



## **Part 2A of Form ADV Brochure**

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This brochure provides information about the qualifications and business practices of Absolute Capital Management, LLC ("Absolute Capital"). If you have any questions about the contents of this brochure, please contact us at 1-888-388-8303. 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.

Absolute Capital is a registered investment adviser with the SEC. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure are information you can use to evaluate us. Additional information about Absolute Capital is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material Changes**

Absolute Capital Management, LLC has updated Form ADV Part 2A (Brochure) as part of the annual amendment process. There have been no material changes to the Firm's business practices since our last annual update on March 25, 2019; therefore, no material changes have been made to this brochure.

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## **Item 4 - Advisory Business**

Absolute Capital was founded in 2002 and is primarily owned by Brenden Gebben. As of December 31, 2019, Absolute Capital had discretionary assets under management of \$219,497,387. As a registered investment advisor subject to Section 206 of the Advisers Act, Absolute Capital acts as a fiduciary related to the conduct of its investment management and advisory services. As such Absolute Capital has an obligation to act in the best interest of its clients guided by the core fiduciary duties of loyalty and care.

Absolute Capital provides investment management and account supervisory services primarily to individual investors on a fee-only basis. Absolute Capital also serves as adviser to the Absolute Capital Asset Allocator Fund and the Absolute Capital Defender Fund (collectively referred to as the “Fund(s)”).

Absolute Capital offers various model portfolios (the “Programs”) that allocate and reposition your account assets over time based on specific allocation strategies, defensive strategies and sector selection strategies. The Programs offer a range of investment profiles to suit your investment objectives which include aggressive growth, growth, core, conservative and income as well as faith based portfolios as described below. Within each Program, depending upon the program and custodian chosen, client assets are invested in open-end mutual funds, exchange traded funds (“ETFs”) or sub-account investment options available through an individual variable annuity provider. Not all Programs are available at all custodians.

As an individual client, in most cases you will be introduced to our services through your financial representative who will work with you to provide continuous investment advice and to determine which of our Programs are most appropriate given your financial situation, investment objectives, risk tolerance and the investment alternatives available to you through your existing custodial relationship. This data gathering process is completed by you and your financial representative and should be used to make the decision whether to invest assets in any Absolute Capital Program. If, in our opinion, the investment selection seems unsuitable for you, Absolute Capital will contact you and/or your representative for clarification. You can also contact Absolute Capital if your financial situation or risk tolerance has changed or if you have questions about your account in relation to your financial situation. When and if your relationship with a particular financial representative ceases to exist, either a new financial representative is assigned to your account or Absolute Capital assumes oversight responsibility for your account, including for the services described above. In this case, you will be promptly and periodically contacted by Absolute Capital regarding the status of your account. This assignment does not result in a reduction or change to the advisory fees charged on your account(s).

Clients that are introduced to Absolute Capital by Cambridge Investment Research work directly with Absolute Capital to identify suitable Programs based on your financial situation, investment objectives and risk tolerance as reflected in on the client questionnaire that is within the Absolute Capital investment management agreement. Clients should contact Absolute Capital directly should your financial situation change or if you have any questions.

Once you make your Program selection, you will enter into an Investment Management Agreement (“Agreement”) with Absolute Capital. This Agreement will tell us which Program(s) you are selecting and authorize us with discretionary authority to allocate your account into the investment options available at your custodian that are consistent with the Program(s) you have selected and to continue to make reallocations according to the Program strategy over time. You have the authority to impose reasonable restrictions on Absolute Capital’s management of your accounts. The custodian holding your assets will determine your authority to arrange to hold non-managed securities in your account.

Our investment management services begin on the date that your account is accepted and allocated into our Program(s) (“Acceptance Date”). There are circumstances where your Agreement will be pending for a period of time due to account restrictions, anticipation of an upcoming strategy change or other operational issues. Absolute Capital is not responsible for performance in your account prior to the Acceptance Date. You will receive a letter from us that indicates the date on which our investment management services have started. This letter is your notice that such services have begun. Until you receive this notice, you should not assume investment management services have begun. You or your financial representative can contact us at any time to inquire on the status of your account.

Periodically, Absolute Capital will accept a letter of instruction from a client requesting all or some of their assets be invested in specific securities in lieu of those assets being invested in a Program. Upon acceptance of such instruction, the client will be required to submit another letter of instruction to reinvest those assets in one of our Programs. Additionally, these assets will incur the same investment management fee as the assets invested in a Program as outlined in Item 5 – Fees and Compensation.

### **Signal Provider Services**

In addition, Absolute Capital has entered into separate agreements with unaffiliated broker-dealers and/or investment advisers (the “Platform Sponsors”) enabling them to offer some of our Programs to their clients (“Platform Clients”) via their product platforms. Absolute Capital may enter into additional separate agreements with Platform Sponsors as the opportunity arises. Pursuant to the terms of our agreements with the Platform Sponsors, Absolute Capital reviews the Programs as well as provides ongoing signals to the Platform Sponsors containing our recommendations for transactions/re-allocations of Platform Client assets within the Programs. With respect to the assets of any Platform Client, Absolute Capital does not have discretionary authority over those assets and will not execute any recommended transactions. No personalized investment advice is provided by Absolute Capital to the Platform Sponsors or any Platform Client participating in the Programs. In the event that a Platform Client chooses to invest in one of our Programs through the Platform, Absolute Capital will receive a fee directly from the Platform Sponsors. The terms of any such fee arrangement are governed by the contract between the Platform Sponsor and Absolute Capital and differ from the fee schedules shown in Section 5 of this document.

### **Retirement Plan/Plan Participant Services**

Absolute Capital currently exercises investment discretion when providing investment management services to individual clients within their IRA, Roth IRA or participant directed retirement plan (including SoloK) accounts (“Retirement Plan Assets”) and therefore is a “fiduciary” as defined under section 3(21)(A)(ii) of ERISA.

Absolute Capital invests clients' Retirement Plan Assets in one or more Programs (described in Item 8 below) based on the recommendations of you or your financial representative and the instructions received from you. Your financial representative provides recommendations to you regarding one or more of the following matters: (i) the purchase, sale, exchange or holding of Program investments; (ii) rollovers, distributions or transfers; (iii) selection of Program(s) in which your Retirement Plan Assets are invested; and (iv) the procurement of advisory services through third party investment advisers including Absolute Capital.

A financial representative can recommend a client to engage Absolute Capital to manage all or a portion of their Retirement Plan Assets through their employer's retirement plan via a self-directed brokerage window or custodial interface that gives Absolute Capital the ability to allocate the client's assets among the available plan options. Not all Plans enable this type of self-directed brokerage window or custodial interface feature and/or allow advisor access to a plan participants' Retirement Plan Assets and not all Program options are available at each custodian.

Finally, as noted above, your financial representative can recommend that you rollover your Retirement Plan Assets into an IRA or Roth IRA account that is managed by Absolute Capital via one of its Programs. You should review and consider the advantages and disadvantages of an IRA rollover including fees and expenses (other than advisory fees), available investment options, management and/or advisory services to be provided, availability of penalty-free withdrawals, protection from creditors and legal judgments, required minimum distributions, and the ability to transact in employer stock. Absolute Capital encourages you to discuss the available options and review the above listed considerations with your financial representative or with Absolute Capital Management.

By recommending that you rollover Retirement Plan Assets to an IRA, even if there are no costs associated with the IRA rollover itself, Absolute Capital and the financial representative will be entitled to earn an asset-based fee for the management of your IRA account. Therefore, your financial representative has an incentive to encourage you to rollover Retirement Plan Assets into a managed IRA account. Additional resources about IRA Rollovers are available to investors through FINRA's web site at [www.finra.org](http://www.finra.org).

### **Absolute Capital Asset Allocator Fund and Absolute Capital Defender Fund**

Absolute Capital has sponsored the creation of and serves as adviser to the Absolute Capital Asset Allocator Fund and Absolute Capital Defender Fund. Absolute Capital is responsible for selecting each Fund's investments according to that Fund's investment objectives, policies and restrictions as outlined in the Funds' prospectus.

The differences between the investment objectives of the Fund(s) and the investment strategies described below are due to such things as varying investment options available at different custodians as well as specific guidelines and flexibilities that are specific to mutual fund investing. Please refer to the prospectus for the Fund(s) for additional information regarding the Funds' investment objectives.

Absolute Capital currently has two different share classes available: Class A and Investor Shares class. The same portfolio holdings are held in each share class of the Fund(s). Class A Shares imposes a 5.75% sales charges on purchases. On certain platforms, the Class A Shares are available on a no-load basis. Expenses related to distribution and service (12b-1) fees are higher

for Investor Shares than Class A Shares. Client assets invested either the A share or the Investor share class, result in an indirect benefit to Absolute Capital by the Fund Distributor retaining a portion of the 12b-1 fees. These fees are used for payments of 12b-1 eligible mutual fund expenses that would otherwise be paid by Absolute Capital. The A share has a 1.0% management fee and a 0.25% 12b-1 fee. The Investor share class has a 1.0% management fee and a 1.0% 12b-1 fee. Please refer to the Funds' prospectus for additional information regarding the different share classes and the expenses associated with an investment in each.

## **Item 5 - Fees and Compensation**

Absolute Capital charges its clients an investment management fee as shown below. Fees are payable quarterly in advance, on a rolling three month basis, or as otherwise agreed to in writing and automatically deducted from each client's account(s) as described below. The initial fee is calculated as a percentage of the market value of the managed assets in your account as of the Acceptance Date and is pro-rated up to the first of the month of your next billing cycle. The Adviser has the authority to change the fee cycle to accommodate administrative circumstances at any time upon its discretion. Please refer to your Agreement for additional details regarding these separate fees that are applicable to your account(s).

The fee schedules outlined below reflect the maximum investment management fees charged by Absolute Capital. Absolute Capital reserves the right to waive or negotiate lower fees for clients based on factors including but not limited to the size of their account(s), how long the account(s) have been under management as well as other factors. In addition, if we need to change the fee cycle at any time to accommodate administrative circumstances, we will notify you in writing.

The following maximum fee schedule will be utilized by Adviser to calculate investment management fees for all Programs:

**0.50% every three months on the assets up to \$1,000,000 per household based on the market value as reported by Account Custodian.**

**The advisory fee is negotiable for accounts totaling more than \$1,000,000 per household or other factors.** You must notify Adviser in writing of all accounts that comprise a household for fee break purposes.

Investment management services begin on the account's Acceptance Date. If you have multiple accounts that have different Acceptance Dates, we reserve the right to pro-rate the fee on any or all of these accounts to align the billing dates for all or some of the accounts for future billing. A pro-rata fee is be charged according to the fee schedule if you make an additional contribution to your account or establish another account intra-period. We will not make fee adjustments for partial withdrawals unless you make arrangements with us. If you request to change your account's Program type between billing dates, the fee for the new Program type (and any new billing rate) will be effective with the next billing date.

Most clients authorize the custodian to deduct fees from their account based on invoicing amounts received from Absolute Capital. We will accept alternative arrangements where we will send you an invoice to be paid by check or electronically. If you have multiple accounts with us, you can instruct us as to which accounts you would like the fee to be deducted from; otherwise,

we will determine which account(s) from which to take the fee. We remind you that you should check the accuracy of all fees assessed to your account, as your custodian will not check to see that the fee has been properly calculated. Contact Absolute Capital should you have any questions about the management fees that Absolute Capital charges.

The Agreement can be terminated by either party for any reason at any time. Notice of termination must be given to the other party in writing. At the time of termination, your account will no longer be reallocated and will remain in the current allocation as of the date of termination. However, there are limited circumstances when an account must be moved into another position for administrative or transitional purposes. You are responsible for paying for services rendered until the termination of the Agreement becomes official. You are entitled to a refund of any unearned fees.

Upon receiving written termination instructions from you or upon discovering that your account has liquidated/closed, we will terminate our management within thirty days and then calculate the percentage of fees that have not yet been earned and refund those to you, as applicable. If you are moving the assets to a new product or platform where Absolute Capital will continue to manage the account, you can continue to pay the fee and give us instructions to continue management. Assets cannot be allocated by the program model during the transition from one custodian to another custodian. This process of transitioning the assets can take several weeks or more before the account is allocated with the new custodian.

The fees that Absolute Capital charges you for investment management services are separate from and in addition to the fees and expenses that are charged by the mutual funds, ETFs, variable annuities, retirement plan and/or the custodian of your account. Selection of investment options in the Programs are based upon the investment options on each custodial platform which include no transaction fee mutual funds which are placed without broker commission. These no transaction fee mutual funds can incur short term transaction fees if held for less than 30-90, depending on the custodial platform. Accounts that are invested in mutual funds and variable annuities are also subject to separate layer of fees that include management, trading, insurance and administrative expenses.

Other types of fees incurred are sales charges, transaction fees, trading charges, administrative charges, redemption charges or commissions. Descriptions of these fees are usually available from your financial representative, plan sponsor or custodian and should be reviewed carefully. You can also contact Absolute Capital Management.

Absolute Capital requires that you have either already established or will establish a separate custodial agreement with a qualified custodian or platform provider and/or that Absolute Capital be named as an authorized third-party adviser for the account provider at which client assets are held for the assets to be managed. Absolute Capital is not the qualified custodian for your account. You will pay custodial fees that can include but are not limited to asset-based custodial fees, transaction charges, and special services fees. In evaluating participation in these Programs, you should consider the fees charged by the custodian in addition to those charged for investment management services. You should review all fees charged by Absolute Capital as well as any adviser, custodians and/or broker-dealer to fully understand the total amount of fees incurred. Fees will reduce your investment returns. Such fees are subject to change.

There are circumstances when the withdrawal of an investment management fee or account reallocation triggers short-term redemption fees, early withdrawal fees or other fees imposed by the custodians or the products in which the account is invested. Further, the withdrawal of investment management fees or an account reallocation affect, diminish or remove certain benefits from variable insurance contracts such as, but not limited to, income riders, living benefit riders, guarantee riders, death benefits, death benefit riders, free withdrawal amounts, special fund riders or other guarantees within the contract. You should review your specific contract for further details.

In addition, mutual funds, variable insurance products, custodians, retirement accounts or brokers-dealers can restrict, impose redemption fees, short term transaction fees or refuse to accept trades placed by Absolute Capital or a Platform Sponsor if investments are owned for a period of time (i.e. held less than 30-90 days depending on the custodian) or for any other reason. We must comply with any such refusals, fees or restrictions. You are responsible for any charges, commissions or fees imposed by mutual funds, custodians, ETFs, variable annuities, retirement plans, other investment vehicles, broker-dealers or Platform Sponsors as a result of the implementation of any of our Programs. Further, we are not responsible for trade allocations that are rejected or redirected by the fund family, Platform Sponsor, insurance provider or custodian.

Our services and fees can trigger redemption fees and/or cause an account to incur sales loads or fees. It is important to note that there is a possibility that payments of dividends or investment management fees directly from a variable annuity, mutual fund or any other product or custodial account can constitute taxable distributions to the owner of the contract. Many products will issue Form 1099s or other tax related documents each year that dividends or investment management fees are paid and outlining any short term or long term capital gains and / or capital losses. There is a possibility that the contract owner will be responsible for federal, state and other income taxes and other fees on the amount of the distribution, and can also incur interest, a 10% early distribution penalty if applicable and additional costs for withdrawing money from the account. Investment income (such as dividends), capital gains, capital losses, and miscellaneous deductions for some MLPs and other investments are reported annually on Schedule K-1, and when MLPs and some other investments are sold in a taxable account, proceeds can also be reported on Form 1099.

Absolute Capital's strategies are not designed to address specific tax objectives. Please note that there can be no assurance or guarantee that any Absolute Capital investment strategy or Program will achieve its stated goals or that any of the securities held in a client's portfolio will prove to be profitable. The Programs we offer can be tax inefficient and are not managed with tax sensitivity in mind. Absolute Capital does not provide tax advice. You should consult your tax advisor for guidance.

### **Mutual Funds Advised by Absolute Capital**

Absolute Capital will from time to time invest or recommend that client assets be invested in the mutual funds that it manages. Your introduction to the Fund(s) will occur through Absolute Capital, your financial representative and/or as a result of the fact that the Fund(s) are an available investment option within your retirement plan brokerage window, your plan or at your custodian.



In addition to the investment management fees paid by you as described in Item 5 above, Absolute Capital, as adviser to the Absolute Capital Asset Allocator Fund and Absolute Capital Defender Fund is entitled to receive a mutual fund management fee. For this reason, a conflict of interest is present in that Absolute Capital has incentive to invest client assets in the Fund(s).

Absolute Capital will invest client assets in the Fund(s) only if we believe that the investment is consistent with the Program chosen by the client. For accounts in which Absolute Capital has discretion on which share class to invest in the Fund(s), Absolute Capital will select the share class that the client chose in the client contract or if the client or their Solicitor / Solicitors Agent did not direct this then the cheapest share class available. For Absolute Capital mutual funds, if the client selects the A share class or the Investor share class, 12b-1 fees are held at the Funds' administrator and utilized for distribution and/or shareholder services expenses of the Fund(s) as Absolute Capital is not eligible to receive 12b-1 fees. Expenses paid by the 12b-1 fees would otherwise be payable by Absolute Capital's investment management fees or from Absolute Capital.

All clients who hold a position in the Fund(s) as of their fee billing date and are charged an investment management fee will receive a discount of their investment management fees in proportion to the amount of their portfolio invested in the Fund(s) and by the amount (if any) of the mutual fund management fee approved by their respective Board and/or payable to Absolute Capital. Eligibility for this reduction of fees will be solely based on the percentage of assets held in the Fund(s) on your billing date. If no investment management fee is being charged to the client by Absolute Capital, then the amount of the mutual fund management fees will not be used to offset/reduce Absolute Capital's investment management fee because in this instance an investment management fee is not being collected. Management fees for the mutual funds advised by Absolute Capital are defined in the prospectus for each product.

### **Mutual Fund Distribution and Shareholder Services**

The Absolute Capital Asset Allocator Fund and Absolute Capital Defender Fund have implemented a combined Distribution and Shareholder Servicing Plan (the "Plan") in accordance with Rule 12b-1 of the Investment Company Act of 1940, as amended. The Plan allows the Fund(s) to pay fees for the sale and distribution of its shares and to obtain shareholder services and provide for maintenance of shareholder accounts from financial intermediaries and other service providers. As these fees are paid out of the Funds' assets on an on-going basis, over time these fees increase the cost of your investment. These payments also create a conflict of interest by influencing a broker-dealer or another financial representative to recommend the Fund(s) over another investment. Please note, however, that Solicitors that refer clients to Absolute Capital (as described above) are not eligible to receive 12b-1 payments for mutual fund assets including the Fund(s) that are managed by Absolute Capital through one of the firm's Programs.

The Funds' annual 12b-1 fees are 0.25% of the Fund's average daily net assets for Class A Shares of the Fund(s) and 1.00% for the Investor Class of shares. Absolute Capital makes certain supplemental distribution payments from its own resources, to compensate financial representatives (including broker-dealers, selling and servicing agents and solicitors and their solicitor agents) and other service providers that provide distribution services and shareholder servicing to the Fund(s). These amounts can be fixed dollar amounts, a percentage of sales or a percentage based upon the daily average value and upfront or an ongoing payment or both.

These additional expenses are paid by Absolute Capital and not by the Fund(s). The Funds' Prospectus and Statement of Additional Information provide more information concerning payments to broker-dealers and financial representatives. Investors should consult their financial representative regarding the conflicts of interest described above as well as the details of the payments made to them in connection with the sale or servicing of Fund shares.

Clients could invest in the Fund(s) directly without the services of Absolute Capital. Clients have the discretion to opt out of having their account invest in a mutual fund managed by Absolute Capital. To do so, contact Absolute Capital to make arrangements in writing at 1-888-388-8303. Please refer to each Fund's prospectus for specific fee information.

## **Item 6 - Performance Based Fees and Side-by-Side Management**

Absolute Capital does not charge any performance fees.

## **Item 7 - Types of Clients**

Absolute Capital provides investment management and account supervisory services primarily to individual investors, but also provides services to corporations or other types of business entities. In addition, Absolute Capital serves as an adviser to open end mutual funds as described in Item 4 and Item 5 above.

Investors are usually introduced to Absolute Capital and our Programs through a financial representative. Absolute Capital's minimum account size is \$30,000, but this amount is negotiable.

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

Absolute Capital's Managing Director, Brenden Gebben, is responsible for selecting investments and managing Program allocations on an ongoing basis. He conducts analysis of market conditions to determine areas of the market for investment and monitors general conditions in the stock and bond markets. With respect to client accounts held at TD Ameritrade, Charles Schwab, Fidelity Investments and/or E\*Trade Advisor Services, Absolute Capital primarily invests in mutual funds, ETFs and other securities. This includes a diversified mix of securities consisting of domestic equity, international equity and bonds depending on the Program selected.

Absolute Capital may also invest in Master Limited Partnerships ("MLPs") and/or Real Estate Investment Trusts ("REITs") in Program accounts. The type of MLP and/or REIT that Absolute Capital would invest in would trade daily through a mutual fund, ETF or ETN. With respect to clients' variable annuities, Absolute Capital is limited to the investment products (sub-accounts) (including MLP related sub-accounts if available) that are available within the annuity itself. Absolute Capital currently does not invest in private or non-publicly traded MLPs or REITs.

For mutual funds, variable annuity subaccounts and ETFs, specific fund analysis includes a review of the fund's management, the fund's historical risk and return characteristics and any other factors considered relevant. This analysis varies according to Program type and the investment options available on each custodial platform.

## **Investment Strategies**

### **The Asset Allocator Program:**

An allocation program that generally seeks to allocate assets among a mix of securities that include domestic equity, international equity, cash/money market and bonds (depending on risk profile selected). This program features diversified portfolio construction, dynamic asset class rotation, professional fund selection and periodic reallocations. You can choose among five risk profiles: income, conservative, core, growth and aggressive growth. Also available is a Faith Based portfolio that focuses on investing in mutual funds or ETF's that hold themselves out to be, and based on Absolute Capital's analysis are, faith based.

### **The Portfolio Protector Program:**

A defensive program that seeks to allocate assets between a defensive (money market or other defensive position), a partially-invested or invested position in one or more mutual funds, ETFs or other securities according to Absolute Capital's market analysis. You can choose one or more asset classes (including a Faith Based portfolio) for the invested position depending upon the Program selected. Since this strategy can be concentrated in one or a few positions of the invested portion of the Program, it may not be considered diversified. However, the underlying positions hold a portfolio of securities.

### **The Sector Selector Program:**

An allocation program that generally seeks to invest in a professionally managed portfolio of exchange traded funds or other funds or securities focused in the commodity, hard asset and defensive cyclical markets, according to Absolute Capital's analysis. This strategy could be concentrated in certain areas of the market and not be diversified across sectors and therefore carries non-diversification risk. The strategy also seeks to allocate assets to a more defensive position based on our analysis and, as such, also invests in money market or short duration securities.

### **The Investor Series Program:**

A program that seeks to combine elements of both the Portfolio Protector and the Asset Allocator Programs. This program features diversified portfolio construction, dynamic asset class rotation, tactical allocation, professional fund selection and periodic reallocations. You can choose among five risk profiles: conservative, moderately conservative, moderate, moderately aggressive and aggressive. This Program is currently available at TD Ameritrade and Charles Schwab.

The Programs are designed to reallocate in response to market conditions. Therefore, they trade more frequently than a buy-and-hold strategy and thus accrue increased brokerage and transaction costs, where applicable. For defensive purposes, investment allocations among security types (i.e. fixed income, equities, cash/money market) will vary from target allocations when deemed appropriate by the Managing Director in an effort to preserve and protect client assets.

## **Material Risks of Investment Instruments**

Depending upon your custodian, Absolute Capital typically invests in the following types of securities:

- Mutual fund securities
- Exchange-traded funds
- Variable annuities sub accounts

### **Mutual Fund Securities:**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries as well as the funds mandate relative to current market conditions. In addition, mutual funds are not tax inefficient and therefore investors could pay additional capital gains taxes on fund investments while not having yet sold the fund.

### **Exchange-Traded Funds (“ETFs”):**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF.

### **Variable Annuities:**

There are risks involved when investing in a variable annuity, including possible loss of principal. The variable annuity prospectus contains the investment objectives, risks, fees, charges and expenses, and other information regarding the variable annuity contract and the underlying investments, which should be considered carefully before investing. Prospectuses for both the variable annuity contract and the underlying investments are available from your Financial Advisor/Private Wealth Advisor. Please read the prospectus carefully before you invest.

### **General Disclosures:**

All investing involves a risk of loss and, as an investor you should be prepared to bear any such losses. These Programs could lag in performance over short or even long periods of time due to the impact of a number of different market and management risks in addition to those above. This should be considered in your overall investment plan.

Adding our management to your account can impact systematic transactions you have set up. It is your responsibility to inform us of all systematic transactions and to ensure that the systematic programs continue to remain in place. Further, before you request investment management services, it is your responsibility to remove all automatic rebalancing programs or any other automatic program or rider that impact our management of the account. If you do not do this, such rebalancing programs can conflict with our ability to manage your account and we are not responsible for the resulting performance.

Once investment management services are established on your account, you should not make any re-allocations or other movements within the account without informing us. We are not responsible for the performance of any accounts where you or your financial representative make your own re-allocations in the account that are contrary to the strategy positions of the Program. We can, at our discretion, move your account back into the strategy positions and continue to manage the account; or, choose to cancel such an account. We are not responsible for any trade restrictions imposed by these movements or subsequently affected movements. You must notify us in writing of additional contributions to your account. If you do not notify us, we are not responsible for the allocation of that portion of the account.

At our discretion, we include additional deposits made to the account at the time of our next reallocation within the account or as otherwise be deemed necessary. Further, we will use our best efforts to allocate all eligible assets into the Program(s); however, due to dividends, custodial restrictions or requirements, additional deposits, amounts earmarked to cover management fees, or other operational circumstances, we do not represent that all monies will be allocated to the Programs at all times.

Pursuant to our Agreement with our clients, we maintain investment discretion as to which securities shall be purchased or sold in your account in a manner consistent with the Program selected by you. We are, however, limited in the selection of investment options since we have to manage the portfolio based on the available account investments and/or the parameters established by you or the custodian at the Acceptance Date as well as take into consideration any future changes that may occur. Absolute Capital Management will accept certain reasonable account restrictions as mandated by the client in writing. After the Acceptance Date, if we determine that the restrictions on the account are too limiting to our ability to manage your account, we can terminate your Agreement and return to you a pro-rata refund.

You can make changes from one Program or strategy to another by providing us with written notice. We will generally accept and implement the Program change within thirty days of receiving the request, but it can take longer due to the operational circumstances of the account.

If Absolute Capital determines that your request for a Program type change is not reasonable given the type and/or the custodian of your account(s), then we will promptly notify you in writing and will work with you to determine a Program that is acceptable or we will terminate your account and return to you a pro-rata refund.

## **Item 9 - Disciplinary Information**

Absolute Capital does not have any recent reportable financial or other “disciplinary” items to report. Absolute is required to disclose any reportable disciplinary event that would be material to clients when opening an account or promptly upon discovery of such an event/item.

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

As mentioned above, Absolute Capital sponsored the creation of the Absolute Capital Asset Allocator Fund and Absolute Capital Defender Fund in 2015. Both Funds are a series of the Northern Lights Fund Trust III. Absolute Capital serves as adviser to both Funds and can include

the Funds' shares as part of their allocations to firm clients. If a client holds shares of the Fund(s) within an account where an investment advisory fee is being charged by Adviser, that fee will be reduced by a proportionate amount equal to the compensation (management fee) payable from the Fund(s) to Adviser. If no investment advisory fee is being charged to Client by Adviser, then the amount of the mutual fund management fee will not be used to offset / reduce Adviser's investment advisory fee because in this instance such a fee is not being collected.

Alexander Barsed, National Sales Director at Absolute Capital, is a registered representative of Northern Lights Distributors, LLC, a registered broker-dealer and FINRA member. The Absolute Capital Asset Allocator Fund and Absolute Capital Defender Fund is distributed by Northern Lights Distributors, LLC. Absolute Capital, LLC is not affiliated with Northern Lights Distributors, LLC.

Wayne Washowich, Advisory Director at Absolute Capital, is a registered representative of Northern Lights Distributors, LLC, a registered broker-dealer and FINRA member. The Absolute Capital Asset Allocator Fund and Absolute Capital Defender Fund is distributed by Northern Lights Distributors, LLC. Absolute Capital, LLC is not affiliated with Northern Lights Distributors, LLC.

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Absolute Capital has adopted a written Code of Ethics that, among other things, requires Absolute Capital and its Access Persons to act in clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and/or report on certain types of personal securities transactions.

Absolute Capital and its Access Persons are permitted to purchase securities for their personal accounts that they also recommend to firm clients, however, employees will not take into consideration their own financial situation when providing investment advice to clients. Absolute Capital will from time to time invest or recommend that client assets be invested in the mutual funds that it manages. Absolute does not restrict trading in the mutual funds by its Access Persons; therefore, there is a possibility that Access Persons might benefit from market activity by a client in a security held by an Access Person. Access Persons trading is monitored under the Code of Ethics on a quarterly basis to reasonably prevent conflicts of interest between Adviser and its clients. Absolute Capital's policies on personal securities trading also apply to such persons' family members living in the same household. A copy of Absolute Capital's Code of Ethics is available upon request.

## **Item 12 - Brokerage Practices**

You and your financial representative are responsible for designating the custodian for the assets to be managed by Absolute Capital. When your assets are managed in packaged products such as mutual funds and variable annuity sub-accounts, all transactions for such packaged products are conducted with the fund family, custodian, mutual fund platform, retirement program or insurance company sponsoring these products. Absolute Capital does not have the ability to select, allocate or execute brokerage for transactions, which is done at the product level.

When your assets are invested in non-packaged products (such as, but not limited to, ETFs and other securities), these transactions occur on the custodial platform chosen by the client. Absolute Capital does not have the discretionary authority to select the broker to be used for these transactions. However, Absolute Capital monitors certain factors when servicing a client account which is summarized in the Firm's best execution review.

Absolute Capital participates in or recommends custodial platforms sponsored by TD Ameritrade, E\*Trade Advisor Services, Charles Schwab and/or Fidelity Investments. Clients enter into a separate custodial agreement with the custodian that they have chosen. As part of the agreement with TD Ameritrade, Charles Schwab, Fidelity Investments or E\*Trade Advisor Services, transactions will be executed through the broker appointed by them. Absolute Capital does not participate in the selection of the broker for each client's account. Other advisers may or may not require you to use a particular broker.

#### Variable Annuities

Absolute Capital provides investment management services to client assets held in a variable annuity contract. The list of current custodians holding client assets include but is not limited to: Prudential, Security Benefit, Jefferson National, VOYA Financial (now called Venerable Insurance and Annuity Company (VIAC), TIAA/CREF, Allianz, AXA Equitable, Lincoln Benefit, The Hartford now called Talcott Resolution, Jackson National, Lincoln Financial Group, Nationwide and Transamerica Life Insurance Company.

Absolute Capital does not sell any variable annuity or any other type or insurance product, and only acts as a third-party investment adviser on the contracts per authorization by each client.

#### Aggregated Trades

The Portfolio Manager makes investment decisions at the model level by determining the appropriate percentage amount of a security that will be held within each strategy. With respect to the ETF transactions within a given Program on the E\*Trade Advisor Services and TD Ameritrade platforms, each client that would participate in an aggregated trade will receive the average share price in that security on that date. If an aggregated order is partially filled, securities are allocated pro-rata to the participating client accounts in proportion to the size of the order placed for each account. We aggregate orders in a manner designed to ensure that no participating client is favored over any other client. For transactions executed at other custodians within a particular model, such transactions are priced upon execution.

TD Ameritrade, Charles Schwab, Fidelity Investments and/or E\*Trade Advisor Services provides Absolute Capital with custodial, operational and trading services that allow us to manage your account(s) using various security types including but not limited to mutual funds and ETFs. Also, they provide back office and other services to Absolute Capital. Absolute Capital does receive some benefits as a result of its third-party advisory relationship with certain custodians; however, these benefits do not depend on the amount of transactions directed to a particular custodian. Benefits we receive include but are not limited to: assistance with back-office functions, recordkeeping and customer reporting, access to a service group and an account service manager, discounts on third party research and ratings information and software for servicing accounts, electronic download of trades, access to an electronic interface with proprietary trading software, duplicate or batched client statements, confirmation or year-end summaries, conference attendance and the ability to have investment management fees directly debited from client accounts.

Absolute Capital receives monetary support and business development allowances for technology, investment research, marketing and advertising from these entities as well as monetary support and/or guest speakers for client events. Clients are advised that a conflict of interest exists to the extent that Absolute Capital invests clients' assets in products from these financial institutions or other vendors. Absolute Capital is independently owned and operated and is not affiliated with TD Ameritrade, Charles Schwab, Fidelity Investments or E\*Trade Advisor Services.

### **Item 13 - Review of Accounts**

The Programs which are used to manage and position your accounts receive ongoing review. General conditions in the stock and bond markets are monitored to determine reallocations and areas of the market for investment. Your account is monitored in accordance with the Program in which it participates. Reviews of your account also occur if you change your investment objectives. Portfolio Manager, Brenden Gebben, is responsible for the supervision and review of all client accounts.

You will receive account statements directly from your custodian on at least a quarterly basis. You should carefully review these statements and inform us immediately if you do not receive such statements at least quarterly, or if they do not contain the amount of assets and positions at the beginning and end of the period, as well as details of all transactions, including fees deducted from the account, during the period.

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

Absolute Capital has agreements in place to pay a portion of its investment management fee to Solicitors (broker/dealers, registered investment advisers or other qualified entities) and their representatives ("Solicitor's Agent") for referring clients to us.

Absolute Capital has entered into Solicitor arrangements in which a portion of the advisory fee is paid to the Solicitor for each Solicitor's Agent/Investment Adviser Representative that refers an advisory client to Absolute Capital. The Solicitor receives a portion of Absolute Capital's advisory fee as outlined in the corresponding agreement. Referred clients will not pay additional fees because of this referral arrangement or Solicitor Agent Agreement.

In most cases a Solicitor's Agent will also serve as your financial representative. As such, you and your financial representative will select the Program(s) and/or investment products to invest in (such as mutual funds, variable insurance products, retirement accounts or ETFs). As part of your overall financial plan, we will rely on you and your financial representative to determine your Program selections. You can also call Absolute Capital Management.

Absolute Capital will manage your portfolio using the products and Program(s) selected by you. Absolute Capital will rely on you and your financial representative to contact us with any changes in investment objectives although you can always contact Absolute Capital with any questions that you have or to review your financial situation. A new Solicitor's Agent could be assigned to your account should the original Solicitor's Agent leave the business, leave the employment of the Solicitor, sell all or part of their book of business, have the account



reassigned to someone else by their home office, or otherwise not be able to act in the Solicitor's Agent role for you. In circumstances where a Solicitor Agent is no longer assigned to the account and the Solicitor has not named a replacement Solicitors Agent, then Absolute Capital will be the assigned adviser on your account. You will be notified of this change promptly and annually thereafter. This assignment does not result in any change to the fees charged on your account(s), including for the services that were previously provided by the Solicitor's Agent. We reserve the right in any of the above circumstances to terminate this arrangement with any Solicitor's Agent.

In other circumstances, such as when clients are introduced by Cambridge Investment Research, Solicitors provide introductory services only. In this case, Absolute Capital, in accordance with its duties, will manage your assets in a manner consistent with your financial situation and stated investment objectives and risk tolerance. You are responsible for contacting Absolute Capital directly with any changes in your investment objectives.

We also provide marketing and educational support to assist Solicitors and Solicitor's Agents. This support includes payments such as those for continuing education, conference or meeting attendance or reimbursement for the costs of sales promotional activities or meetings in our offices.

In addition to the fees described above, certain firms receive additional compensation from Absolute Capital through revenue sharing arrangements. Any payments made to a Solicitor or Solicitor's Agent through account revenue sharing arrangements is based on total client assets under management. Any such revenue sharing arrangement has no bearing on the services provided by Absolute Capital to clients. Such clients do not pay any additional fees to Absolute Capital as a result of such an arrangement. This type of arrangement can be perceived to create a conflict of interest in that it creates an incentive for such solicitors to internally promote or recommend the services of Absolute Capital.

## **Item 15 - Custody**

All clients' accounts are held in custody by unaffiliated qualified custodians (typically Charles Schwab, Fidelity, TD Ameritrade and E\*Trade Advisor Services and other retirement and annuity providers). Absolute Capital is deemed to have custody of certain client account assets through its ability to debit advisory fees and because certain clients have executed standing letters of authorization ("SLOA") for distributions.

Absolute Capital has implemented procedures to meet the specific conditions as stated in the SEC's SLOA no action letter under which the obligation to obtain a surprise examination is waived. Each custodian holding client assets sends statements directly to the account owners on at least a quarterly basis.

Clients should carefully review these statements and inform us immediately if they do not receive such statements at least quarterly, or if they do not contain the amount of assets and positions at the beginning and end of the period, as well as details of all transactions, including fees deducted from the account, during the period.

## **Item 16 - Investment Discretion**

By signing Absolute Capital's Client Agreement, you are designating Absolute Capital as having investment discretion over your account(s). You have the authority to place reasonable restrictions on Absolute Capital's investment discretion. For example, you can request that your account not be invested in Fund(s) managed by Absolute Capital (Absolute Capital Asset Allocator Fund or the Absolute Capital Defender Fund) and you can choose not to participate in funds that invest in certain areas of the market. These restrictions must be communicated to Absolute Capital in writing and accepted by Absolute Capital.

## **Item 17 - Voting Client Securities**

Notwithstanding Absolute Capital's discretionary authority to make investment decisions on behalf of clients invested in our Programs; we will not exercise proxy or class action voting authority over securities in those accounts. The obligation to vote proxies and class actions shall at all times rest with the individual client. We shall not be deemed to have voting authority solely as a result of providing investment management services to clients invested in our Programs. Proxies or other solicitations will be provided directly from their custodian or transfer agent. Should we inadvertently receive proxy or class action information for a security held in a client's account invested in our Programs, we will promptly forward to the applicable client but will not take any further action with respect to the voting of such proxy or class action.

The issuing company is generally the best source for any questions you have about voting proxies, but you can contact us with any questions and we will make a good faith effort to get you in contact with the appropriate resources.

### **Mutual Funds Advised by Absolute Capital**

Absolute Capital does not vote proxies for non-proprietary mutual fund clients but does have discretion to vote proxies on behalf of the Absolute Capital Asset Allocator Fund and the Absolute Capital Defender Fund (collectively, "the Funds"). The Funds are diversified series of Northern Lights Fund Trust III, a Delaware statutory trust organized on December 5, 2011 (the "Trust"). The Trust is registered as an open-end management investment company. The Trust is governed by its Board of Trustees (the "Board," "Trustees" or "Board of Trustees"). Absolute Capital has adopted a policy to address any proxy matters that may arise in the course of the Firm's business as it relates to the Funds.

Absolute Capital will vote proxies in the same proportion as the vote of all other shareholders (i.e., "mirror voting") unless the Firm determines that mirror voting is not in the best interest of the shareholders. In the event that Absolute Capital does not mirror vote, the Adviser will follow the guidelines set out in its proxy voting policy.

The Adviser has adopted procedures to address situations where a matter on which a proxy is sought may present a potential conflict between the interests of the Fund (and its shareholders) and those of the Adviser or Distributor. This may occur where a significant business relationship exists between the Adviser (or its affiliates) and a company involved with a proxy vote. If the Adviser determines that it has a conflict of interest, the Managing Director will consult with the Fund CCO to determine how to vote the proxy.

Clients can obtain a copy of our complete proxy voting policies and procedures by contacting Absolute Capital in writing or by telephone at (888)388-8303.

### **Item 18 - Financial Information**

Absolute Capital does not require prepayment of fees more than three months in advance. Absolute Capital has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

# Privacy Notice

This notice is being provided to you in accordance with relevant regulations regarding the privacy of consumer financial information. Please take the time to read and understand the privacy policies and procedures that we have implemented to safeguard your nonpublic personal information.<sup>1</sup>

## **Information We Collect**

Absolute Capital Management LLC must collect certain personally identifiable financial information about its clients in order to provide financial products and services. The personally identifiable financial information that we gather during the normal course of doing business with you may include:

1. Information we receive from you on applications or other forms or means including name and address, social security number, e-mail address, telephone numbers and account numbers; and
2. Information about your account balances and transactions with us or with others.

## **Information We Disclose**

We do not disclose nonpublic personal information about clients or former clients to any non-affiliated third parties, except as required or permitted by law, including as permitted by sections 14 and 15 of Regulation S-P, and only as is necessary to provide services to you. We may also disclose the information we collect, as described above, to non-affiliated third parties such as, but not limited to, attorneys, accountants, auditors and persons or entities that assess our compliance with industry standards. These firms and individuals are required to maintain the confidentiality of client information.

## **Confidentiality and Security**

We maintain physical, electronic, and procedural safeguards to guard your nonpublic personal information. We restrict access to nonpublic personal information about you to those employees and agents who need to know that information to provide financial products or services to you. These employees and agents are required to respect the confidentiality of this information in accordance with the privacy procedures of our firm.

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<sup>1</sup> *Nonpublic personal information means personally identifiable financial information, including any information a client provides to obtain a financial product or service; any information about a client resulting from any transaction involving a financial product or service; or any information otherwise obtained about a client in connection with providing a financial product or service to that client; and any list, description, or other grouping of clients (and publicly available information pertaining to them) that is derived using any personally identifiable financial information that is not publicly available information.*