

## Item 1 – Cover Page

### **ADV Part 2A**

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December 31, 2020

This Brochure provides information about the qualifications and business practices of Core Alternative Capital, LLC. If you have any questions about the contents of this Brochure, please contact us at DP@corealtcapital.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.

Core Alternative Capital, LLC is an SEC registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Core Alternative Capital, LLC is available on the SEC's website at [www.adviserinfo@sec.gov](http://www.adviserinfo@sec.gov).

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## **Item 2 – Material Changes**

CAC will provide you with a new Brochure, as necessary, based on changes or new information, at any time, without charge.

Additional information about CAC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 4 – Advisory Business**

Core Alternative Capital, LLC (“CAC”) was organized in March of 2019 to provide investment advisory services to Separately Managed Accounts, Exchange Traded Funds (“ETFs”) and Sub-Advised relationships. David Pursell is the majority owner of the firm.

CAC provides investment advice and management to separately managed accounts. Any separately managed account that CAC manages (excluding the Funds) are referred to in this brochure as “Separate Accounts.” The services that CAC provides to Separate Accounts include initial advice regarding, and ongoing monitoring of, a Separate Account’s asset allocation, general investment consulting and active management of securities portfolios for that account.

CAC may tailor its services to the individual needs of Separate Accounts, but generally manages each such account according to the strategy selected by the client.

CAC may provide Sub-Advisory services to institutional clients. This will be pursuant to a written agreement. CAC may provide an options-overlay component for these accounts. David Pursell shall serve as the lead portfolio manager under this arrangement.

CAC invests in and trades securities, consisting principally, but not solely, of equity and equity-related securities (including exchange-traded funds (“ETFs”)) that are traded publicly in U.S. markets and non-U.S. markets on behalf of its clients, but shall be authorized to enter into any type of investment transaction that it deems appropriate under the terms of the client’s account agreement.

Investors in the proposed Core Alternative ETF shall have no opportunity to select or evaluate any fund investments or strategies. CAC shall select all investments and strategies for the fund. CAC shall have sole discretion to determine the securities to be purchased, sold, or exchanged in the separately managed accounts.

As of December 31, 2020, CAC has \$336.7 million in assets under management.

## **Item 5 – Fees and Compensation**

Fees for Separate Accounts are negotiable and may vary but typically charge an annual fee of 0.90% of the net asset value of the Separate Account.

For the Core Alternative ETF, fees are governed pursuant to an advisory agreement between CAC and the Trust. The ETF shall pay CAC an advisory fee at an annualized rate of 1.05%. The fee shall be calculated daily and paid monthly, based on its average daily net assets. Potential investors should review the Fund’s prospectus and

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Statement of Additional Information (“SAI”) for additional information on CAC’s compensation.

For sub-advised funds, CAC shall negotiate a per annum fee with the client that is based on total assets, determined as of the last day of the previous billing quarter. The fee shall vary based on the services required and shall be included in an agreement between the advisor and the sub-advisor.

Accounts that invest in ETFs also pay, indirectly, investment advisory fees to the managers of those funds. CAC believes that its fees are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees.

Except as may be otherwise negotiated in particular cases, a Separate Account client may terminate its account at any time on written notice to CAC. In all cases, expenses, and the pro rata portion of the management fee through the date of termination are charged to the account. All prepaid but unearned advisory fees are refunded on termination of a client’s account. Each account is responsible for its own costs and expenses, including trading costs and expenses (such as brokerage commissions, expenses related to short sales, and clearing and settlement charges), ongoing legal, accounting, and bookkeeping fees and expenses, and the fees and expenses charged by any fund administrator for its accounting, bookkeeping and other services.

CAC bears its own operating, general, administrative, and overhead costs, and expenses, other than the expenses described above.

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

CAC does not manage accounts that pay performance-based compensation.

### **Item 7 – Types of Investors**

CAC provides investment advice to Exchange Traded Funds and Separate Accounts. The firm generally requires a minimum of \$250,000 to open a Separate Account but may, at its discretion waive this minimum account size. CAC’s Separate Account clients include institutions and other Registered Investment Advisors.

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

### **Investment Strategy**

The firm's investment strategy seeks capital appreciation and capital preservation with a low correlation to the broader U.S. equity market. To achieve this investment objective, CAC uses a combination of several strategies to produce capital appreciation while reducing risk exposure across market conditions. Under normal market conditions, at least 80% of the value of the portfolio assets (plus borrowings for investment purposes) will be invested in equity securities and ETFs.

CAC invests primarily in U.S. equity securities that tend to offer current dividends. The investment team focuses on high-quality companies that have prospects for long-term total returns as a result of their ability to grow earnings and their willingness to increase dividends over time. These stocks typically—but not always—will be large-cap and shall show potential for increasing dividends. The firm seeks to be diversified across industry sectors and regions. Under normal circumstances, the portfolios may sell exchange traded index call options and purchases exchange traded index put options. Writing index call options reduces the volatility of the portfolios, provides steady cash flow and is an important source of the portfolio return, although it also reduces the ability to profit from increases in the value of its equity portfolio.

The portfolios may buy index put options, which can protect the portfolios from a significant market decline that may occur over a short period of time. The value of an index put option generally increases as the prices of the stocks constituting the index decrease and decreases as those stocks increase in price. From time to time, the Chief Investment Officer may reduce the number of put options, resulting in an increased exposure to a market decline. The combination of the diversified stock portfolio, the steady cash flow from the sale of index call options and the downside protection from index put options is intended to provide the portfolios with the majority of the returns associated with equity market investments while exposing investors to less risk than other equity investments.

The portfolios opportunistically invest where option pricing provides favorable risk/reward models and where gains can be attained independent of the direction of the broader U.S. equity market. The investment team uses proprietary models and analysis of historical portfolio profit and loss information to identify favorable option trading opportunities, including favorable call, and put option spreads.

The investment strategy, with respect to both equity investing and options trading, considers fundamental business and macroeconomic factors. However, the portfolios employ discretionary trading models, and outputs from these models influence but do not dictate equity investment and options trading decisions. The portfolios typically rebalance equity holdings on a quarterly basis. The Chief Investment Officer aims to

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preserve capital, particularly in down markets (including major market drawdowns), by using put option spreads as a form of mitigation risk. Option positions are held until either they expire or are liquidated to either capture gains as option expirations approach or to adjust positions to reduce or prevent losses and to take other potentially profitable positions.

## **Risk of Loss**

All investment portfolios are subject to risks. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money. Below is a description of several of the principal risks that client investment portfolios face.

*Management Risks.* While CAC manages client investment portfolios based on CAC's experience, research and proprietary methods, the value of client investment portfolios may change daily based on the performance of the underlying funds and other securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that CAC allocates assets to asset classes that are adversely affected by unanticipated market movements, and the risk that CAC's specific investment choices could underperform their relevant indexes.

*Risks of Investments in Mutual Funds, ETFs and Other Investment Pools.* As described above, CAC may invest client portfolios in mutual funds, ETFs and other investment pools ("pooled investment funds"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940. ETFs trade like a stock, and there will be brokerage commissions associated with buying and selling exchange traded funds. ETFs may trade for less than their net asset value. Investors should consider an ETF's investment objective, risks, charges, and expenses carefully. The prospectus and SAI, which contains this and other important information, should be read carefully before investing.

*Options Risk.* Options transactions as an investment strategy may involve a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by CAC shall be with the intent of offsetting or "hedging" a potential market risk in a client's portfolio. Please Note: Although the intent of the options-related transactions implemented by CAC is to hedge against principal risk, certain of the options-related

strategies may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies.

*Equity Market Risks.* CAC will generally invest portions of client assets directly into equity investments and may utilize pooled investment funds that invest in the stock market. While pooled investments have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

*Fixed Income Risks.* CAC may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

*Foreign Securities Risks.* CAC may invest portions of client assets into pooled investment funds that invest internationally. While foreign investments are important to the diversification of client investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices, or requirements comparable to those found in the U.S. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments may involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U.S. dollar and the security's underlying foreign currency.

The value of the portfolio will fluctuate with the value of the underlying securities.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of CAC or the integrity of CAC's management. CAC has no information applicable to this Item.

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



CAC and related persons are not affiliated with other financial firms and does not have any relationship that would impact clients of CAC.

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

CAC has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its investors. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, and personal securities trading procedures, among other things. All supervised persons at CAC must acknowledge the terms of the Code of Ethics annually, or as amended.

CAC may recommend to clients, directly or indirectly, securities where a related person has a position of interest. In the event this situation arises, CAC's employees and persons associated with CAC are required to follow the Code of Ethics. The Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of the employees of CAC will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination these would materially not interfere with the best interest of CAC's clients. The Code requires pre-clearance of private transactions. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between CAC and its clients.

It is CAC's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. CAC will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

Because CAC manages more than one account, there may be conflicts of interest over its time devoted to managing any one account and allocating investment opportunities among all accounts it manages. For example, CAC selects investments for each client based solely on investment considerations for that client. Different clients may have differing investment strategies and expected levels of trading. CAC may buy or sell a security for one type of client but not for another or may buy (or sell) a security for one type of client while simultaneously selling (or buying) the same security for another type of client. CAC attempts to resolve all such conflicts in a manner that is generally fair to all its clients. CAC may give advice to, and take action on behalf of, any of its clients that differs from the advice that it gives or the timing or nature of action that it

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takes on behalf of any other client so long as it is CAC's policy, to the extent practicable, to allocate investment opportunities to its clients fairly and equitably over time. CAC is not obligated to acquire for any account any security that CAC or its supervised persons or employees may acquire for its or their own accounts or for any other client, if in CAC's absolute discretion; it is not practical or desirable to acquire a position in such security for that account.

CAC's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting David Pursell at [dp@corealtcapital.com](mailto:dp@corealtcapital.com).

### **Item 12 – Brokerage Practices**

CAC will be authorized to buy and sell securities, to place portfolio transactions with securities brokers-dealers, and to negotiate the terms of such transactions, including brokerage commissions on brokerage transactions.

The primary responsibility regarding portfolio transactions is to seek the best combination of price and execution. When executing transactions, CAC considers all factors it deems relevant, including breadth in the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer and reasonableness of the commission. Transactions in the over-the-counter market are executed with primary market makers acting as principal except where it is believed better prices or execution may be obtained elsewhere.

In selecting brokers or dealers to execute particular transactions and in evaluating the best net price and execution available, CAC is authorized to consider "brokerage and research services" (as those terms are described in section 28(e) of the Securities and Exchange Act of 1934) and other information provided. Where more than one broker is believed to be capable of providing the best combination of price and execution, CAC may select a broker that provides it with research reports provided by the broker or a third party, market forecasts, news services, subscriptions to financial publications, compilations of security prices, earnings, dividends and similar data and analytical software used in the investment evaluation and decision process.

#### **Soft Dollars**

CAC will be authorized to pay a broker or dealer who provides such brokerage and research services a commission for executing a portfolio transaction which is in excess of the amount of commission another broker or dealer would have charged ("soft dollars"). CAC must determine in good faith that such commission was reasonable in relation to the value of the brokerage and research services provided, viewed in terms of that particular transaction or over all discretionary accounts.

When using client brokerage commissions to obtain research or other products or services, CAC may receive a benefit because it does not have to produce or pay for the research, products, or services with cash. Soft dollar benefits are not limited to those

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clients who may have generated a particular benefit although certain soft dollar allocations are connected to particular clients or groups of clients.

CAC did not acquire products or services with soft dollars in the last fiscal year and does not expect to use soft dollars in the future.

### **Directed Brokerage**

A client may direct CAC (subject to certain conditions that may be imposed from time to time by CAC) to effect portfolio transactions through a particular broker or dealer. A direction to utilize a particular broker or dealer may be conditioned by the client on the broker or dealer being competitive or at a specified level of commissions or commission discounts which are less favorable than might otherwise be attained by CAC. In the case of such a “restricted” designation, CAC will generally execute transactions through the designated broker. Sometimes clients wish to restrict brokerage to a particular broker or dealer in recognition of custodial services or other services (including, in some cases, referral of the client to CAC for investment advisory services) provided to the client by the broker or dealer.

A client who chooses to designate the use of a particular broker or dealer on a “restricted” basis, including a client who designates use of a broker or dealer as custodian of the client’s assets, should consider whether such use may result in certain costs or disadvantages to the client, either because the client may pay higher commissions on some transactions that might otherwise be attainable by CAC, or may receive less favorable execution on some transactions or both. A client who “restricts” brokerage may be subjected to the disadvantages discussed below in Trade Aggregation. In determining whether to instruct CAC to utilize a specific broker or dealer in recognition of such services, the client may wish to compare the possible costs or disadvantages of such an arrangement with the value of the custodial or other services provided.

### **Trade Aggregation**

CAC generally aggregates orders for client accounts with trades of other client accounts to seek a lower commission or more advantageous net price. All accounts will participate in a block trade, except if an account’s risk tolerance, restrictions, tax situation, cash availability or needs would preclude participation, if CAC determines in good faith that participation in the block trade would not be in the client’s best interest. If CAC is not able to include an order for an account into an aggregated trade CAC might still transact for the account in the same security that day through a different broker-dealer, which may cause that account to have a different price and execution cost on that same security. CAC may reallocate securities from a block trade to an account not participating in a block trade that would otherwise be eligible to participate in the trade due to unexpected circumstances.

Shares purchased and sold in aggregated orders for participating accounts are allocated pro-rata among participating accounts based on the order size of each participating client. All participating accounts receive the average price for all

transactions executed for that order during the day, and all such accounts share commissions and other transaction costs on a pro-rata basis. For unfilled orders, participating clients are allocated securities on a pro-rata basis before the end of that day.

### **Item 13 – Review of Accounts**

All portfolios are monitored by the Chief Investment Officer on a regular basis for performance, outlook and suitability based on client objectives. Account reviews with clients may be quarterly, annually, or ad hoc, as requested by the client. Clients receive a written review of current investment holdings, realized and unrealized gains and losses, investment income and investment performance on a monthly basis from their custodian.

### **Item 14 – Investor Referrals and Other Compensation**

CAC does not use the services of unaffiliated solicitors.

### **Item 15 – Custody**

The custodian of each Separate Account sends account statements at least quarterly to the client. Under government regulations, CAC is deemed to have custody of client assets if, for example, clients authorize CAC to deduct any advisory fees directly from a client's account. The custodian maintains actual custody of client assets. Clients will receive account statements directly from their custodian at least quarterly. Clients should carefully review those statements promptly. CAC periodically reviews the effectiveness of its custody controls.

### **Item 16 – Investment Discretion**

CAC has discretionary authority to manage investment accounts on behalf of clients pursuant to being granted a limited power of attorney in each investment agreement. CAC has discretion to select the identity and amount of securities to be bought or sold. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client.

### **Item 17 – Voting Investor Securities**

The client shall be responsible for voting proxies, unless CAC agrees in writing to vote proxies on behalf of the client. Should CAC agree to vote proxies, it shall be CAC's general policy to vote proxies consistent with the recommendation of the senior management of the issuer. If a conflict of interest is identified, the client will be contacted to provide guidance on voting the proxy in an appropriate manner. CAC shall monitor corporate actions of individual issuers and investment companies consistent with CAC's fiduciary duty to vote proxies in the best interests of its clients. With respect to individual issuers, CAC may be solicited to vote on matters including corporate governance, adoption, or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), CAC may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. CAC shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2(c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how CAC voted on any specific proxy issue is also available upon request.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about CAC's financial condition. CAC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding. CAC does not have discretionary authority or custody of client funds or securities or require or solicit prepayment of more than \$500 in fees per client six months in advance.