

# Kastel Capital Advisors, LLC

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Kastel Capital Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (508) 479-0632 or by email at: [drasko.kovrlja@gmail.com](mailto:drasko.kovrlja@gmail.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Kastel Capital Advisors, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Kastel Capital Advisors, LLC's CRD number is: 226520.*

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

Version Date: 4/16/2020

## **Item 2: Material Changes**

The material changes in this brochure from the last annual updating amendment of Kastel Capital Advisors, LLC. Material changes relate to Kastel Capital Advisors, LLC policies, practices or conflicts of interests.

- The firm has updated Item 10.C to disclose Neil Graham Mcinnis' outside business activities.

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

Kastel Capital Advisors, LLC (hereinafter "KCAL") is a Limited Liability Company organized in the State of Massachusetts.

The firm was formed in April 2015, and the principal owner is Drasko Kovrlija.

### B. Types of Advisory Services

#### *Portfolio Assessment Services*

Includes a review of a prospective client's existing portfolio. The review would center on cost, performance and suitability issues of current portfolio and possible considerations for improvement.

#### *Investment Policy Statement Services*

Includes the creation of a comprehensive investment plan involving identification of a prospective client's goals, objectives, risk tolerance, investment horizon, and a strategic portfolio allocation as well as a tactical implementation plan.

#### *Portfolio Management Services*

KCAL offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. KCAL creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels). Portfolio management services include, but are not limited to, the following:

- |                       |                                |
|-----------------------|--------------------------------|
| • Investment strategy | • Personal investment policy   |
| • Asset allocation    | • Asset selection              |
| • Risk tolerance      | • Regular portfolio monitoring |

KCAL evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. KCAL will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

KCAL seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of KCAL's economic, investment or other financial interests. To meet its fiduciary obligations, KCAL attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, KCAL's policy is to

seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is KCAL's policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent among its clients on a fair and equitable basis over time.

### ***Comprehensive Wealth Management Services***

KCAL offers comprehensive wealth management services, which includes financial planning services in addition to the investment and portfolio management services described above. Depending on the needs of the client, the additional services may include, but are not limited to: life insurance, tax concerns, retirement planning, college planning, estate and debt/credit planning. As part of its comprehensive service, KCAL may create a financial plan for the client and update the plan on an on-going basis.

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

KCAL generally limits its investment advice to mutual funds, fixed income securities, real estate funds (including REITs), equities, ETFs (including ETFs in the gold and precious metal sectors), treasury inflation protected/inflation linked bonds and non-U.S. securities. KCAL may use other securities as well to help diversify a portfolio when applicable.

### ***Retirement Plan Advisory Services***

KCAL offers advisory services to business retirement plans (e.g. 401(k), 403(b), etc.). In particular, KCAL provides non-discretionary 3(21) investment advice about investment options including qualified default investment alternative and assists clients in creating investment policy statements for their plan. Additionally, KCAL can also assist in plan participant education, group enrollment meetings, and ongoing monitoring of investment performance and suitability.

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

KCAL offers the same suite of services to all of its clients. However, specific client investment strategies and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels). Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent KCAL from properly servicing the client account, or if the restrictions would require KCAL to deviate from its standard suite of services, KCAL reserves the right to end the relationship.

## **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and other administrative fees. KCAL does not participate in any wrap fee programs.

## **E. Assets Under Management**

KCAL has the following assets under management:

<b>Discretionary Amounts:</b>	<b>Non-discretionary Amounts:</b>	<b>Date Calculated:</b>
149,909,777	15,204,257	January 3, 2020

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

### **A. Fee Schedule**

#### ***Fees for Portfolio Assessment Services***

The hourly fee for this service is \$275 per hour with a \$2,000 maximum. The fees are negotiable, and the final fee schedule will be attached as Exhibit II of the Investment Advisory Contract.

#### ***Fees for Investment Policy Statement Services***

The hourly fee for this service is \$275 per hour with a \$4,000 maximum. The fees are negotiable, and the final fee schedule will be attached as Exhibit II of the Investment Advisory Contract.

Should a client decide to retain KCAL for ongoing wealth management or investment/portfolio management services following the completion of either Portfolio Assessment or Investment Policy Statement (or both) any of the above fees will be credited to the client's quarterly asset management fees.

#### ***Tiered Asset-Based Fees for Portfolio Management Services***

<b>Total Assets Under Management</b>	<b>Annual Fee</b>
First \$1,000,000	0.75%
\$1,000,001 – \$2,000,000	0.65%
\$2,000,001 - \$3,000,000	0.55%
Maximum Annual Fee (2020)	\$15,000



### ***Flat Asset-Based Fees for Comprehensive Wealth Management Services***

<b>Total Assets Under Management</b>	<b>Annual Fee</b>
Up to \$500,000	1.00%
\$500,001 - \$1,000,000	0.90%
\$1,000,001 - \$2,000,000	0.85%
\$2,000,001 - \$5,000,000	0.80%
Over \$5,000,000	0.70%

Lower fees for comparable services may be available from other sources.

These fees are generally negotiable, and the final fee schedule is included in the Investment Advisory Contract.

KCAL will negotiate fixed fees with clients if the level of services provided differs from what KCAL traditionally does in a full discretionary portfolio management context. For example, if client only wants oversight/guidance but is willing to do everything themselves in a non-discretionary, self-directed way, KCAL may negotiate an appropriate fee. Additionally, if a client portfolio size is disproportionately large such that charging asset fees would result in fees that are disproportionately high, KCAL will negotiate a fixed annual fee. The maximum fees never exceed 1%.

Clients may terminate the agreement without penalty for a full refund of KCAL's fees within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract generally with 10 days' written notice.

### ***Retirement Plan Advisory Services Fees***

<b>Total Assets Under Management</b>	<b>Annual Fee</b>
Less than \$5,000,000	0.25%
\$5,000,000 - \$10,000,000	0.20%
\$10,000,000 – And up	0.15%

KCAL uses the value of the account as of the last business day of the billing period, after taking into account deposits and withdrawals, for purposes of determining the market value of the assets upon which the advisory fee is based.

KCAL will not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of Client.

## **B. Payment of Fees**

### ***Payment of Portfolio Assessment Services Fees***

Hourly Portfolio Assessment/Review fees are paid by check upon completion.

### ***Payment of Investment Policy Statement Services Fees***

Hourly Investment Policy Statement fees are paid by check upon completion.

### ***Payment of Asset-Based Wealth Management Fees***

Asset-based wealth management fees are withdrawn directly from the client's accounts with client's written authorization on a quarterly basis or may be invoiced and billed directly to the client on a quarterly basis. Clients may select the method in which they are billed. Fees may be paid in arrears or in advance and will be indicated in the Investment Advisory Contract.

### ***Payment of Asset-Based Retirement Plan Advisory Fees***

Asset-based retirement plan advisory fees are withdrawn directly from the client's accounts with client's written authorization on a quarterly basis or may be invoiced and billed directly to the client on a quarterly basis. Clients may select the method in which they are billed. Fees are paid in arrears.

## **C. Client Responsibility For Third Party Fees**

Clients are responsible for the payment of all third-party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by KCAL. Please see Item 12 of this brochure regarding broker-dealer/custodian.

## **D. Prepayment of Fees**

Refunds for fees paid in advance will be returned within fourteen days to the client via check or return deposit back into the client's account.

For all asset-based fees paid in advance, the fee refunded will be equal to the balance of the fees collected in advance minus the daily rate\* times the number of days elapsed in the billing period up to and including the day of termination. (\*The daily rate is calculated by dividing the annual asset-based fee by 365.)

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

Neither KCAL nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

KCAL does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

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

KCAL generally provides advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Institutions
- ❖ Business Retirement Plans

### ***Minimum Account Size for Portfolio Management***

There is an account minimum of \$250,000, which may be waived by KCAL in its discretion.

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

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

#### ***Methods of Analysis***

KCAL's methods of analysis include charting analysis, fundamental analysis, technical analysis and quantitative analysis.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Technical analysis** involves the analysis of past market data; primarily price and volume.

**Quantitative analysis** deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

### ***Investment Strategies***

KCAL primarily uses long-term investing with selective short-term trading under certain conditions. KCAL typically does not employ short sales, margin transactions and options trading (including covered options, uncovered options, or spreading strategies).

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

## **B. Material Risks Involved**

### ***Methods of Analysis***

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not take into account new patterns that emerge over time.

**Quantitative Model Risk:** Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

### ***Investment Strategies***

Clients should be aware that there is a material risk of loss using any investing or trading strategies.

**Long-term investing** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the

investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short-term trading** risks include liquidity, economic stability, and inflation, in addition to the long-term investing risks listed above. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

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

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

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond “fixed income” nature (lower risk) or stock “equity” nature.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best-known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the

possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

**Real Estate** funds (including REITs) face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

**Non-U.S. securities** present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

Please note that disciplinary history of KCAL and its representatives can be obtained from the Massachusetts Securities Division | (617) 727-3548 | [www.sec.state.ma.us/sct](http://www.sec.state.ma.us/sct)

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

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

Neither KCAL nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

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

Neither KCAL nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

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

Drasko occasionally provides information about markets, investing, and financial planning on Kastel's website (<https://www.kastelcapital.com>) and social media (Twitter: @KastelCapital and @NoanetTrader). KCAL always acts in the best interest of the client and clients are in no way required to the services of any representative of KCAL in connection with such individual's activities outside of KCAL.

Neil Graham Mcinnis is a licensed insurance agent. From time to time, he will offer clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. Kastel Capital Advisors, LLC always acts in the best interest of the client, including the sale of commissionable products to advisory clients. Clients always have the right to decide whether or not to utilize the services of any Kastel Capital Advisors, LLC representative in such individual's outside capacities.

Neil Graham Mcinnis is an investment adviser representative and owner of McInnis Financial & Insurance Brokerage Inc. From time to time, he may offer clients advice or products from those activities and clients should be aware that these services may involve a conflict of interest. Kastel Capital Advisors, LLC always acts in the best interest of the client and clients always have the right to decide whether or not to utilize the services of any representative of Kastel Capital Advisors, LLC in such individual's outside capacities.

Matthew Vassar Pierce is an investment adviser representative with another firm. From time to time, he will offer clients advice or products from this activity. Kastel Capital Advisors, LLC always acts in the best interest of the client. Clients are in no way required



to utilize the services of any representative of Kastel Capital Advisors, LLC in such individual's outside capacity.

Matthew Vassar Pierce is the treasurer of a small number of private realty companies or non-profit organizations.

William Blair Reeve is an investment adviser representative with Island Light Capital, Inc.. From time to time, he may offer clients advice or products from those activities and clients should be aware that these services may involve a conflict of interest. Kastel Capital Advisors, LLC always acts in the best interest of the client and clients always have the right to decide whether or not to utilize the services of any representative of Kastel Capital Advisors, LLC in such individual's outside capacities.

William Blair Reeve is also a partner of an accounting firm which specializes in tax planning and tax preparation.

All material conflicts of interest under California Code of Regulations Section 260.238(k) are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

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

KCAL does not utilize nor select third-party investment advisers. All assets are managed by KCAL management.

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

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

KCAL has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. KCAL's Code of Ethics is available free upon request to any client or prospective client.

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

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

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

From time to time, representatives of KCAL may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of KCAL to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. KCAL will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

## **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of KCAL may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of KCAL to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, KCAL will never engage in trading that operates to the client's disadvantage if representatives of KCAL buy or sell securities at or around the same time as clients.

# **Item 12: Brokerage Practices**

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

Custodians/broker-dealers will be recommended based on KCAL's duty to seek "best execution," which is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. Clients will not necessarily pay the lowest commission or commission equivalent, and KCAL may also consider the market expertise and research access provided by the broker-dealer/custodian, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers that may aid in KCAL's research efforts. KCAL will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian.

For clients on whose behalf KCAL manages long-term diversified portfolios KCAL recommends Vanguard Group as a custodian and broker/dealer.

For clients on whose behalf KCAL manages a short-term discretionary trading strategy KCAL recommends Fidelity Brokerage Services LLC (CRD# 7784) as a custodian and broker/dealer.

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

While KCAL has no formal soft dollars program in which soft dollars are used to pay for third party services, KCAL may receive research, products, or other services from custodians and broker-dealers in connection with client securities transactions ("soft dollar benefits"). KCAL may enter into soft-dollar arrangements consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will benefit from soft dollar research, whether or not the client's transactions paid for it, and KCAL does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. KCAL benefits by not having to produce or pay for the research, products or services, and KCAL will have an incentive to recommend a broker-dealer based on receiving research or services. Clients should be aware that KCAL's acceptance of soft dollar benefits may result in higher commissions charged to the client.

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

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

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

KCAL may permit clients to direct it to execute transactions through a specified broker-dealer. If a client directs brokerage, then the client will be required to acknowledge in writing that the client's direction with respect to the use of brokers supersedes any authority granted to KCAL to select brokers; this direction may result in higher commissions, which may result in a disparity between free and directed accounts; and trades for the client and other directed accounts may be executed after trades for free accounts, which may result in less favorable prices, particularly for illiquid securities or during volatile market conditions. Not all investment advisers allow their clients to direct brokerage.

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

If KCAL buys or sells the same securities on behalf of more than one client, it might, but would be under no obligation to, aggregate or bunch, to the extent permitted by applicable

law and regulations, the securities to be purchased or sold for multiple Clients in order to seek more favorable prices, lower brokerage commissions or more efficient execution. In such case, KCAL would place an aggregate order with the broker on behalf of all such clients in order to ensure fairness for all clients; provided, however, that trades would be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy. KCAL would determine the appropriate number of shares to place with brokers and will select the appropriate brokers consistent with KCAL's duty to seek best execution, except for those accounts with specific brokerage direction (if any).

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

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

All client accounts for KCAL's advisory services provided on an ongoing basis are reviewed at least annually by a designated investment advisory representative with regard to clients' respective investment policies and risk tolerance levels.

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

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

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

Each client of KCAL's advisory services provided on an ongoing basis will receive a quarterly report detailing the client's account, including assets held, asset value, and calculation of fees.

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

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

KCAL does not receive any economic benefit, directly or indirectly from any third party for advice rendered to KCAL's clients.

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

KCAL may, via written arrangement, retain third parties to act as solicitors for KCAL's investment management services. All compensation with respect to the foregoing will be fully disclosed to each client to the extent required by applicable law. KCAL will ensure each solicitor is properly registered in all appropriate jurisdictions.

KCAL will ensure that the compensated person will be properly registered as a solicitor and follow CCR 260.236(c)(2) requirements.

### **Item 15: Custody**

When it deducts fees directly from client accounts at a selected custodian, KCAL will be deemed to have limited custody of client's assets and must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

### **Item 16: Investment Discretion**

KCAL provides discretionary investment advisory services to individual, high-net-worth, and institutional clients and non-discretionary 3(21) advisory services to retirement plan clients. The Investment Advisory Contract established with each client sets forth the discretionary authority for trading. Where investment discretion has been granted, KCAL generally manages the client's account and makes investment decisions without consultation with the client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, what securities to buy or sell, or the price per share.

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

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

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

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

KCAL neither requires nor solicits prepayment of more than \$500 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

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

Neither KCAL nor its management has any financial condition that is likely to reasonably impair KCAL's ability to meet contractual commitments to clients.

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

KCAL has not been the subject of a bankruptcy petition in the last ten years.