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**Item 1:  
Cover Page**

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**ADV Part 2A - Firm Brochure**

**of**

**NEXTCAPITAL ADVISERS, INC.**

**Managed Account Services - Retail and Workplace**

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March 25, 2020

**This firm brochure provides information about the qualifications and business practices of NextCapital Advisers, Inc. If you have any questions about the contents of this brochure, please contact us at: [compliance@nextcapital.com](mailto:compliance@nextcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.**

**Additional information about NextCapital Advisers, Inc. is also available on the Securities and Exchange Commission's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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

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**Item 2:  
Material Changes**

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The NextCapital Advisers, Inc. firm brochure (this "Brochure") includes material changes to the following sections:

- **Removal of Non-Discretionary Advisory Service** - The Brochure removes more detailed disclosure about NextCapital Advisers, Inc.'s Non-Discretionary Advisory Service. Please refer to NextCapital Advisers, Inc.'s Non-Discretionary Advisory Service firm brochure for more details.
- **Item 4: Advisory Business - Managed Account Services - Retail and Workplace** - The Brochure provides more detailed information between the two channels through which NextCapital Advisers, Inc. provides its discretionary, Managed Account Services - Retail and Workplace.
- **Item 4: Advisory Business - Assets Under Management** - As of January 1, 2019, NextCapital Advisers, Inc. managed \$687,495,947 of client assets on a discretionary basis. As of January 1, 2020, NextCapital Advisers, Inc. managed \$2,129,384,166 of client assets on a discretionary basis.
- **Item 5: Fees and Compensation** - More detailed language has been provided with respect to NextCapital Advisers, Inc.'s Workplace Managed Account Services fees, as well as Other Account Fees that correspond with such service.
- **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss** - More detailed information has been provided with respect to NextCapital Advisers, Inc.'s *RetirementIndex* and its connection with the firm's *RiskIndex* (including derivations of the same that are provided by NextCapital Advisers, Inc.'s clients and commercial partners for use as part of the Managed Account Services). Additional disclosure language with respect to NextCapital Advisers, Inc.'s use of proxy exchange-traded funds (ETFs) for non-linked (i.e., manually added) third-party accounts has also been added.
- **Item 12: Brokerage Practices** - Language specific to Workplace Managed Account Services has been added.
- **Item 15: Custody** - Language specific to Workplace Managed Account Services has been added.
- **Firm Brochure Supplement** - Tristan Linke has been promoted to (Outside) Vice President, Advice Research and Methodology.

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**Item 3:  
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**Item 4:**  
**Advisory Business**

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NextCapital Advisers, Inc. ("NextCapital Advisers") formed as a Delaware corporation and registered with the Securities and Exchange Commission ("SEC") as an investment adviser in March 2015. NextCapital Advisers is a wholly owned subsidiary of NextCapital Group, Inc. ("NextCapital Group"), which is owned by the firm's four founders – John Patterson, Jon Hagen, Dirk Quayle and Robert Foregger – as well as several outside investors, including unaffiliated financial services firms. NextCapital Advisers provides advisory services to the clients and customers of financial services firms, including unaffiliated financial services firms that hold equity interests in NextCapital Group, either directly or through an affiliate.

NextCapital Group, through its subsidiaries, is an experienced provider of automated portfolio management and financial planning software. NextCapital Group's founding team was responsible for building out one of the first automated 401(k) portfolio management platforms, one of the first digital wealth advisors, and one of the first online banks. NextCapital Group's wholly owned subsidiary, NextCapital Software, Inc. ("NextCapital Software"), has developed automated goal and risk-based financial planning and portfolio management software (the "Software Platform"). NextCapital Software licenses, for a fee, the Software Platform to its affiliate, NextCapital Advisers, as well as to other financial institutions.

The mission of NextCapital Group is to help everyone retire successfully. NextCapital Advisers supports this mission by delivering personal, objective portfolio and planning services to investors. NextCapital Advisers provides such services online through the Software Platform, including one or more of the following: (i) asset allocation and/or glide path determinations; (ii) model portfolio creation, whereby NextCapital Advisers generates model portfolios and maintains appropriate model portfolio strategies consistent with an individual's user profile; and/or (iii) advice and wealth forecasting, including, as applicable, projected spending/draw-down available at retirement (collectively, and hereinafter, the "Managed Account Services."). Advice and wealth forecasting services utilize proprietary models and algorithms that consider capital market assumptions, forecasting configurations, simulation data sets, asset allocation models, advice personalization, as well as asset classification and investment selection. The Managed Account Services provided by NextCapital Advisers are primarily delivered to: (i) clients and customers of financial institutions (each, discretely or interchangeably, an "Institution", "Primary Adviser", and/or "Program Sponsor"); or (ii) employer-sponsored retirement savings plans (each, a "Plan" or "Plan Sponsor" and, as applicable, their discrete employees, or "Plan Participants").

The Managed Account Services are offered through two separate channels: (i) **Retail** and (ii) **Workplace**.

Retail Managed Account Services pertain to IRAs and other taxable accounts. In a Retail capacity, NextCapital Advisers serves as a discretionary investment adviser pursuant to the Investment Advisers Act of 1940 (the “Advisers Act”). The Retail Managed Account Services have been structured to follow the conditions of Rule 3a-4’s safe harbor under the Investment Company Act of 1940, and, as such, Retail Managed Account Services clients may impose reasonable account restrictions with respect to certain securities/types of securities, as well as, for example, asset class exposure. Retail Managed Account Services include arrangements where NextCapital Advisers serves as the primary or co-investment adviser (alongside an Institution or Program Sponsor), as well as certain arrangements where NextCapital Advisers serves as a sub-adviser to separate, third-party investment advisers (e.g., arrangements where NextCapital Advisers is retained to provide discretionary, sub-advisory services for model portfolio assignment). NextCapital Advisers also provides discretionary advisory services to a limited number of Retail clients through a direct advisory “wrap” program. Please refer to NextCapital Advisers’ Wrap Fee Program brochure for additional information. Separately, NextCapital Advisers also provides complimentary, non-discretionary advisory services to Retail clients who elect to enroll at <https://www.nextcapital.com/>. Please refer to NextCapital Advisers’ Non-Discretionary Advisory Service firm brochure for additional information.

Workplace Managed Account Services pertain to employer-sponsored retirement savings accounts, such as a 401(k), 403(b), and other defined contribution arrangements. In a Workplace capacity, NextCapital Advisers serves as a fiduciary and “Investment Manager” with discretionary authority to direct Plan assets pursuant to Section 3(21) and Section 3(38) of the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended. Workplace Managed Account Services are offered, as permitted by a Plan, including as a managed account that satisfies the requirements of an ERISA qualified default investment alternative (“QDIA”). NextCapital Advisers can also serve as a fiduciary adviser to certain Workplace Managed Account Services clients pursuant to ERISA §408(g), or as an Independent Financial Expert (IFE) pursuant to DOL Advisory Opinion 2001-09A (“*SunAmerica*”). However, in such arrangements, NextCapital Advisers would not be acting with discretionary authority to direct Plan assets.<sup>1</sup>

As part of its Workplace Managed Account Services, NextCapital Advisers neither acts, nor agrees to assume the duties of a trustee or “Plan Administrator,” as defined under ERISA. Unless expressly stated and agreed to with a Plan, NextCapital Advisers has no discretion to interpret Plan documents, to determine eligibility or participation under a Plan, to provide Plan Participant disclosures or communications, to ensure contributions are timely received by a Plan, or to exercise

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<sup>1</sup> Similar to the Workplace Managed Account Services, NextCapital Advisers would generate advice through the Software Platform, however, NextCapital Advisers would not have the discretionary authority to implement the same. This discretionary authority would rest with, for example, the designated 3(38) Investment Manager pursuant to a Plan Sponsor Agreement, or its equivalent.

any other action with respect to the management or administration of a Plan. At this time, NextCapital Advisers does not provide any Workplace Managed Account Services related to the following types of assets: (i) employer securities (including derivatives of such); (ii) real estate (including real estate funds and publicly traded REITs); (iii) self-directed brokerage accounts; (iv) participant loans; (v) non-publicly traded partnership interests; (vi) guaranteed investment contracts; and (vii) other non-publicly traded securities.

In providing the Managed Account Services, NextCapital Advisers relies on data directly provided by clients or Plan Participants (collectively, "Clients"), and, as applicable, data held with Client recordkeepers (hereinafter, "Record-Kept Data"), to inform Client investment goals through the Software Platform. For example, Clients are asked to answer a series of questions ranging from the amount of their income or contributions, investable assets, current portfolio asset mix, investment goals and other basic questions designed to ascertain goals and risks. Based upon the unique profile inputs of each Client (including those sourced through Record-Kept Data), the Software Platform applies NextCapital Advisers' various proprietary algorithms to provide the Retail or Workplace Managed Account Services.

Separately, and depending on the specific Managed Account Services arrangement, NextCapital Advisers' proprietary algorithms will utilize methodology inputs provided to it by an Institution or Program Sponsor, such as capital market assumptions or glidepath configurations. These Institution-provided inputs are different from Client or Record-Kept Data inputs, and such methodological inputs must be independently vetted and approved by NextCapital Advisers' Investment Committee before consideration and configuration into NextCapital Advisers' investment methodology and the corresponding Managed Account Services.

With respect to Workplace Managed Account Services arrangements, the Plan Sponsor will approve or delegate discretionary authority to a Plan fiduciary other than NextCapital Advisers for purposes of Plan investment lineup ("Fund Lineup") selection. NextCapital Advisers will then utilize these pre-set Fund Lineups, which can include, among others, mutual funds, collective investment trusts (CITs), or exchange-traded funds (ETFs), to construct and implement Workplace model portfolios. In no circumstance or capacity - fiduciary or otherwise - will NextCapital Advisers be responsible for Workplace Managed Account Services Fund Lineup selection. NextCapital Advisers will only review pre-selected Fund Lineups to determine whether a given Fund Lineup meets certain minimum requirements established by NextCapital Advisers' Investment Committee (e.g., asset class exposure) for purposes of configuration with and adherence to NextCapital Advisers' investment methodology framework. In short, for Workplace Managed Account Services, NextCapital Advisers will construct portfolios based on the limited funds available to a Plan and the Plan's recordkeeping system. *See Item 8: Methods of Analysis, Investment Strategies and Risk of Loss* for more information regarding investment vehicles and Fund Lineups utilized by NextCapital Advisers as part of the Retail and Workplace Managed Account Services.

The scope, nature and level of the Managed Account Services provided to Clients, including Plan Participants, will vary depending on which services an Institution and/or Program Sponsor selects.

In addition to NextCapital Advisers' Managed Account Services, the firm also provides advice methodology licensing and portfolio operations services.

### **Advice Methodology Licensing**

NextCapital Advisers licenses its advice methodology, including personalization, glidepath and asset allocation determinations through the Software Platform to Institutions or Program Sponsors. Unless otherwise expressly stated and acknowledged, NextCapital Advisers does not serve in a fiduciary capacity to Retail and/or Workplace Clients when it licenses its advice methodology. As applicable, please refer to your Institution or Program Sponsor's firm brochure(s) for additional information.

### **Portfolio Operations Services**

NextCapital Advisers provides portfolio operations services to certain Institutions or Program Sponsors. The scope, nature and level of the portfolio operations services will vary by relationship, at the election of the Institution or Program Sponsor. Such services generally include one or more of the following: (i) conducting portfolio evaluation services, including, but not limited to, model portfolio maintenance, asset allocation and portfolio re-balancing, tax-aware implementation, portfolio and transition analysis, and tax-aware modeling; (ii) trading operations services, including, but not limited to, reconciliation of trade orders and activity in Retail End User Client brokerage accounts with Retail Client custodial accounts, validation of pricing, and facilitation of communications with broker-dealers regarding trade orders and settlement; (iii) Retail Client advisory fee calculation, billing, and reconciliation services; and (iv) Retail Client proxy voting, corporate actions processing, and class action lawsuit administration.

As of January 1, 2020, NextCapital Advisers advised \$2,129,384,166 of Client assets on a discretionary basis.

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## **Item 5: Fees and Compensation**

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### **Retail Managed Account Services**

The Institution or Primary Advisor will set the advisory fees (respectively, the "Institutional Fees") charged to Clients who receive Retail Managed Account Services. The Institutional Fees are described in the Institution or Primary Advisor's client agreement and/or applicable wrap fee program brochure or firm brochure. These Institutional Fees are based on a percentage of assets under management. NextCapital Advisers and the Institution or Primary Advisor will negotiate the amount of such fees that are to be allocated to NextCapital Advisers. Please note that certain Institutions or Primary Advisors will require Client accounts to be minimally funded before being implemented and managed. This will impact the billing start date from which such Institutions or Primary Advisors will collect their fees. Please carefully review your Institution or Primary Advisor's client agreement and/or speak to an Institution or Primary Advisor's representative for additional details.

Each Institution or Primary Advisor will determine if the respective Institutional Fees are negotiable. NextCapital Advisers will negotiate its allocation of fees directly with the Institution or Primary Advisor.

Finally, NextCapital Advisers' affiliate, NextCapital Software, may also have a relationship with an Institution or Primary Advisor pursuant to which NextCapital Software would receive a fee, separate from (and in addition to) any advisory fee received by NextCapital Advisers for NextCapital Software's provision of the Software Platform.

### **Workplace Managed Account Services**

For Workplace Managed Account Services, NextCapital Advisers' fees (the "Workplace Fees") are determined by the nature of the services provided. NextCapital Advisers reserves the right to, and will, negotiate separate Workplace Fees with each respective Plan and/or Program Sponsor, including a minimum Workplace Fee.

NextCapital Advisers' standard Workplace Fees are fixed based on a Plan Participant's managed account balance, and ranges from 5 to 75 basis points.

Unless otherwise agreed to with a Plan, the Workplace Fees are billed in monthly installments in arrears beginning at the end of the first calendar month in which the Workplace Fees are earned by NextCapital Advisers. Program Sponsors or, otherwise, an authorized service provider to a Plan (e.g., a recordkeeper) will collect the Workplace Fees from each applicable Plan Participant's account, and these Workplace Fees are then remitted to NextCapital Advisers.

### **Account Termination**



For Retail Managed Account Services, depending on the terms of the applicable investment advisory agreement, a Client will be able to terminate their applicable Retail Managed Account Services by contacting their Institution or Primary Advisor. In such case, the termination of the Retail Client's relationship with NextCapital Advisers will take effect promptly following NextCapital Advisers' receipt of notice from the Institution or Primary Advisor that such Client's relationship will be terminating. NextCapital Advisers may terminate a Client's access to any of NextCapital Advisers' Retail Managed Account Services under appropriate circumstances, including, but not limited to, when: (i) NextCapital Advisers believes there is a breach or violation of the applicable account documentation (e.g., investment advisory agreement) or other documentation governing NextCapital Advisers' relationship with the Institution or Primary Advisor; or (ii) if a Client's requested account restrictions cannot be reasonably accommodated.

The terms and conditions for each Plan's Workplace Managed Account Service contain termination provisions. A Workplace Managed Account Service agreement may be canceled by either party at any time, for any reason, upon receipt of prior written notice, which in most instances will be 30 calendar days.

### **Other Account Fees**

The cost of the Managed Accounts Services may be more or less than the cost of purchasing similar services separately. Both Retail and Workplace Managed Account Fees do not cover certain charges associated with securities transactions, including: (i) dealer markups, markdowns or spreads charged on transactions in over-the-counter securities; (ii) costs relating to trading in certain foreign securities; (iii) the internal charges and fees that may be imposed by any investment products, including, but not limited to, mutual funds, CITs, or ETFs (collectively, "Funds"), such as Fund operating expenses, management fees, redemption fees, 12b-1 fees and other fees and expenses, including regulatory fees; (iv) brokerage commissions or other charges imposed by broker-dealers or entities other than the custodian if and when trades are cleared by another broker-dealer; (v) the charge to carry tax lot information on transferred Funds, postage and handling charges, returned check charges, transfer taxes; (vi) stock exchange fees or other fees mandated by law, and (vii) any brokerage commissions or other charges. Further information regarding charges and fees assessed by Funds can be found in the appropriate Fund prospectus or offering document.

For Workplace Managed Accounts, the Plan Sponsor is solely responsible for determining the proper share class to utilize in the Plan. Funds may offer more than one class of shares. Each class represents the same interest in the Fund's portfolio, however, a Plan Adviser may be compensated differently depending on share classes selected. As previously stated, NextCapital Advisers does not make recommendations on and does not assume responsibility for Fund Lineup selection, inclusive of share class. NextCapital Advisers shall utilize as part of the Workplace Managed Accounts Service, the Funds and share classes that have been provided by the Plan Sponsor. In addition to the

redemption fees described above, a Plan or Plan Participant may incur redemption fees, if NextCapital Advisers, in its discretionary authority as a 3(38) Investment Manager determines it is in a Plan Participant's interest, to divest from certain Funds prior to the expiration of the minimum holding period of such Funds. Some Funds also assess redemption fees to investors upon their short-term sale. Depending on the particular Fund, this may include sales for rebalancing purposes. Please see the specific Fund prospectus for more detailed information regarding such fees.

For the Managed Account Services, NextCapital Advisers does not receive any direct or indirect (e.g. soft dollar) compensation derived from Client commissions. See *Item 12: Brokerage Practices* for additional information on soft dollar benefits. NextCapital Advisers strives to provide objective, unbiased investment recommendations. Therefore, neither NextCapital Group, nor any of its subsidiaries have any fee arrangement whereby a NextCapital entity would receive direct or indirect compensation for recommending specific Funds.

As noted previously, Fund fees and other embedded expenses will reduce a Fund's net asset value. These embedded expenses consequently affect Fund performance which, in turn, affects Client portfolio performance. Where NextCapital Advisers is selecting securities for inclusion as part of its Retail Managed Account Services, NextCapital Advisers periodically evaluates applicable Funds and their embedded fees on behalf of Client accounts and can provide Fund information upon written request. Interest-bearing cash/cash equivalent investment products such as FDIC-insured Deposit Programs may not have a stated expense ratio. Instead, each program bank pays insured deposit provider fees for its services and these vary over time with market conditions. Interest earned fluctuates, and the income stream received is the realized net yield.

For Retail Managed Account Services, a Client account must be held at a full-service registered broker-dealer (the "Broker") that allows NextCapital Advisers to submit trades on behalf of the account. For Clients whose accounts are not held at a Broker prior to enrollment in the Retail Managed Account Services, NextCapital Advisers or the Client's Institution or Primary Advisor will assist Clients in transferring assets into new accounts held at the Broker. The Broker will be a "Qualified Custodian," as defined by SEC Rule 206(4)-2, to meet the custodial and brokerage needs of Clients. Certain Client accounts may be eligible for "trading away" (limited to accounts larger than \$100,000), which is where NextCapital Advisers executes trades with a broker-dealer other than the Broker. However, if NextCapital Advisers trades away, the Client account will likely incur trading costs in addition to the fees charged to the account as part of the Retail Managed Account Services. As a result, if NextCapital Advisers were to trade away from the Broker, the strategy could be more costly to a Client account than if NextCapital Advisers placed the trade orders with the Broker for execution. See *Item 12: Brokerage Practices* for additional information.

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

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NextCapital Advisers does not charge performance-based fees.

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**Item 7:  
Types of Clients**

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With respect to Retail Managed Accounts, NextCapital Advisers serves as the primary or co-investment adviser (alongside an Institution or Program Sponsor) to Clients pursuant to the Advisers Act, as amended. In certain Retail Managed Account Services arrangements, NextCapital Advisers can also serve as a sub-adviser to separate, third-party investment advisers in which NextCapital Advisers provides discretionary investment advisory services, such as model portfolio assignment.

With respect to Workplace Managed Accounts, NextCapital Advisers serves as a 3(38) Investment Manager with discretionary authority to direct Plan assets pursuant to Section 3(21) and Section 3(38) of ERISA, as amended. Workplace Managed Account Services Clients include Plans and their respective Plan Participants.

For both the Retail and Workplace Managed Account Services, Clients / Plan Participants must be willing to conduct the advisory relationship with NextCapital Advisers on an electronic basis.

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

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This section summarizes NextCapital Advisers' method of analysis, investment strategies and certain risks related to the Managed Account Services.

**Methods of Analysis and NextCapital Advisers' Investment Strategies**

**Overview:** NextCapital Advisers seeks to provide each Client with a personalized, objective investment plan that considers the Client's preferences, goals, capacity and constraints. NextCapital Advisers provides investment advice through two methodological frameworks: A) Retirement Goal-based and; B) General Investing Risk-based.

**A) Retirement Goal-based Advice - Retail and Workplace Managed Account Services**

**NextCapital RetirementIndex and RiskIndex:** The foundation of NextCapital Advisers' investment advice methodology is the NextCapital RetirementIndex ("*RetirementIndex*"). NextCapital Advisers, using the RetirementIndex glide path as the baseline asset allocation over years to and through retirement, provides a dynamic framework for personalized portfolio strategies for goal-based financial retirement planning.

The *RetirementIndex* is a set of proprietary portfolios that tracks the derived consensus global asset allocation of Target Date Fund ("TDF") managers for various retirement dates. TDF asset allocations are driven by standard retirement years (2020, 2025, 2030, 2035, etc.). The *RetirementIndex* for each TDF standard retirement year is based on a consensus (i.e., the average asset allocation for the managers, collectively) for each asset class. NextCapital Advisers, through proprietary methodology, determines the asset class allocations in one-year increments by creating a glide path. A glide path is the gradual shift in portfolio allocation from equities to fixed income based on an investor's current age through the investor's expected retirement year.

The NextCapital RiskIndex ("*RiskIndex*") is a series of asset class allocations derived from the *RetirementIndex* glide path. The *RiskIndex* represents a transformation of the *RetirementIndex* glide path into a series of asset class model portfolios representing a broad spectrum of potential target risk exposures for investment purposes. These asset class model portfolios serve as the investment base for NextCapital Advisers' Retail and Workplace Managed Account Services.

### **NextCapital Advisers' Retirement Goal Investment Advice Methodology**

NextCapital Advisers utilizes a Client's personal and financial information (and, if applicable, their spouse or partner's) in order to build a customized retirement plan. The plan consists of a personalized asset allocation strategy with a current portfolio assignment, recommendations on contribution rates and retirement age. The plan is designed to help the Client achieve a retirement income goal in at least 70% of the future projected economic scenarios. It is not always possible to achieve the goal, but the plan will seek to get the Client as close as possible.

The plan outputs (i.e., the personalized asset allocation strategy and recommendations on contribution rates and retirement age) are based on relevant Client information, such as financial capital (i.e., any linked financial assets), human capital (i.e., a Client's future earnings and savings potential), gender and marital status, health, and guaranteed income (e.g., Social Security). The Client's retirement income goal, personalized asset allocation strategy, and recommended contribution rate and retirement age are all interrelated. Thus, changing one factor may impact the others.

The *RetirementIndex* provides the baseline asset allocation for prudent, time-horizon-based investment management. NextCapital Advisers then adjusts the asset allocation based on additional

Client information. Specifically, NextCapital Advisers seeks to personalize the asset allocation strategy for each Client based on four primary factors: (i) human capital; (ii) a funded ratio (i.e., a Client's ability to achieve a retirement spending goal with current savings and future contributions); (iii) sequence risk (e.g., the impact of a potential short-term extreme market event on the investment portfolio); and (iv) longevity (i.e., a Client's estimated life expectancy). NextCapital Advisers may also utilize additional information, as provided by Clients, related to the Client's risk preference (i.e., a Client's ability to withstand future market volatility and other market events). However, this additional information is not required.

Client profile information may be collected in several ways. Some information may be provided via Record-Kept Data, while other information may need to be provided directly by the Client. Clients may complete a proprietary investor planning process produced by NextCapital Advisers before or during the initial account opening process, provide a high-level estimate of their financial situation, and/or link to independently held investment accounts with third-parties (hereinafter, "Held-Away" accounts) that are aggregated to an Institution or Program Sponsor-branded version of the Software Platform (this option provides NextCapital Advisers with more detailed security and tax status information - e.g., 401(k), IRA, Roth, etc. - about a Client's financial plan). With respect to Retail Managed Accounts, it is important to note that NextCapital Advisers will utilize proxy Funds for each asset class it attributes to non-linked Held-Away account assets. For example, NextCapital Advisers will utilize proxy ETFs for cash, fixed income and equity asset classes it respectively attributes to each non-linked Held-Away account asset. For example, if a Client were to designate a Held-Away account value as "Equity", NextCapital Advisers will utilize the proxy ETF for Equity to further inform its advice recommendations. Please contact NextCapital Advisers for a complete list of proxy ETFs. The investment methodology also utilizes default assumptions specified by NextCapital Advisers in the event that certain information is not provided by a Client in a questionnaire, or otherwise (e.g., if a Client does not enter the age at which they intend to retire, the investment methodology will use a default retirement target age).

In addition to the plan outputs outlined above, NextCapital Advisers will provide each Client with wealth and spend-down forecasts.

The Retirement Goal Investment Advice Methodology and, by extension, the Managed Account Services rely on accurate information provided by each Client. As a Client's status changes over time, it is important that the Client update the information they provide to ensure their advice remains current and appropriately personalized. NextCapital Advisers' Retirement Goal Investment Advice Methodology is not intended to be short-term advice, and may not be suitable for all investors.

#### Institution / Program Sponsor Methodology Inputs

It should be noted that in providing the Managed Account Services, NextCapital Advisers can and, in

some instances, will use the investment methodology inputs of an Institution and/or Program Sponsor. This includes inputs such as capital market assumptions, as well as an Institution and/or Program Sponsor's glide path that replaces NextCapital Advisers' *RetirementIndex* and, by extension, NextCapital Advisers' *RiskIndex*, which, as previously stated, forms the basis for NextCapital Advisers' Managed Account Services. NextCapital Advisers' Investment Committee must independently review and approve Institution and/or Program Sponsor methodology inputs before their implementation and use by NextCapital Advisers.

## **B) General Investing Risk-based Advice - Retail Managed Account Services Only**

NextCapital's General Investing Model (hereinafter, the "Model") provides a framework for investors seeking to build or maintain wealth. The Model serves investors that may not have a specific spending goal in mind, but understand that investing is necessary for capital growth and/or preservation. The Model may also serve as a complement to NextCapital's retirement goal advice solution in certain circumstances given the methodology's ability to accommodate goal uncertainty, such as when the Client faces significant uncertainty regarding the accumulation and/or decumulation phases of the investment horizon. The generic Model assignment framework allows application to a wide range of Client situations while relying on a limited number of core model portfolios, which may be augmented to allow for further, personalized risk adjustments.

The Model borrows from, and largely relies on, the same information set that is used to derive the NextCapital *RetirementIndex* glide path and the NextCapital *RiskIndex* asset class allocation models, with prudent extensions where deemed necessary and relevant.

The Model methodology relies on Client responses to the General Investing questionnaire, a set of investment horizon-related equity allocation look-up paths that summarize the advisable risk dispersion ranges at relevant points, and a set of representative model portfolios. The Model considers Client information related to the following main modules:

- i) *Financial Status*: The Client is defaulted to a suitable equity allocation look-up path based on individual financial status/implied capacity to take investment risk.
- ii) *Planned Investment Horizon and Adjustments*: The Client's investment horizon, adjusted for likelihood of withdrawals, is used to define an appropriate baseline portfolio assignment in conjunction with i), above.
- iii) *Level of Investment Experience and Knowledge*: The Client's level of investment experience and knowledge defines the standard advisable range of achievable portfolio equity levels as an input/constraint.

*iv) Investment Risk and Return Objective and Risk Aversion:* The Client's investment risk and return objective and risk aversion jointly determine the recommended portfolio (from the range stemming from iii).

General Investing advice relies on accurate information provided by the Client. As a Client's status changes over time, it is important that the Client revisit the General Investing questionnaire and update the information they provide to ensure their advice remains current and appropriately personalized. General Investing advice is not intended to be short-term advice, and may not be suitable for all investors. The minimum required investment planning horizon served by the General Investing framework is one year. Risk tolerances and liquidity adjustments that may arise as a result of questionnaire responses can lead to a personalized portfolio assignment which is significantly different from other Fund strategies, such as those offered by target date and retirement income funds.

## **Retirement Goal and Risk-based Asset Class Mandates and Investment Vehicles**

### **Retail Managed Account Services**

With respect to Retail Managed Account Services, NextCapital Advisers seeks to optimize the asset classes in which to invest, as well as the Funds that NextCapital Advisers deems to best achieve certain asset class exposures. This includes, for example, tax-efficient and inexpensive ETFs to fulfill asset class mandates. Asset classes represented by investment vehicles in a Client portfolio may include: Interest-yielding Cash, Ultrashort, Short-term, US Treasury Bonds, US Treasury Inflation Protected Securities ("TIPS"), US Agency Bonds, US Mortgage Backed Bonds, US Municipal Bonds, US Corporate Bonds, US High Yield Bonds, Developed Markets Bonds, Emerging Markets Bonds, US Large Cap, including US Large Cap Value, US Large Cap Growth, US Mid Cap, including US Mid Cap Value and US Mid Cap Growth, US Small Cap, including US Small Cap Value, US Small Cap Growth, Developed Markets Equity, Global ex-US Small Cap, Emerging Markets Equity, US REITs, Global ex-US REITs, and Commodities.

NextCapital Advisers periodically reviews available Fund options to identify, in its determination, the most appropriate Funds to fulfill each asset class mandate. NextCapital Advisers looks for Funds that minimize cost and tracking error (as many ETFs and mutual funds do not exactly track the indices they are created to mimic), in addition to Funds that offer market liquidity for best execution. NextCapital Advisers strives to identify Funds that are reasonably expected to have sufficient liquidity to permit redemptions or sales on any day in which the U.S. stock markets are open in order to facilitate Client withdrawals. For taxable accounts, NextCapital Advisers also seeks to select Funds that are consistent with the goal of reducing Client tax consequences. NextCapital Advisers does not provide tax advice. Clients are encouraged to consult an independent tax or accounting advisor before enrolling in the Managed Account Services.

Other investments not considered for inclusion within NextCapital Advisers' portfolios can have characteristics similar to or separate from those recommended by NextCapital Advisers, and these other investments can, and sometimes will, outperform those recommended by NextCapital Advisers.

### **Workplace Managed Account Services**

As previously stated, in no circumstance or capacity - fiduciary or otherwise - will NextCapital Advisers be responsible for Workplace Managed Account Services Fund Lineup selection.

### **Risks Associated with NextCapital Advisers' Managed Account Services**

*Risk of Loss.* The identification of investment opportunities is difficult and involves a significant degree of uncertainty. Investing in securities involves a risk of loss. NextCapital Advisers does not guarantee the future performance of any Client account, or the success of any investment recommendation or strategy that NextCapital Advisers may employ.

*Risks Associated with Using an Algorithm.* The algorithms used by NextCapital Advisers are based on NextCapital Advisers' or an Institution or Program Sponsor's capital market assumptions and analysis. The investment objectives of the algorithms are not intended to replicate a perfect "model" portfolio, but are, instead, intended to reflect NextCapital Advisers' and/or an Institution or Program Sponsor's investment philosophy. When these algorithms are used to implement and re-balance Client portfolios, they do not consider prevailing market conditions when trading within Client portfolios. These models and systems also entail the use of sophisticated statistical calculations and complex computer systems, and there is no assurance that NextCapital Advisers will be successful in carrying out such calculations correctly, or that the use of these quantitative models and systems will not expose Clients to the risk of significant losses. More specifically, NextCapital Advisers' ability to implement key investment objectives is dependent on a number of considerations, including, but not limited to, the economic, analytical and mathematical components and assumptions of each model, the accurate encapsulation of those components in a complex computational environment (including the Software Platform), the data quality incorporated into the models, changes in market conditions, the successful expression of the models' views into any applicable investment portfolio construction, and the ability of NextCapital Advisers and/or an Institution or Program Sponsor's authorized personnel to interpret and implement model outputs. Several of the aforementioned considerations (and others) present the possibility of human error. While NextCapital Advisers has established certain systematic rules and processes for monitoring Client portfolios to ensure they are managed in accordance with their investment objectives, there is no guarantee that these rules or processes will effectively manage the risks associated with algorithms in all market conditions. Consequently, while NextCapital Advisers employs controls to



help ensure that models are sound in their development and appropriately adapted, calibrated and implemented into the Software Platform, the risks and certain errors associated with algorithms can and will persist. Furthermore, errors may be very difficult to detect in some instances, with some errors potentially going undetected for long periods of time, or not detected at all. NextCapital Advisers' controls and processes are designed to help ensure that certain types of errors are subject to review once discovered, however, the effect of errors on the investment process and, as applicable, Client account performance (positive or negative) may not be fully apparent when discovered.

The SEC has provided further information for investors to consider when utilizing digital advice services. The SEC guidance can be accessed using the following web address: [https://www.sec.gov/oiea/investor-alerts-bulletins/ib\\_robo-advisers.html](https://www.sec.gov/oiea/investor-alerts-bulletins/ib_robo-advisers.html)

*Risks Related to Accuracy of Information.* NextCapital Advisers bases its investment recommendations on information provided by Clients, or, as applicable, Record-Kept Data. As such, if a Client were to provide NextCapital Advisers with inaccurate or false information, or fail to provide material information, the quality and applicability of the investment strategies, recommendations made to, and, if applicable, management of accounts of such Clients by NextCapital Advisers may be materially impacted (the same applies to information provided through Record-Kept Data). NextCapital Advisers may also receive data and information about Client accounts from their third party custodian and broker. Additionally, NextCapital Advisers may utilize data and information from one or more third party data providers in order to evaluate and analyze securities. If such data and/or information were to prove inaccurate, false or otherwise materially compromised, the quality and applicability of the investment strategies, recommendations made to, and, if applicable, management of accounts of such Clients by NextCapital Advisers may be materially impacted.

*Cybersecurity and Information Security Risks.* Investment advisers, including NextCapital Advisers, must rely, in part, on digital and network technologies (collectively, "Networks") to conduct their businesses. Such Networks are at risk of cyber attacks that could potentially seek unauthorized access to digital systems for purposes such as misappropriating sensitive information, corrupting data, or causing operational disruption. Cyber attacks are carried out by persons using techniques that could range from efforts to electronically circumvent Network security (or overwhelm websites), to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain Network access. NextCapital Advisers maintains an information technology security policy and certain technical and physical safeguards intended to protect the confidentiality of its internal data. Nevertheless, cyber incidents could potentially occur, and such incidents could result in unauthorized access to sensitive information about NextCapital Advisers or Clients.

*Market Risks.* The recommendations NextCapital Advisers provides and other information comprising a recommended investment strategy may be time sensitive, especially during times of significant market volatility. Thus, acting on an investment recommendation after the date of recommendation may cause significant losses to a Client portfolio. Moreover, the success of NextCapital Advisers' investment strategy and recommendations may be significantly and adversely affected by general economic and market conditions, such as changes in interest rates, the availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the investments NextCapital Advisers recommends to Clients.

*Regulatory and Legal Risks.* Performance may directly or indirectly be affected by government legislation or regulation, which may include, but is not limited to: (i) changes to federal and state securities laws; the (ii) outcome of regulatory examinations, investigations and enforcement actions; (iii) changes in the U.S. government's guarantee of ultimate payment of principal and interest on certain government securities; and (iv) changes in applicable tax codes that could affect interest income, income characterization and/or tax reporting obligations (particularly for ETF securities dealing in natural resources). In certain circumstances, a Client may incur taxable income on their investments without a cash distribution to pay the tax due. Recommendations provided by NextCapital Advisers may also be affected by changes in domestic and international current events and political circumstances. Moreover, recommendations may also be adversely affected by individual legal claims and class action claims.

*Foreign Investing and Emerging Markets Risks.* Foreign investing involves risks not typically associated with U.S. investments, and the risks may be exacerbated further in emerging market countries. These risks may include, among others, adverse fluctuations in foreign currency values, as well as adverse political, social and economic developments affecting one or more foreign countries. In addition, foreign investing may involve less publicly available information and more volatile or less liquid securities markets, particularly in markets that trade a small number of securities, have unstable governments, or involve limited industry. Investments in foreign countries could be affected by factors not present in the U.S., such as restrictions on receiving the investment proceeds from a foreign country, foreign tax laws or tax withholding requirements, unique trade clearance or settlement procedures, and potential difficulties in enforcing contractual obligations or other legal rules that jeopardize shareholder protection. Foreign accounting may be less transparent than U.S. accounting practices, and foreign regulation may be inadequate or irregular.

*ETF and Mutual Fund Risks.* ETF or mutual fund performance may not exactly match the performance of the index or market benchmark that the ETF or mutual fund is designed to track for many reasons, including:

- The ETF or mutual fund will incur expenses and transaction costs not incurred by any applicable index or market benchmark;
- Certain securities comprising the index or market benchmark tracked by the ETF or mutual fund may, from time to time, be temporarily unavailable;
- Certain ETFs or mutual funds may use synthetic products to reduce tracking error with the market benchmark tracked by the fund, which, in turn, relies on the synthetic counterparty to carry through with its obligation to pay the agreed upon index return. If that does not occur, the ETF or mutual fund risks incurring losses that would impact investors; and
- Supply and demand in the market for either the ETF and/or for the securities held by the ETF or mutual fund may cause the ETF or mutual fund shares to trade at a premium or discount to the actual net asset value of the securities owned by the ETF or mutual fund.
- Certain ETF or mutual fund strategies may, from time to time, include the purchase of fixed income, commodities, foreign securities, American Depositary Receipts, or other securities for which expenses and commission rates could be higher than normally charged for exchange-traded equity securities, and for which market quotations or valuation may be limited or inaccurate.

Clients should be aware that when a Client account is invested in ETFs or mutual funds, the Client will pay two levels of compensation – the Managed Account Services fee **plus** any management fees charged by the issuer of the ETF or mutual fund. This scenario may cause a higher total advisory cost (and potentially lower investment returns) than if such Client purchased the ETF or mutual fund directly. NextCapital Adviser may direct Clients to invest in ETFs, mutual funds and/or similar securities advised by Institutions or Program Sponsors.

An ETF or mutual fund typically includes embedded expenses that may reduce the ETF or mutual fund's net asset value, and therefore directly affect the fund's performance and, in turn, affect a Client's portfolio performance or an index benchmark comparison. Expenses of the fund may include investment adviser management fees, custodian fees, brokerage commissions, and legal and accounting fees. ETF or mutual fund expenses may change from time to time at the sole discretion of the ETF or mutual fund issuer.

A mutual fund may keep a portion of its assets in low-paying cash alternatives to allow the mutual fund to meet investor redemption requests. If that amount is substantial, it can reduce a fund's returns to a Client account. The mutual fund can also be affected by the actions of other investors. If a mutual fund experiences an increase in redemption demands, the mutual fund manager might have to sell investments at a less than ideal time to meet those demands. Likewise, if a mutual fund has a sudden influx of money, it might have difficulty finding worthy investments.

The timing of a purchase or sale of a mutual fund in a taxable account can affect a Client's tax liability, as mutual funds pass-through dividends and capital gains resulting from activity in the mutual fund. This typically occurs once per year around year-end; however, if a taxable Client account purchases mutual fund shares just before this distribution, the Client will owe taxes that

year on that distribution, even if the Client's shares of the mutual fund have not appreciated. Dividends distributed from fixed income ETFs or mutual funds are technically interest income and may be subject to tax at ordinary income tax rates. ***NextCapital Advisers does not provide tax advice. Clients are encouraged to consult an independent tax or accounting advisor before enrolling in the Managed Account Services.***

*Inflation, Currency, and Interest Rate Risks.* Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of an investor's future interest payments and principal. Inflation also generally leads to higher interest rates, which, in turn, may cause the value of many types of fixed income investments to decline. In addition, the relative value of the U.S. dollar-denominated assets primarily managed by NextCapital Advisers may be affected by the risk that currency devaluations affect Client purchasing power.

*Other Operational Risks.* NextCapital Advisers' investment advisory services are also subject to various operational risks that could emanate from a number of factors, including, but not limited to: human error, errors of service providers or other third parties, processing and communication errors, failed or inadequate processes, and technology or system failures.

**The foregoing list of risks does not purport to be a complete enumeration or explanation of the risks involved with NextCapital Advisers' investment advisory services. Prospective clients should seek independent consult before deciding whether to utilize any of NextCapital Advisers' investment advisory services.**

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**Item 9:  
Disciplinary Information**

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There are no legal or disciplinary events that NextCapital Advisers believes are material to a Client's evaluation of NextCapital Advisers, or the integrity of NextCapital Advisers' management.

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

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NextCapital Advisers has no other financial industry activities or affiliations required to be disclosed in this Brochure.

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

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In accordance with the Advisers Act, as amended, NextCapital Advisers has adopted a Code of Ethics for all supervised persons of the firm describing NextCapital Advisers standards of business conduct and fiduciary duty to act in the best interests of Clients. The Code of Ethics includes written policies and procedures governing the conduct of the firm's supervised persons, including, but not limited to, provisions relating to the confidentiality of Client information, a prohibition on insider trading, disclosure of conflicts of interest, restrictions on the acceptance of significant gifts (and the reporting of gifts and business entertainment items), personal securities trading, and limits on state and local political contributions, among others. All supervised persons at NextCapital Advisers must acknowledge adherence to the terms of the Code of Ethics on an annual basis, or as amended. Upon request, NextCapital Advisers will provide a copy of the Code of Ethics to Clients and prospective clients. To request a copy of the Code of Ethics, please contact NextCapital Advisers at: [compliance@nextcapital.com](mailto:compliance@nextcapital.com).

### **Managed Account Services - Personal Trading of NextCapital Supervised Persons**

NextCapital Advisers will generate advice and buy or sell securities for Client accounts based on the advice generated via proprietary algorithms coded into the Software Platform. As a matter of Policy, NextCapital Advisers employees are allowed to buy or sell Funds identical to or different than those recommended to Clients for their personal accounts. As a consequence, NextCapital Advisers employees could have a financial incentive to buy or sell such securities for Client accounts, although this incentive is limited because NextCapital Advisers generally recommends to Clients Funds where Client activity in such securities is unlikely to materially impact their price. NextCapital Advisers enforces a Code of Ethics to help monitor and mitigate employee trading activity that could be in conflict with Clients' best interests.

### Dollar Based Transactions and Fractional Shares

NextCapital Advisers translates orders generated on behalf of Managed Account Services Clients in terms of U.S. Dollars to a corresponding number of shares for purposes of sending orders for execution to the Broker and, thereafter, maintaining assets in a Client's account. As a consequence of dollar-based transactions, a Client can hold fractional share interests in certain securities. Fractional share amounts in certain securities such as ETFs may be unrecognized, illiquid, unmarketable or unable to transfer to another brokerage account outside of the Managed Account Services.

NextCapital Advisers, through use of a facilitation account established at the Broker, will allocate, at its or the Institution or Advisor's discretion, transactions to Client accounts resulting in a Client account holding fractional share interests in securities. In order to facilitate the allocation of fractional shares, NextCapital Advisers must participate side-by-side in Client transactions only to the extent required to flatten NextCapital Advisers' Average Price Allocation Account ("AvgPx

Account") at the Broker prior to the end of each trading day. At no time does NextCapital Advisers enter into principal transactions with Client accounts, whereby NextCapital Advisers buys from, or sells to, any Client account shares of any securities through NextCapital Advisers' fractional share facilitation account ("Fractional Account").

NextCapital Advisers and the Broker have established procedures to eliminate the opportunity for NextCapital Advisers to benefit financially from this limited, side-by-side participation in Client transactions, and to avoid any material conflict that may result from residual fractional shares being allocated to NextCapital Advisers' Fractional Account.

#### Allocating Fractional Shares

The algorithmic trading strategies that NextCapital Advisers employs requires order generation and trade execution in whole shares. These trade executions will occur in NextCapital Advisers' AvgPx Account at the Broker. At the end of each trading day, the Broker requires that NextCapital Advisers' AvgPx Account be flattened. Therefore, NextCapital Advisers must allocate any fractional share remainders left over from Client orders and allocations to NextCapital Advisers' Fractional Account.

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

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#### **Retail Managed Account Services**

##### **Trade Aggregation**

NextCapital Advisers' policy is to aggregate Client trade orders where possible and when advantageous to Clients. In these instances, Client accounts participating in any aggregated transactions will receive an average share price and any transaction costs will be shared equally and on a pro-rata basis. In order to avoid buying and selling the same security for all Client accounts through multiple broker-dealers, NextCapital Advisers may aggregate all such Client transactions into one block trade that is executed through one broker-dealer. This practice may enable NextCapital Advisers to obtain more favorable execution, including better pricing and enhanced investment opportunities than would otherwise be available if orders were not aggregated. Using block transactions may also assist NextCapital Advisers in potentially avoiding an adverse effect on the price of a Fund that could result from simultaneously placing a number of separate, successive, or competing Client trade orders. However, as it pertains to Client accounts, this practice may result in "trading away" from the Broker, which, as previously described, is where NextCapital Advisers executes trades for a Client with a broker-dealer other than the Broker.

NextCapital Advisers will aggregate purchase or sale orders for a Client account with purchase or sale orders in a particular Fund for other Clients accounts when such aggregation is expected to result in a more favorable net result to all participating Clients; however, NextCapital Advisers is under no obligation to aggregate orders. If any of these aggregated trade orders are not fully executed on a particular day, it is NextCapital Advisers' policy to allocate the executed shares to Client accounts on a pro-rata basis.

Circumstances may arise where NextCapital Advisers determines that, while it would be both desirable and suitable to aggregate Client orders for a particular Fund or other investment, there is a limited supply or demand for the Fund or other investment, thus making aggregation impractical. Under such circumstances, NextCapital Advisers will seek to allocate investment opportunities equitably, over time, to Client accounts, as Clients are not assured of participating equally or at all in particular investment allocations. As a consequence, different groups of Clients are likely to receive different execution prices and experience different rates of return.

### **Best Execution**

NextCapital Advisers has an obligation to seek "best execution" of Client trade orders when NextCapital Advisers acts with full discretionary authority to execute trades with the Broker or broker-dealers it believes are capable of providing the execution that is the most favorable to Clients under the circumstances. NextCapital Advisers may determine that the Broker or another broker-dealer's execution capabilities provide the most favorable options under the circumstances. In complying with its best execution obligation, NextCapital Advisers will review several factors that reflect on the quality of broker-dealer trade execution.

NextCapital Advisers may consider the full range and quality of a broker-dealer's services, including, but not limited to, execution price, as well as the following factors:

- The nature of the security;
- The size and type of transaction;
- The expected transaction and commission costs of execution through the broker-dealer;
- The nature and character of relevant markets;
- The executing broker's execution, clearing, settlement capabilities and reputation;
- The importance of speed, knowledge, efficiency, consistency and anonymity provided by the executing broker-dealer; and
- Other investment opportunities.

Additional trading costs associated with "trading away," as previously described, are one of several factors NextCapital Advisers assesses when fulfilling its best execution obligation. NextCapital Advisers will consider different factors or may place different weight on the factors it uses to meet

its best execution obligation. NextCapital Advisers' best execution obligation does not require NextCapital Advisers to solicit competitive bids for each transaction, or to seek the lowest available commission cost of executing Client trade orders, so long as NextCapital Advisers reasonably believes that the broker-dealer selected can be expected to provide Clients with the most favorable execution under the circumstances.

### **Broker Selection**

In selecting broker-dealers to serve as the Broker for Client accounts, NextCapital Advisers first determines which broker-dealers have an investment management platform that allows NextCapital Advisers to submit trade orders for execution on behalf of Clients. NextCapital Advisers then assesses broker-dealers using factors that include, but are not limited to, the following:

- Financial strength and reputation of the broker-dealer;
- Proper registration, licensing, and background checks of both the broker-dealer and individuals of the broker-dealer;
- Whether the broker-dealer has a trading platform that supports the administrative requirements for trading and record keeping;
- The amount of experience the broker-dealer has in handling the transaction, brokerage, custodial and record-keeping needs of an internet based investment adviser;
- Whether the broker-dealer's securities pricing, transaction, and custodial costs are reasonable;
- The likelihood the broker-dealer will meet or exceed its best execution obligations for Client account transactions;
- The level of responsiveness that the broker-dealer will bring to NextCapital Advisers' execution needs for Client accounts;
- The extent to which the broker-dealer has access to securities that NextCapital Advisers selects for Client account transactions;
- The broker-dealer's block trading capabilities;
- The broker-dealer's ability to facilitate creations and redemptions of ETFs; and
- The accuracy of trades and trade confirmations and, in the event that errors occur, a rapid and fair error correction process.

Currently, NextCapital Advisers only utilizes Pershing Advisor Solutions LLC and its affiliates ("Pershing") as the Broker for Retail Client securities transactions. NextCapital Advisers anticipates utilizing other Brokers in the future.

### **Directed Brokerage**

In a directed brokerage arrangement, the Client - rather than NextCapital Advisers - determines the selection of a particular broker-dealer for securities transactions in the Client account. NextCapital



Advisers currently does not permit Client-directed brokerage transactions, but may allow for such transactions in the future.

To the extent NextCapital Advisers is required to direct some or all of the trades for a Client account to a specific broker-dealer, NextCapital Advisers does not have any role in, or responsibility for, the Client's selection of the specific broker-dealer. As such, NextCapital Advisers does not have any control over the broker's services, including commissions charged by the broker, and the nature and quality of executions provided by such broker. Therefore, NextCapital Advisers cannot ensure in any given Client-directed brokerage transaction that it will be able to obtain the best price.

Furthermore, to the extent a Client elects to direct securities transactions in their account to a specific broker-dealer, the Client's transactions may need to be handled separately from other Client orders. Because of the conditions imposed by Client-directed brokerage transactions, and the possibility that these transactions could adversely impact other Client transactions (i.e., those that do not have similar conditions imposed), Clients should be made aware that Client-directed brokerage transactions may not be aggregated with other Client orders, and, as such, Client-directed brokerage transactions could be executed last.

Finally, should it allow for Client-directed brokerage transactions in the future, NextCapital Advisers will attempt to accommodate execution through the Client-directed broker. However, to the extent NextCapital Advisers maintains discretion in selecting the Broker for securities transactions, NextCapital Advisers has no obligation to use the Client-directed broker-dealer if, in NextCapital Advisers' judgment, the use of the broker-dealer would be inconsistent with NextCapital Advisers' fiduciary obligations to obtain best execution. Consequently, NextCapital Advisers does not accept any responsibility for not using the Client-directed broker-dealer for any such Client transactions in which NextCapital Advisers does not allocate to that broker-dealer. NextCapital Advisers may also use step outs for Client recapture purposes in order to mitigate dispersion and achieve best execution.

### **Soft Dollar Benefits**

Soft dollars relate to the practice of using a portion of commissions generated when executing client transactions to acquire research and brokerage services from broker-dealers. Certain investment advisers will consider research and other services in making brokerage decisions and, when they deem appropriate, these investment advisers may use a portion of commissions generated when executing client transactions through a broker-dealer (or "Soft Dollars") to acquire research and brokerage services ("Soft Dollar Benefits") in a manner consistent with the "safe harbor" provided under Section 28(e) of the Securities Exchange Act of 1934, as amended. Under the safe harbor and SEC interpretation of the same, investment advisers may use Soft Dollars to pay for Soft Dollar Benefits, even when such benefits may also be available for cash, to the extent permitted by law and

applicable jurisdictions, when such Soft Dollar Benefits assist investment advisers in meeting client investment objectives or in managing client accounts.

#### Soft Dollar - Research Services

Under Section 28(e)(3) of the Securities Exchange Act of 1934, a person provides research services insofar as he or she: (i) furnishes advice, either directly or through publications or writings, as to the value of securities, the advisability of investing in, purchasing, or selling securities, and the availability of securities or purchasers or sellers of securities; or (ii) furnishes analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts. The SEC has said that a common element among advice, analyses, and reports is that each contains the expression of reasoning or knowledge about the subject matter.

#### Soft Dollar - Brokerage Services

The SEC applies a "temporal standard" to "brokerage services" eligible under the Section 28(e) safe harbor. Under this view, brokerage services relate to activities from the time an investment adviser communicates with a broker-dealer for purposes of transmitting an order until funds or securities are delivered or credited to a client's account. As such, brokerage services eligible under Section 28(e) may include various communication services related to the execution, clearing and settlement of transactions, such as connectivity services between an investment adviser and a broker-dealer or other relevant parties (including dedicated lines between the broker-dealer and an order management system, dedicated lines between the trading desk and the broker-dealer, and message services). Additionally, algorithmic trading software, as well as software to route orders to market centers or direct market access systems would be considered brokerage services within the safe harbor.

#### Soft Dollar - NextCapital Advisers' Practices

Client trades executed through Pershing are not subject to commission or transaction charges. NextCapital Advisers does, however, avail itself of benefits provided by Pershing. Pershing provides NextCapital Advisers with trading tools and sponsors/pays for NextCapital Advisers' access to a third-party trade order execution management system ("EMS"). Access to the EMS allows NextCapital Advisers use of Pershing's algorithmic trading systems and direct market access systems, and also provides NextCapital Advisers with the ability to route and execute Client trade orders through other broker-dealers.

#### **Trade Allocation**

Where NextCapital Advisers has discretion to place orders to execute transactions on behalf of Client accounts, NextCapital Advisers may allocate such transactions to selected broker-dealers on certain markets, at certain prices, and at certain commission rates as NextCapital Advisers, in good faith, deems appropriate. NextCapital Advisers will take into consideration, in the selection of broker-dealers, not only the available prices and rates of brokerage commissions, but also other relevant factors including, without limitation, execution capabilities and other services provided by broker-dealers, provided that such services are in compliance with Section 28(e) of the Securities Exchange Act of 1934.

### **Workplace Managed Account Services**

For Workplace Managed Account Services, the use of any particular broker, recordkeeper, or custodian is directed by the Plan Sponsor under Section 3(16) of ERISA, as amended. NextCapital Advisers does not have any soft-dollar arrangements and does not receive any soft-dollar benefits, other than as previously described. For Plans where NextCapital Advisers serves as a 3(38) Investment Manager, NextCapital Advisers does not exercise any discretion as it relates to Client account trade orders; however, NextCapital submits trade orders to the recordkeeper or custodian performing Plan Participants trades in the aggregate.

### **Trade Errors**

NextCapital Advisers has adopted policies and procedures for correcting trade errors. Trade errors can result from a variety of situations involving portfolio management, including, but not limited to: miscommunication of information (e.g., incorrect number of shares, incorrect price, incorrect account, or other circumstances such as inadvertently calling a transaction a buy rather than a sell, and vice-versa). NextCapital Advisers' policies and procedures require that all errors affecting Client accounts be resolved promptly and fairly. The intent of the policy is to restore a Client account to at least the appropriate financial position considering all relevant circumstances surrounding an error (i.e., in accord with the industry standard, a Client should never suffer a loss as a result of a trade error).

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### **Item 13: Review of Accounts**

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#### **Managed Accounts Service**

Client accounts placed into the Retail Managed Account Services are reviewed via proprietary algorithms run through the Software Platform and/or other trading systems and advisory platform tools provided to NextCapital Advisers by Pershing.

NextCapital Advisers personnel oversee these outputs, and, as applicable, the personnel of an Institution. During these reviews, NextCapital Advisers' algorithms, or those provided to NextCapital Advisers by an Institution, consider the information and risk profile provided by each Client, including individual goals (financial and otherwise), current financial status, investment objectives, and risk preference. Algorithms run through the Software Platform and/or other third party systems also take into account overall market movement, significant changes to one or more of the Funds comprising a Client account, or changes in the applicable Client's life circumstances (to the extent the Client or the Client's Institution reports such changes to NextCapital Advisers).

Algorithms run through the Software Platform will also rely upon, as applicable, information received from Client's Held-Away accounts. When dispensing recommendations or undertaking actions on behalf of a Client account, NextCapital Advisers will rely upon the most recently available information from these Held-Away accounts, even though the information could be out-of-date. Thus, it is important for Clients to continually ensure the integrity and accuracy of Held-Away account sources.

### **Reviewing and Adjusting Client Investment Recommendations**

Client accounts utilizing Retirement Goal-based advice are reviewed at least annually and pursuant to a periodicity determined by NextCapital Advisers or the Client's Institution or Plan. The Client, their Institution, or Plan can also update Retirement Goal-based advice at any time (as applicable and enabled) via the Software Platform by submitting changes to the Client's Retirement Goal profile and objective. Similarly, for General Investing Risk-based advice (Retail Managed Account Services Only), the Client or their Institution can update Client advice at any time by updating responses to the General Investing questionnaire through the Software Platform. Client accounts will also be reviewed and adjusted in those instances where a Client account is identified to fall outside of the Advice Range outlined in *Item 8: Methods of Analysis, Investment Strategies and Risk of Loss*.

In providing the Managed Account Services, and as previously stated, NextCapital Advisers relies on data directly provided by Clients, and, as applicable, Record-Kept Data to inform Client investment goals through the Software Platform. As such, if NextCapital Advisers were provided with inaccurate or false information, the quality and applicability of the Managed Account Services will be materially impacted.

### **Reviewing and Re-Balancing Client Asset Allocations**

NextCapital Advisers' algorithms monitor managed asset allocations pursuant to thresholds and periodicities established by the Client's Institution, NextCapital Advisers' Investment Committee, or, as applicable, a Client's Program Sponsor or Plan (Workplace Managed Account Services).

NextCapital Advisers has discretion to re-balance Client assets in order to meet target asset allocations within established thresholds. Should a Client's target allocation fall outside established thresholds, NextCapital Advisers will re-balance Client assets to a level within established thresholds. It should be noted, however, that there may be situations where a Client portfolio may fall outside of an established threshold, including, but not limited to, periods of extraordinary stock or bond market volatility or disruptions, disorderly market conditions, significant order imbalances, stock exchange outages, inordinate bid/ask spreads, inefficient function of price discovery mechanisms, stock exchange circuit breakers being activated, pricing discrepancies, disruptions of Treasury, Interest Rate or Credit markets, and limited and/or deteriorating liquidity.

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

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

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**Item 15:  
Custody**

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**Retail Managed Accounts**

NextCapital Advisers does not maintain physical custody of any Retail Client assets. NextCapital Advisers is deemed to have custody over Client assets where the Client authorizes an Institution or NextCapital Advisers (as the Institution's authorized agent) to deduct the Institutional Fees, including NextCapital Advisers' negotiated portion of the same, directly from the Client account. Client assets and Client accounts are held in the name of the applicable Client and are maintained in the custody of the Broker, who shall be a "Qualified Custodian" as defined by SEC Rule 206(4)-2. Clients will receive periodic statements from the Broker. NextCapital Advisers urges each Client to carefully review account statements received from the Broker and compare such official custodial records to any account statements provided by the Client's Institution or, as applicable, NextCapital Advisers. Account statements provided by the Institution or NextCapital Advisers may vary from the Broker's statements based on accounting procedures, reporting dates, or valuation methodologies of certain Funds or other instruments.

**Workplace Managed Accounts**

NextCapital Advisers does not maintain physical custody of any Workplace Client assets. NextCapital Advisers also does not deduct Workplace Fees. Workplace Fees are deducted through a recordkeeper determined by each Plan.

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**Item 16:  
Investment Discretion**

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**Managed Account Services - Retail and Workplace**

The level of investment discretion exercised by NextCapital Advisers varies by the Retail or Managed Account Service arrangement NextCapital Advisers has in place with an Institution, Program Sponsor or Plan. In order to act with discretionary authority, NextCapital Advisers must receive express discretionary authority either directly from a Client or through the applicable Plan or Plan Sponsor. Receipt of discretionary authority must be evidenced by an investment advisory agreement (or equivalent) or, for Workplace Managed Account Services, a Plan Sponsor Agreement.

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**Item 17:  
Voting Client Securities**

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**Retail Managed Accounts Services**

NextCapital Advisers is typically granted proxy-voting responsibility by an Institution, unless the Institution or a Client elects to opt-out from such voting arrangement. Where NextCapital Advisers has proxy-voting responsibility, NextCapital Advisers will instruct the voting of proxies as a fiduciary.

Proxies are an asset of a Client, and therefore should be treated with the same care, diligence, and loyalty as any other asset belonging to a Client. Given the complexity of issues that may be raised in connection with proxy voting, NextCapital Advisers has enlisted a third-party research firm, Egan-Jones, to provide guidelines on how to vote proxies in the best interests of Clients. NextCapital Advisers' Investment Committee has adopted and implemented Proxy Voting Policies and Procedures that take into consideration Egan-Jones recommendations, however, ultimate proxy voting decision-making shall be independently determined by the Investment Committee. NextCapital Advisers' Investment Committee reviews these guidelines annually. NextCapital Advisers' Proxy voting history will be made available to any Client upon request. Requests can be made to: [compliance@nextcapital.com](mailto:compliance@nextcapital.com)

NextCapital Advisers has enlisted Broadridge Financial Solutions to assist in the coordination and voting of proxies. This service includes timely delivery of meeting and record date information, proxy analysis through an electronic, web-based, vote execution platform, and detailed record-keeping of NextCapital Advisers' proxy voting.

## **Workplace Managed Account Services**

NextCapital Advisers will not vote proxies on behalf of Clients / Plan Participants as part of its Workplace Managed Account Services.

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

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NextCapital Advisers does not require or solicit prepayment of more than \$1,200 in fees per Client (six months or more in advance), and, therefore, no financial information is required to be provided by NextCapital Advisers. NextCapital Advisers has no financial commitment that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to Clients, and NextCapital Advisers has not been the subject of a bankruptcy.



## **Firm Brochure Supplement**

**of**

**NEXTCAPITAL ADVISERS, INC.**

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March 25, 2020

**This Brochure Supplement provides information about certain NextCapital Advisers, Inc., ("NextCapital Advisers") employees that supplements the NextCapital Advisers ADV Part 2A Firm Brochure you should have received. Please contact NextCapital Advisers at (312) 741-1497 or [compliance@nextcapital.com](mailto:compliance@nextcapital.com) if you did not receive NextCapital Advisers' Firm Brochure or if you have any questions about the contents of this Brochure Supplement. Additional information about NextCapital Advisers is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**NextCapital Advisers' investment advice is provided by a team comprised of more than five Supervised Persons. NextCapital Advisers has provided supplementary information below for the Supervised Persons with the most significant responsibility for the day-to-day advice provided to clients.**

*NextCapital Advisers, Inc. CRD# 173996*



## **Dirk Quayle, CFA**

Born 1963

### Education

BBA, Finance, University of Iowa 1985

CFA, CFA Institute, 1992

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

### Business Background

1986-1989 AVP, Sumitomo Bank LTD.

1989-1997 Director, VP., Deutsche Bank AG.

1997-2014 President, Business Logic Corp.

2014-present President, NextCapital Advisers, Inc. and President, NextCapital Group

### Disciplinary Information

None

### Other Business Activity

None

### Additional Compensation

None

### Supervision

Mr. Quayle is supervised by John Patterson, CEO and Chairman of NextCapital Group pursuant to NextCapital's policies and procedures.

## **Robert Foregger**

Born 1968

### Education

BS, Business Administration, University of Vermont 1990

**Business Background**

1991-1995 Senior Product Manager, Blanchard Funds.  
1995-1997 Senior Product Manager, Signet Financial Services  
1998-2007 COO, EverBank.com and Chief Strategy Officer, EverBank Financial Corporation.  
2007-2008 President, Fidelity Investments Personal Trust Co. and SVP, Fidelity Investments.  
2009-2011 Chief Strategy Officer, Personal Capital Corporation  
2013-present Executive Vice President, NextCapital Advisers, Inc. and Executive Vice President, NextCapital Group

**Disciplinary Information**

None

**Other Business Activity**

Board Member, Ursa Major Corporation

**Additional Compensation**

None

**Supervision**

Mr. Foregger is supervised by John Patterson, CEO and Chairman of NextCapital Group pursuant to NextCapital's policies and procedures.

**David Slusarski**

Born 1974

**Education**

BBA, Finance, Loyola University of Chicago 1999

**Business Background**

1999-2001 AVP Risk Management, TD Waterhouse, Inc.  
2001-2008 Group Manager, Trading & Trade Operations, Fisher Investments, Inc.  
2009-2013 Principal, Client & Portfolio Operations, Structural Investment Management LLC  
2013-2015 Independent Financial Consultant  
2015-2017 Chief Compliance Officer, NextCapital Advisers, Inc.  
2015-2018 Director, Portfolio Operations, NextCapital Advisers, Inc.  
2018-present Vice President, Portfolio Operations, NextCapital Advisers, Inc.

**Disciplinary Information**

None

Other Business Activity

None

Additional Compensation

None

Supervision

Mr. Slusarski is supervised by Mr. Quayle pursuant to NextCapital's policies and procedures.

**Tristan Linke**

Born 1985

Education

B.A. (Hons.) in European Business with Distinction, Finance, DCU Business School, 2010

Diplom-Betriebswirt in Diplom-Betriebswirt in Europäischer Betriebswirtschaft Distinction (German M.Sc. equivalent), Management, Economics and Finance, ESB Business School, 2010

M.Sc., Quantitative Finance with Distinction, Financial Econometrics, Lancaster University, 2011

Visiting Ph.D. candidate, Finance, Faculty of Business & Economics, University of Amsterdam, 2015

Ph.D., Finance, Financial Econometrics, Lancaster University Management School, 2011-2016

Business Background

2007 Summer Analyst, Lehman Brothers International, Zürich, Switzerland

2007-2008 Analyst M&A, Helbling Corporate Finance AG, Helbling Group, Zürich, Switzerland

2009 Analyst, Credit Suisse Analyst Investment Banking, Zürich, Switzerland

2012-2016 Teaching Associate, Dept. of Accounting and Finance, Lancaster University

2016-2017 Senior Analyst, NextCapital Advisers, Inc.

2017-2019 Director, Research, NextCapital Advisers, Inc.

2019-Present (Outside) Vice President, Advice Research and Methodology

Disciplinary Information

None

Other Business Activity

None

Additional Compensation

None

Supervision

Mr. Linke is supervised by Mr. Quayle pursuant to NextCapital's policies and procedures.