients may request a copy of the Advisor's Code of Ethics by contacting the Firm.

**Personal Trading Participation or Interest in Client Transactions:** Under the Advisor's Code of Ethics, the Advisor and its managers, members, officers and employees may invest personally in securities of the same classes as are purchased for Clients and may own securities of the issuers whose securities are subsequently purchased for Clients. If an issue is purchased or sold for Clients and any of the Advisor's managers, members, officers and employees on the same day purchase or sell the same security, client trades and prices will be given preference

over any employee or associated persons. The Advisor and its managers, members, officers and employees may also buy or sell specific securities for their own accounts which the Firm does not deem appropriate for Clients or is outside the Firm's expertise (i.e. equities, mutual funds).

## **ITEM 12 – BROKERAGE PRACTICES**

**Brokerage Selection and Compensation:** WCM works with various nationally recognized brokerage firms. WCM prides itself on its independence and ability to shop various firms for fixed income securities that meet our clients' parameters. Although we have many trading relationships, there are no soft or hard dollar agreements in place. Broker selection is also based on a number of factors, including attractive pricing, ability to obtain high quality securities, prompt/successful execution, and customer service.

**Directed Brokerage:** In some cases, a client may be allowed to direct trades to a particular broker. This is determined on a case by case basis, but such direction may affect the price or execution of the trade.

**Order Aggregation:** When executing client transactions, trades may be bunched (or aggregated) with other clients' trades. This increases the order size to a broker, giving our clients higher priority, and can result in better execution for all clients involved.

## **ITEM 13 – REVIEW OF ACCOUNTS**

Both the Firm's owner and compliance officer continuously monitor accounts to identify and correct any transaction or valuation errors, and to implement investment strategies that serve each client's objectives. In addition, all quarterly priced reports are formally reviewed both to insure accuracy as well as to maintain each client's personal investment strategy and performance.

A. Frequency and Nature of Review of Client Accounts: All accounts are reviewed quarterly by the Firm's President (Bruce Wynn). In his absence, a quarterly review can also be made by the Compliance Officer. Random reviews are made to determine investment strategies for upcoming purchases or maturities.

WCM also monitors the cash account related to trading needs. We monitor deposits and withdrawals to insure compliance with clients' objectives and to meet personal cash needs. Regular review insures that changing needs are met, activity in brokerage accounts is accurate, and client is kept up-to-date on unforeseen changes (calls, puts, early redemptions) that may affect their holdings.

B. Client Reports: All WCM clients receive *original* statements and confirmations from the broker-dealer that has custody of their securities and cash. To support and verify these reports, WCM provides written reports to clients on a quarterly, monthly, or interim basis. Regular reports that we provide include:

- 1) Quarterly: WCM provides a “priced” Portfolio Appraisal that shows all fixed income holdings and cash/money market balances that are used for trading purposes. Pricing for our reports comes from an independent firm, Interactive Data and Pricing. We have no soft or hard dollar arrangement with this firm, insuring that all pricing is impartial and not influenced by WCM in any way. Also provided with the Portfolio Appraisal is a Purchase and Sale Report that details all activity during the quarter.
- 2) Interim Reports: Based on client activity but no less than quarterly, we provide Maturity & Expiration Alerts. These reports provide notice of upcoming cash and allow the client to determine if these funds should be reinvested or allocated for other needs.
- 3) Additional reports are available to help clients monitor income and taxability. The nature and frequency of these reports are determined by the particular needs and requests of each client.

Beyond reporting, the Firm regularly communicates with clients through meetings, telephone calls, and letters to insure their investment goals are being met or to inform them of material changes that affect their portfolio.

#### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

The Advisor receives client referrals, which may come from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals. At present, we provide no compensation to any outside parties for their services.

#### **ITEM 15 – CUSTODY**

The Advisor does not act as custodian of client assets, all cash and securities are held by an outside firm not affiliated with WCM. Our clients always maintain asset control but utilize a broker-dealer or bank/trust company for safekeeping purposes.

If a client currently does not maintain a brokerage or custody relationship, we usually recommend Wells Fargo Advisors. This referral is based on the ability of Wells Fargo Advisors to successfully execute trades for our clients (whether with their firm or an outside firm) and handle customer services needs that arise. Again, we do not provide any compensation to Wells Fargo Advisors but they may benefit from the money market balances, direct fees, and purchases/sales made through them and their brokers.

#### **ITEM 16 – INVESTMENT DISCRETION**

WCM accepts limited forms of discretion over clients’ accounts, with the consent of the client. The Client’s grant of discretion is normally evidenced through a limited power of attorney contained within the original client contract. The contract and power of attorney are all signed during establishment of the advisory account.

The majority of clients provide fixed income trading discretion. We do prefer to contact the client in advance of trading when possible but timing can be crucial. The discretionary authority allows WCM to execute purchases and sales quickly, taking advantage of favorable market conditions, rates, and limited bond availability on behalf of the client. Only investment-grade fixed income securities will be purchased using this discretion. Requests for purchases of riskier investments would need to be agreed upon by the client and WCM and noted in the trade record.

Trades are generally undertaken by prioritizing clients' accounts based upon the amount of assets currently under advisement and review of available cash balances. Not all clients will participate in all trades and again, personal needs as well as taxability will determine allocation. In addition, clients may impose certain limits on their accounts such as cash restrictions, maturity restrictions, and in some cases, asset allocation restrictions.

### **ITEM 17 – VOTING CLIENT SECURITIES**

Since our firm is fixed income exclusive, we do not handle the voting of client proxies.

### **ITEM 18 – FINANCIAL INFORMATION**

A. WCM does not require or solicit prepayment of client fees beyond three months. This is considered the start of the advisory service period.

B. There are no financial conditions that are reasonably likely to impair The Firm's contractual commitments to clients.

C. The Firm has never been the subject of a bankruptcy petition.

### **ITEM 19 - ADV Part 2B Supplement**

#### **ITEM A – EDUCATION**

The Firm's full-time investment professionals must have a college degree relevant to the securities industry or have significant and sustained experience in the investment advisory and/or brokerage industry. Additional training is also encouraged for all investment professionals and customer service specialists.

#### **ITEM B – BUSINESS AND EDUCATIONAL BACKGROUND FOR BRUCE W. WYNN**

Bruce W. Wynn, born in 1945 is the Firm's Owner and President. He started the Firm in April of 1990 after extensive experience in the fixed income market, including 10 years as one of the leading brokers country-wide at Prudential-Bache Securities, Inc. (Milwaukee branch). Prior to this, he worked with investments for First Wisconsin Bank (now known as US Bank). Mr. Wynn graduated from Washington University at St. Louis in 1967 with a degree in economics which was followed by an MBA from the University of Missouri in 1969.

Mr. Wynn currently serves as a director for Guaranty Mortgage which has no affiliation with Wynn Capital Management, Inc.



#### ITEM C – BUSINESS AND EDUCATIONAL BACKGROUND FOR KAREN A. COLLIER

Karen A. Collier was born in 1955 and attended the University of Wisconsin-Milwaukee and Milwaukee Area Technical College. Her significant experience in the securities industry includes her employment at Wynn Capital Management from April, 1990 to present; Prudential Securities from 1987 to early 1990 and the Investment Department of Marine Bank, Milwaukee from 1981 to 1987 where she obtained her investment education and securities licensing. Karen Collier is the Chief Compliance Officer for Wynn Capital Management and also handles all office administration for The Firm.