



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

March 29, 2021

AZA Capital Management  
141 W. Jackson Blvd., Ste. 3636  
Chicago, IL 60604

**[www.azacapital.com](http://www.azacapital.com)**

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We appreciate your interest in our firm. This brochure provides information about the qualifications and business practices of AZA Capital Management (“Adviser” or “AZA” or “we”). If you have any questions about the contents of this brochure, please contact us by phone at 312-429-0880 or by email at [www.azacapital.com/contact](http://www.azacapital.com/contact). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about AZA Capital Management is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

AZA Capital Management is registered as an investment adviser with the SEC. Our registration as an investment adviser does not imply any level of skill or training. We welcome the opportunity to talk with you in more detail about our firm and your specific investment goals.

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### ITEM 2 – MATERIAL CHANGES

There have been no material changes made to this brochure since the last annual update filed March 30, 2020.

When applicable we will deliver a summary of material changes to existing clients within 120 days of the close of AZA's fiscal year. Clients wishing to receive a full copy of the current brochure may request one at no charge by contacting us by phone at 312-429-0880 or by email at [www.azacapital.com/contact](http://www.azacapital.com/contact).

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### ITEM 4 – ADVISORY BUSINESS

#### A. General Description of Advisory Firm

AZA Capital Management (“Adviser” or “AZA” or “we”) is a boutique, federally registered investment advisor specializing in building custom portfolios designed to adjust for changing market conditions. We strive to help long-term investors stay within their comfort zone while pursuing opportunities as markets cycle up and down.

AZA was formed in 1997 as a corporation and is owned entirely by its employees. Christopher Recker, Jeffrey Keen, and Michael LaFontaine each own more than 25% of the outstanding common stock of the firm.

AZA’s principal place of business is Chicago, Illinois.

#### B. Description of Advisory Services Offered

We combine quantitative analysis and qualitative research to help our clients target their investment objectives while navigating the long-term changes in market conditions. Our services are tailored to the needs of each client and include, but are not limited to, the following:

##### **Wealth Management**

###### For Individuals and Families

- Risk “comfort zone” identification
- Asset allocation guidance and management
- Investment selection and management
- Financial planning related to savings, retirement, and income
- Performance reporting, market commentary, and education

##### **Asset Management**

###### For Financial Advisors and Their Clients

- Portfolio allocation guidance and management
- Separately managed account strategies
- Strategies provided on third-party TAMP platform
- Market analysis

##### **Employer-Sponsored Retirement Plans**

###### For Businesses and Organizations

- Identify, develop, and implement plan design concepts that best achieve the goals of recruiting and retention, cost efficiency, and participant retirement readiness.

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- Develop/implement policies and procedures to ensure plans meet fiduciary compliance requirements and adhere to fiduciary best practices.
- Screen, select, and monitor investment options

### C. Availability of Tailored Services for Individual Clients

We have the ability to tailor our services and will provide investment advice and management based on each client's specific objectives.

When practical we will accommodate reasonable client restrictions with respect to certain investments, security types, tax considerations, or account features. Certain investment strategies and portfolios may be more accommodating of restrictions than others. As a result, the performance of an account within a particular investment objective may differ from other accounts within that same investment objective. Differences in portfolio composition may be attributable to a variety of factors, including but not limited to, the type of account, specific investment restrictions and guidelines, and the size and frequency of client contributions and withdrawals.

### D. Wrap Fee Programs

AZA currently does not participate in any wrap fee programs.

### E. Assets Under Management

*Calculated as of January 31, 2021*

Discretionary Basis:	\$ 275,463,215
Non-Discretionary Basis:	\$ 6,183,462
Total Assets Under Management:	\$ 281,646,677

## ITEM 5 – FEES AND COMPENSATION

### A. Compensation for Advisory Services

AZA is a "fee-only" investment advisor, which means our remuneration is derived solely from our fees for services provided to clients. We are not affiliated with a brokerage firm and do not receive compensation for the sale of products, such as mutual funds, annuities, or insurance policies.

We charge each client an investment management fee (the "Management Fee") based on the value of the client's assets under management and the services provided. The Management Fee is defined at the outset of the advisory relationship and generally ranges from 0.40% to 1.20% per year depending on the services rendered. In certain circumstances, a flat dollar fee may be utilized instead of a percentage of managed assets. All fees are subject to negotiation, and it is anticipated that such situations may occur with larger, more complex projects and relationships.

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### **B. Payment of Fees to Adviser**

Payment schedules may differ among clients depending on the services provided. The two primary payment schedules are Quarterly, In Advance and Monthly, In Arrears.

#### *Quarterly, In Advance:*

For payment schedules that are quarterly, in advance, the Management Fees are payable at the beginning of each calendar quarter and in advance of services provided.

#### *Monthly, In Arrears:*

For payment schedules that are monthly, in arrears, the Management Fees are payable after the completion of each calendar quarter and after services have been provided.

#### *Additional Information:*

Management Fees rendered for a partial period are calculated on a pro rata basis. AZA normally requires that Management Fees be deducted from a client's managed investment account(s). However, for investment consulting projects and corporate retirement plans, it is customary for clients to be invoiced as services are provided.

Some third-party advisors may access our investment strategies via Axxcess Wealth Management, a turn-key asset management program (TAMP). In such situations, AZA does not handle the billing process, and it may follow a different schedule than AZA's process noted above.

### **C. Other Fees and Expenses**

In addition to paying Management Fees to the Adviser, client accounts will be subject to other investment expenses such as custodial charges, brokerage fees, commissions, and related costs. These may include interest expenses, taxes, transfer and registration fees, foreign exchange transaction fees, wire transfer or electronic fund fees, and other portfolio expenses. Please refer to Item 12 in this brochure for a discussion of AZA's brokerage practices, including factors that we consider when selecting brokers and account custodians.

Additionally, client accounts may be subject to costs, expenses, and fees associated with investment products or services that may be necessary or incidental to an investment account or strategy. Client assets may be invested in mutual funds, exchange-traded funds (ETFs), or other investment vehicles. In such cases, the client will bear its pro rata share of the investment management fee and other fees assessed by the investment vehicle, which are in addition to the investment Management Fee paid to AZA.

All fees paid to AZA for investment advisory services are separate and distinct from the fees and expenses charged by ETFs and mutual funds. These fees and expenses are described in each fund's prospectus and generally include a management fee, shareholder servicing, other fund expenses, and sometimes a distribution fee. If a fund also imposes sales charges, clients may pay an initial or deferred sales charge.

AZA generally limits the utilization of mutual funds in the investment accounts that we manage.

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### **D. Fee Billing and Refunds**

In most circumstances, clients are required to pay Management Fees to AZA quarterly and in advance. AZA calculates Management Fees based on the fair market value of the assets of the account as of the last business day of the prior calendar quarter. AZA prorates its Management Fees for accounts initiated or terminated during a calendar quarter. AZA also prorates its Management Fees for capital contributions made during a calendar quarter and assesses these particular fees in arrears and during our standard billing cycle. If the account is margined, Management Fees will be based on the total value of the underlying securities, rather than on the net equity in the account (unless otherwise negotiated).

The investment advisory agreement may be terminated by the client or AZA at any time upon written notice to the other party. With respect to any unearned fee, the prorated portion will be calculated based on the number of days remaining from the termination date to the end of the calendar quarter. Any prepaid amount due to the client will be returned within 30 days following the close of the quarter in which the termination occurred.

Termination of AZA's agreement shall not affect liabilities or obligations incurred from transactions initiated under our agreement prior to the termination date, such as the purchase of investments by AZA for client's account. Clients are responsible for any cost incurred in transferring assets from their account to a different account and any Management Fees accrued and unpaid at the time of termination. After the termination date, AZA will have no further duties or obligations to the client under our agreement.

### **E. Compensation for the Sale of Securities**

Neither AZA nor the firm's representatives receive any commissions or compensation for the sale of securities or other investment products.

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

AZA currently does not charge performance-based fees (i.e., fees based on a share of capital gains or capital appreciation in a portfolio).

## **ITEM 7 – TYPES OF CLIENTS**

AZA provides investment management and consulting services to individuals and families, other financial advisors and their clients, institutions, corporate pension and profit-sharing plans, employer-sponsored retirement plans, and charitable organizations. AZA generally will require a minimum of \$500,000 of assets under management but may make exceptions in its sole and absolute discretion. Accounts in one household may be combined to meet the minimum. If a client's assets fall below the required minimum due to market fluctuations only, the client will not be required to invest additional funds with the Adviser to meet the minimum.

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

#### A. Methods of Analysis

In general AZA employs quantitative analysis and qualitative research of the U.S. and global economies, financial stress indicators, market valuations and trends, and various types of securities when formulating investment advice and managing assets.

AZA conducts its own research utilizing information from third parties. Information sources include, but are not limited to, the following: (i) financial newspapers and magazines, (ii) research prepared by other organizations, (iii) annual reports, prospectuses, and other SEC filings, and (iv) company press releases, presentations, and other corporate communications. AZA also purchases and reviews information from recognized financial data aggregators.

*All investing involves risk, including the possible loss of principal, and clients should be prepared to bear that loss.*

#### B. Material Risks Relating to Investment Strategies

AZA offers a variety of investment approaches that aim to address a wide range of client needs and objectives. Portfolios generally are tailored to a client's personal goals, investment objectives, risk tolerance, and financial circumstances. The investment strategies most commonly employed by our clients are discussed as follows:

1. DRIV Core – DRIV Core is a tactical allocation strategy that seeks to achieve returns comparable to the broad U.S. stock market over full cycles but with less volatility and downside risk. The goal is to achieve superior risk-adjusted returns over the long run. This approach focuses on varying the portfolio allocation between stock and bond investments over time and through different market conditions, based on our analysis of valuations and projected returns.

This long-term growth strategy should be evaluated over full market cycles that include extended periods of market growth and decline. Investments are made in exchange traded funds or indexed mutual funds that represent broad assets classes. Individual investments are evaluated based on liquidity, cost, and the quality of representation to the underlying asset class. Allocations among the various investments are actively managed. Allocation decisions are guided primarily by an objective, rules-based framework that focuses on the following four areas of research: 1) relative valuations, 2) bond market yield analysis, 3) economic conditions, and 4) momentum analysis.

The primary allocation decision focuses on the ratio between equity and bond investments, where an excess of 80% of the portfolio could be allocated to either asset class. Within the equity allocation, weightings among different style and capitalization classes will be managed over time. Within the bond allocation, weightings among different duration and classes will be managed over time. There is risk that the individual investments may not track the underlying asset classes, and there is also risk that allocations may be sub-optimal for a given time period.

Margin is not used in this strategy, unless directed by the client.



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2. Core Equity and Options – The Core Equity and Options (“CEO”) strategy is an actively managed approach that generally holds 20 to 30 large capitalization equities and may write longer duration covered call options and/or cash-secured put options. When compared to an all stock portfolio, our primary objectives in using options are to increase cash flow, reduce volatility, and manage net exposure to the underlying equities. This long-term growth strategy should be evaluated over full market cycles that include extended periods of market growth and decline. Returns are primarily driven by capital appreciation, dividends, and/or option premiums. Returns will be affected by stock and sector selection based on fundamental and technical analysis, dividends, spot and strike prices, time to expiration, implied volatilities, and interest rates.

Covered call writing is a method whereby an investor holds a long position in an asset and writes (sells) call options on that same asset in an attempt to generate income from that asset. Some degree of upside price potential is exchanged for current income. For each covered call option contract that is exercised, the client is obligated to sell 100 shares of the underlying stock at the option’s exercise price.

Cash-secured put writing is a method whereby an investor writes (sells) a put option and simultaneously sets aside enough cash to buy the underlying stock. The goal is to be assigned the stock below the current market prices, while generating a return on the cash from the option premium. For each put option contract that is exercised, the client is obligated to buy 100 shares of the underlying stock at the option’s strike price.

Margin is not used in this strategy, unless directed by the client.

3. Enhanced Income – The Enhanced Income strategy focuses on current income as a primary objective, with capital appreciation as a secondary objective. This strategy surveys the traditional bond market in addition to non-traditional, liquid sources of income such as MLPs, REITs, energy royalty trusts, convertible bonds, preferred stock, etc. The broad investment scope provides the potential to perform well in a rising interest rate environment when traditional bonds may not.

We typically invest in 6 to 10 exchange traded funds when constructing portfolios in this strategy. However, the portfolio may contain fewer positions during periods of defensive posturing. This approach uses technical analysis to guide our entry and exit decisions for each investment. The goal is to partake in the income of a security while price trends are favorable, and to avoid entire sub-asset classes when price trends are less favorable. Large allocations may be made to Treasury bonds for defensive posturing.

Technical analysis relies on historical information. There is the risk that such observations cease to be reflected in the future, or that the observations themselves may be incorrect. There is the additional risk that certain macro-economic events such as credit restrictions will impact some of the assets represented by certain indexes.

Additionally, when momentum changes, the strategy may experience a period of interim losses. If momentum shifts back and forth several times in a period of time, losses may be repeated. If the issues held do not trend over an intermediate period or longer, losses may compound. Finally, there

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may be macro-economic events, changes in government policies, acts of God, or other currently unanticipated circumstances which may result in losses.

Margin is not used in this strategy, unless directed by the client.

4. Custom Bond Portfolios – Our custom bond portfolios offer customized solutions for a client’s income, duration, and tax needs. The composition of the portfolio will be comprised of a diversified mix of individual bonds, based on risk and income objectives. Bonds can be municipal, corporate, or government. In most instances we favor tax-free municipal bonds, but can use taxable municipal or corporate bonds in circumstances specific to the client.

Our goal is to manage, to the degree possible, the inherent risks of investing in bonds. However, it should be noted that bonds carry the following risks: 1) interest rate risk, 2) reinvestment risk, 3) inflation risk, 4) credit/default risk, 5) rating downgrade, and 6) liquidity risk.

Margin is not used in this strategy, unless directed by the client.

### **C. Risks Associated with Types of Securities that are Primarily Utilized**

*Equity Securities:* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and “growth” stocks can react differently from “value” stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

*Exchange Traded Funds:* Because exchange trade funds (“ETFs”) are, by definition, portfolios of securities, AZA believes that the unsystematic risk associated with investments in ETFs is generally very low relative to investments in ordinary securities of individual issuers. However, there are events that can trigger sharp and sometimes adverse price movements in ETFs that are not related to movements of the market in general. Not limited to, but among these, are surprise dividends, changes to regular dividend amounts, announcements of rights offerings and possible surprise revisions to net asset values of the ETF.

*Fixed Income and Debt Securities:* Investment in fixed income and debt securities such as bonds, notes, and asset backed securities, subject a client’s portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio’s income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer’s ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher rated securities because issuers of such lower rated debt securities are not as strong financially.

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*Equity Options:* Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Long option positions entail greater risk but allow an investor to gain market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

### ITEM 9 – DISCIPLINARY INFORMATION

Not applicable.

### ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS

#### A. Broker-Dealer Registration Status

Not applicable.

#### B. Futures or Commodities-Related Registration Status

Not applicable.

#### C. Material Relationships or Arrangement with Related Industry Participants

Not applicable.

#### D. Recommended Third Party Advisers

Not applicable.

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

AZA has adopted a Code of Ethics (the “Code”) for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at AZA must acknowledge the terms of the Code annually, or as amended. Clients or prospective clients may obtain a copy of the firm’s Code by contacting us by phone at 312-429-0880 or by email at [www.azacapital.com/contact](http://www.azacapital.com/contact).

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AZA anticipates that, in appropriate circumstances and consistent with clients' investment objectives, it will recommend to invest advisory clients or prospective clients the purchase or sale of securities in which AZA, its affiliates and/or clients, directly or indirectly, have a material financial interest. AZA's employees and persons associated with AZA are required to follow AZA's Code. Subject to satisfying this policy and applicable laws, officers, directors and employees of AZA and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for AZA's clients. The Code is designed to assure that the personal securities transactions, activities and interest of the employees of AZA will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of AZA's clients. In addition, the Code requires pre-clearance of many transactions and restricts trading in close proximity to client trading activity. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code to reasonably prevent conflicts of interest between AZA and our clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with AZA's obligation of best execution. In such circumstances, the affiliated and client accounts will receive securities at a total average price. Each affiliated and client account will pay its own commission rate by trade. AZA will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis when practical. Any exceptions will be explained on the Order.

It is AZA's policy that the firm will not perform any principal transactions or agency cross transactions. In a principal transaction, an adviser, acting for its own account, buys a security from, or sells a security to, the account of a 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. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## ITEM 12 – BROKERAGE PRACTICES

### A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

AZA generally will seek "best execution" in light of the circumstances involved in a particular transaction. The Adviser considers a number of factors in selecting a broker-dealer to execute transactions and determining the reasonableness of the broker-dealers compensation (i.e., commissions). Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution, and offering to the Adviser online access to computerized data regarding a client's accounts. In selecting a broker-dealer to execute transactions and determining the reasonableness of the broker-dealer's

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compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage, or other services provided by a broker-dealer which are included in the commission rate.

AZA currently has arrangements with TD Ameritrade Institutional and Schwab Institutional whereby the Adviser would suggest to its clients that TD Ameritrade or Schwab serve as the custodian to their accounts. TD Ameritrade Institutional is a division of TD Ameritrade, Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. Schwab Institutional is a division of Charles Schwab & Co., Inc., member SIPC ("Schwab"). Schwab is an independent SEC-registered broker-dealer and investment adviser. The Adviser is separate and unaffiliated with TD Ameritrade and Schwab, and therefore is independently owned and operated. TD Ameritrade and Schwab provides services that include custody of client securities, trade execution, and clearance and settlement of transactions. The duty of best execution is not eliminated by the foregoing arrangements the Adviser currently has with TD Ameritrade and Schwab. (Please see the disclosures under Item 14 below.)

### 1. Research and Other Soft Dollar Benefits

The Adviser has no formal soft dollar arrangements and does not use soft dollars to acquire any research services or products from broker-dealers.

### 2. Brokerage for Client Referrals

In selecting or recommending broker-dealers, the Adviser may consider whether the Adviser or a related person receives client referrals from a broker-dealer or third party. The possibility exists where the Adviser may have an incentive to select or recommend a broker-dealer based on its interest to receive client referrals rather than on the client's interest to receive most favorable execution. To address this potential conflict of interest, the Adviser seeks to execute client trades through broker-dealers where the Adviser believes that clients' trades will be consistent with seeking best execution, regardless of any referral arrangement. See Item 14 for a discussion on the Adviser's client referral arrangement with TD Ameritrade.

### 3. Directed Brokerage

A client may instruct the Adviser to execute any or all securities transactions for their account with or through one or more brokers designated by the client. When a client directs the Adviser to use a specified broker-dealer to execute all or a portion of the client's securities transactions, the Adviser treats the client direction as a decision by the client to retain, to the extent of the direction, the discretion the Adviser would otherwise have in selecting broker-dealers to effect transactions and in negotiating commissions for the client's account. Although the Adviser attempts to effect such transactions in a manner consistent with its policy of seeking best execution, there may be occasions where it is unable to do so, in which case the Adviser will continue to comply with the client's instructions. Transactions in the same security for accounts that have directed the use of the same broker will be aggregated. When the directed broker-dealer is unable to execute a trade, the Adviser will select broker-dealers other than the directed broker-dealer to effect client securities transactions. A client who directs the Adviser to use a particular broker-dealer to effect transactions should consider whether such direction may result in certain costs or disadvantages to the client. Such costs may include higher brokerage commissions (because the Adviser

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may not be able to aggregate orders to reduce transaction costs), less favorable execution of transactions, and the potential of exclusion from the client's portfolio of certain securities due to the inability of the particular broker-dealer in question to provide adequate price and execution. By permitting a client to direct the Adviser to execute the client's trades through a specified broker-dealer, the Adviser will make no attempt to negotiate commissions on behalf of the client and, as a result, in some transactions such clients may pay materially disparate commissions depending on their commission arrangement with the specified broker-dealer and upon other factors such as number of shares, round and odd lots, and the market for the security. The commissions charged to clients that direct the Adviser to execute the client's trades through a specified broker-dealer may in some transactions be materially different than those of clients who do not direct the execution of their trades. Clients that direct the Adviser to execute trades through a specified broker-dealer may also lose the ability to negotiate volume commission discounts on batched transactions that may otherwise be available to other clients of the Adviser, and this may cost such clients more money.

If the Adviser believes, in its exclusive discretion, that it cannot satisfy its fiduciary duty of best execution by executing a transaction for a client account with a broker designated by the client, the Adviser may execute that transaction with a different broker-dealer. Any client providing instructions to the Adviser regarding direction of brokerage transactions must notify the Adviser in writing if the client desires the Adviser to cease executing transactions with or through any such broker-dealer.

### **B. Trade Allocation and Order Aggregation**

The Adviser often uses aggregated block transactions in instances where a security is purchased or sold for multiple accounts contemporaneously (or near the same time) and using the same executing broker-dealer. Such aggregation may enable the Adviser to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. However, in cases where the client has negotiated the commission rate directly with the broker, the Adviser may not be able to obtain more favorable commission rates based on an aggregated trade. In such cases, the client will be precluded from receiving the benefit of any possible commission discounts that might otherwise be available as a result of the aggregated trade.

When aggregated block trades are made across multiple custodians/brokerage firms, the order of trading may impact the transaction price. To mitigate this effect over time, we randomly generate a list of custodians/brokerage firms per occurrence and trade sequentially in the order of the list.

TAMP programs and applicable non-discretionary accounts are notified of allocation changes after orders are placed for discretionary accounts. AZA is not responsible for executing the trade orders for accounts in TAMP programs or for certain non-discretionary accounts in which a client executes trades.

When an aggregated order is filled completely, the Adviser allocates the securities purchased or proceeds of sale *pro rata* among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the

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Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to clients. Depending on the investment strategy pursued and the type of security, this may result in a *pro rata* allocation to all participating clients. The Adviser and its related persons may also participate in an aggregated order.

### Trade Error Policy

The Adviser has the responsibility to process trade orders correctly, promptly, and ensure the best interest of our clients is served. If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's trade error correction policy is to ensure that clients are treated fairly and, following error correction, are in the same position they would have been if the error had not occurred and in such a manner that the client incurs no loss. The Adviser will have discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. A trade error will not benefit the Adviser in any way.

The gains and losses are reconciled according to the policy of the applicable account custodian. If a trade error results in a loss, the Adviser will reimburse the client, unless the executing broker's policy is to absorb *de minimus* losses (e.g., under \$100). If a trade error results in a gain, the client will retain the gain unless the executing broker's policy is to donate gains to charity.

## ITEM 13 – REVIEW OF ACCOUNTS

### **A. Frequency and Nature of Review**

AZA has adopted a team approach to account management and review. The securities in client accounts are reviewed by the Chief Investment Officer and firm principals on a periodic basis and generally no less frequently than weekly. Reviews of individual account holdings and performance are conducted by the Chief Investment Officer and firm principals on a periodic basis and generally no less frequently than quarterly.

### **B. Factors Prompting a Non-Periodic Review of Accounts**

Client accounts and strategies may be reviewed and proactively updated at times that do not coincide with a standard review schedule. Non-periodic account reviews and updates may be the result of tactical investment shifts, client requests, significant market events affecting the prices of one or more securities in client accounts, or changes in the financial circumstance and investment planning goals, investment objectives, or guidelines of a particular client. Specific arrangements with particular clients also may trigger reviews of client accounts on a non-periodic basis.

### **C. Content and Frequency of Regular Account Report**

Direct clients of the Adviser are provided with quarterly performance reports and portfolio commentary. At a minimum, these reports include a list of portfolio holdings and time-weighted total returns calculated net of management fees and transaction costs. Supplemental reports may be used to provide additional

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detail. Reports may be delivered to the client as hard copies or electronically in accordance with the client's agreement with the Adviser. In instances where AZA acts as a sub-advisor to third-party financial advisors or TAMP programs, the responsibility of client reporting is assumed by the primary advisor with the direct client relationship.

### ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

#### A. Economic Benefits Received from Non-Clients for Providing Services to Clients

As disclosed under Item 12 above, Adviser participates in TD Ameritrade's institutional customer program and the Adviser may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between the Adviser's participation in the program and the investment advice it gives to its clients, although they receive economic benefits through participation in the program that are typically not available to TD Ameritrade retail investors.

These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products and/or services provided to the Adviser by third party vendors (i.e., the fees paid by the Adviser to these third party vendors with respect to these products and/or services would generally have been higher had they not participated in the program). TD Ameritrade may also have paid for business consulting and professional services received by the Adviser's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit the Adviser but may not benefit client accounts. These products or services may assist the Adviser in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help the Adviser manage its business enterprise. The benefits received by the Adviser (or its related persons) through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, the Adviser endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by the Adviser (or its related persons) in and of itself creates a potential conflict of interest and may indirectly influence the Adviser's choice of TD Ameritrade for custody and brokerage services.

#### B. Compensation to Non-Supervised Persons for Client Referrals

##### TD Ameritrade AdvisorDirect

The Adviser may receive client referrals from TD Ameritrade through participation in the TD Ameritrade AdvisorDirect program ("AdvisorDirect"), a referral program established by TD Ameritrade. AdvisorDirect is designed to help TD Ameritrade's brokerage customers and other investors, who seek fee-based



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personal investment management services or financial planning services, find independent investment advisors to manage their assets for which TD Ameritrade provides custodial and/or brokerage services.

In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Advisor may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Adviser and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Adviser and has no responsibility for Adviser's management of client portfolios or Adviser's other advice or services. Adviser pays TD Ameritrade an on-going fee for each successful client referral. For referrals that occurred through AdvisorDirect before April 10, 2017, this fee is a percentage (not to exceed 25%) of the advisory fee that the client pays to Adviser ("Solicitation Fee"). For referrals that occurred through AdvisorDirect on or after June 9, 2017 the Solicitation Fee is an annualized fee based on the amount of referred client assets that does not exceed 25% of 1%, unless such client assets are subject to a Special Services Addendum. In the case of a Special Services Addendum, the Solicitation Fee is an annualized fee based on the amount of referred client assets that does not exceed 10% of 1%. Adviser will also pay TD Ameritrade the Solicitation Fee on any assets received by Adviser from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Adviser on the recommendation of such referred client. Adviser will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Adviser's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Adviser may have an incentive to recommend to clients that the assets under management by Adviser be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Adviser has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Adviser's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

### Other Third Party Solicitors

The Adviser may from time to time also engage other solicitors to whom it pays referral fees for the referral of their clients to the firm. In such cases, this practice will be disclosed in writing to the client, and the Adviser will comply with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended, and applicable state and federal laws.

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### ITEM 15 – CUSTODY

Under SEC rules, the Adviser may be viewed for regulatory purposes as having custody of client funds when Management Fees are debited directly by a qualified custodian who then automatically pays the Adviser. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. At least quarterly, you will receive account statements from the independent, qualified custodian(s) holding your funds and securities. The account statements from your custodian(s) will indicate the amount of our Management Fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. Additionally, you should compare our reports with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact us by phone at 312-429-0880 or by email at [www.azacapital.com/contact](http://www.azacapital.com/contact).

### ITEM 16 – INVESTMENT DISCRETION

In general, the Adviser will provide investment advisory services on a discretionary basis to clients. Please see Item 4 above for a description of the limitations that clients may place on the Adviser's discretionary authority. Prior to assuming full discretion in managing a client's assets, the Adviser will enter into an investment advisory agreement and/or other agreements (e.g., custodian limited power of attorney) that sets forth the scope of the Adviser's discretion.

When granted discretionary authority, the Adviser will have the authority, without obtaining specific consent from the client, to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment advisory agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the client account. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. A client's investment guidelines and restrictions must be provided to the Adviser in writing.

### ITEM 17 – VOTING CLIENT SECURITIES

When authorized by the client, the Adviser will vote client securities (i.e., proxy voting). The Adviser has adopted and implemented policies and procedures that we believe are reasonably designed to ensure that proxies are voted in the best interest of clients, in accordance with our fiduciary duties and SEC rule 206(4)-6 under the Investment Advisers Act of 1940. Our proxy voting guidelines have been tailored to reflect these specific obligations. In addition to SEC requirements governing advisers, our proxy voting policies reflect the fiduciary standards and responsibilities for ERISA. With respect to ERISA accounts, we will always vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote its own proxies. If situations should arise where there may exist conflict of interest between the Adviser and a client with respect to any shareholder proposals for which proxies are being solicited, the Adviser will request the client's instructions with respect to the vote.

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Clients may obtain a copy of AZA's complete proxy voting policies and procedures upon request. Clients may also obtain information about how AZA voted any proxies on behalf of their account(s) by contacting us by phone at 312-429-0880 or by email at [www.azacapital.com/contact](http://www.azacapital.com/contact).

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

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

AZA does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

#### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

AZA does not have any financial issues that would impair its ability to provide services to clients.

#### **C. Bankruptcy Petitions during the Past Ten Years**

Not applicable.

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### EXHIBIT A: PRIVACY POLICY

AZA Capital Management (“AZA”, “we”, “us”, or “our”) is committed to safeguarding the confidential information of our clients. Client trust is paramount to us, and we respect the confidentiality and privacy of your information. This Privacy Policy explains certain steps we have taken to ensure the privacy of nonpublic personal information pursuant to Regulation S-P from the United States Securities and Exchange Commission.

#### What Information Do We Collect and Why?

We may collect nonpublic personal information from you to assist us in giving you appropriate investment advice and in managing your investments. The type of nonpublic information that we collect may depend upon the scope of the client engagement. In general, we may collect nonpublic personal information about you from the following sources:

- Information that you provided to us on applications or other forms, such as your name, address, social security number, telephone number, email address, assets, and income.
- Information that we generate or receive from third parties, such as custodians and brokerage firms, to service your account. This information may include account balances, investment holdings, investment cost basis, portfolio distributions and contributions, and investment gains or losses.

#### How, and with Whom, Is My Information Shared?

We do not disclose your nonpublic personal information to anyone except as permitted or required by law. In order to provide you with services, we may disclose your nonpublic personal information with the following:

- Third parties necessary to service your account, such as account custodians and brokerage firms.
- Your professional advisors, such as accountants, trustees, and legal counsel, for whom you have given consent to share information.
- Our professional advisors, such as accountants and legal counsel, who assist us in complying with applicable laws, rules, and regulations.
- Our third-party service providers, such as technology vendors and consultants, who are subject to confidentiality agreements.

We do not sell your nonpublic personal information to anyone.

#### How Do We Protect Your Information?

We restrict access to your nonpublic personal information to those employees who need to know such information to provide services to you. We maintain certain physical, electronic, and procedural safeguards which are designed to protect your nonpublic personal information.

#### Disclosure of Information about Former Clients

This Policy shall remain effective for former clients, who have terminated their advisory agreement with us. Certain nonpublic personal information will be retained by AZA to comply with regulations and to document investment performance history.

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### Accuracy of Information

We strive to maintain accurate information for our clients and will make appropriate corrections when you notify us. Please contact us if you make any changes to your personal information or if you notice incorrect information on any communication that you receive from us.

### Changes to this Privacy Policy

If, at any time in the future, it is necessary for us to change our privacy policy to allow for disclosure of a client's nonpublic personal information which is inconsistent with this policy, we will give you advance notice of the proposed change, to allow you the opportunity to opt-out of such disclosure.

### Annual Updates

We will send our clients notice of our Privacy Policy annually for as long as the client relationship exists.

If you have any questions regarding our Privacy Policy, please contact us by phone at 312-429-0880 or by email at [www.azacapital.com/contact](http://www.azacapital.com/contact).