

# FIRM BROCHURE

## *(PART 2A OF FORM ADV)*

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December 31, 2020

This brochure provides information about the qualifications and business practices of Cape Ann Capital, Inc. If you have any questions about the contents of this brochure, please contact David A. Umstead at (978) 526-7541 or at [daveu@capeanncapital.com](mailto:daveu@capeanncapital.com). 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. Registration with the SEC or a state securities authority does not imply a certain level of skill or training.

Additional information about Cape Ann Capital, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2: MATERIAL CHANGES

### ***Material Changes since the Last Annual Update***

This summary includes material changes since last year's brochure. It is not a list of all changes at Cape Ann Capital since we last updated our brochure on December 31, 2019.

- Assets under management increased from \$156 million to \$186 million.
  - Number of clients increased from 213 to 239
  - Number of accounts increased from 460 to 523.
  - Our annual scan (November 2020) of all mutual funds available to US investors resulted in no changes to our buy list; it remains at eighteen. The funds on our buy list have long-term excess return histories that are statistically significant at 3.5 sigma or higher.
  - Our buy list is packaged into fourteen standard model portfolios numbered from 1 to 14. The number in the name refers to its historic volatility as measured by standard deviation. We offer two flavors of each model; one set uses taxable bond funds for its "safe" assets the other used tax-exempt, municipal bond funds.
  - We are managing fifteen custom portfolios. Our custom models span multiple buy lists across multiple custodians. About \$30 million of our \$186 million in AUM is managed to a custom model. We are currently working with five custodians.
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## **ITEM 4: ADVISORY BUSINESS**

### ***Firm Description***

Cape Ann Capital was founded in April of 1999 to provide investment advisory services to individuals and institutions. The firm manages portfolios for 238 clients with a consolidated market value of \$186 million.

### ***Principal Owners***

David Umstead, James Jasinski and Jeremy DiStefano each own one-third of the firm.

### ***Types of Advisory Services***

Cape Ann Capital manages portfolios of actively managed mutual funds for individuals, trusts, corporations, and charities. Each client portfolio is tailored to a long-term asset allocation target determined by the client. Cape Ann Capital assists in finding an asset allocation target that will meet each client's long-term return objectives without exceeding his or her tolerance for risk. Most clients are targeting exposures to all the following asset classes: U.S. cash, U.S. bonds, U.S. equities, European equities, Pacific equities, emerging markets equities and commodities. Allocations across these seven categories vary considerably from client to client.

Cape Ann Capital partners with independent service providers to manage and administer open architecture qualified retirement plans to employers. These plans typically replace a captive plan, for which all services were provided by a single mutual fund company. An open architecture plan removes conflicts of interest in the selection of investments offered to participants and makes costs much more transparent. Cape Ann Capital is the independent advisor. An independent trustee provides brokerage and custody. An independent third-party administrator (TPA) provides structure to plan through compliance testing, census work and filing documents with the IRS. An independent recordkeeper processes and reconciles account activity and provides participants with account valuations. Cape Ann Capital manages participant portfolios using the same investment process as for all other clients. Cape Ann Capital is committed to open architecture, retirement plan solutions and is willing to work with a wide variety of independent partners. Cape Ann Capital provides portfolio management services for four multi-participant, employer-sponsored qualified retirement plans.

Cape Ann Capital offers financial planning services (at no additional charge) to all clients. We help clients construct household balance sheets and income and expense projections towards various financial goals. The projections incorporate estimates of social security income, Federal and state income taxes, required minimum distributions from retirement accounts as well as current assets and the expected returns and risks of these assets.

**Wrap Fee Programs**

Cape Ann Capital does not participate in any wrap fee programs.

**Assets Under Discretionary Management**

Discretionary assets under management total \$155 million.

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**ITEM 5: FEES AND COMPENSATION****Description**

Cape Ann Capital is a fee-only adviser. Fees are based on the market value of the assets being managed and are calculated according to the following fee schedule.

**Fee Schedule**

<u>Assets</u>	<u>Annual Fee Rate</u>
First \$1 million	0.65% of assets
Next \$1 million	0.35% of assets
Over \$2 million	0.20% of assets

Cape Ann Capital's minimum fee is \$600 per year. Fees are negotiable.

**Fee Billing**

In most cases, Cape Ann Capital invoices fees monthly (at one-twelfth the annual rate), in arrears based on month-end valuations. Fees are pro-rated (from the first day the assets start to arrive at TD Ameritrade Institutional) for the first monthly invoice. Cape Ann Capital submits fee invoices to TD Ameritrade Institutional. TD Ameritrade Institutional debits our monthly fee directly from client accounts.

The fee billing arrangements in the open architecture qualified plans vary from plan to plan. In some cases, the record keeper calculates and collects our fee. In other cases, the plan sponsor pays us directly.

**Other Expenses**

Cape Ann Capital uses TD Ameritrade Institutional for custody and discount brokerage. Clients may incur brokerage and other transaction costs. Further information on brokerage is provided at Item 12 in this brochure.

All mutual funds have internal operating expenses, which are debited from the fund and therefore paid by the client. These fees are in addition to the fees charged by Cape Ann Capital.

Some mutual funds can be bought or sold commission free, and some carry a \$24 commission. Most of the funds on our Buy List offer both options. Commission-free share classes typically have higher internal expenses. Cape Ann Capital uses the share

class that will likely lead to the lowest long-run cost for the client. Small portfolios with monthly or quarterly contribution flows are much better off owning the shares classes with slightly higher expense ratios to avoid all the \$24 ticket charges.

### ***Participation or Interest in Client Transaction***

Cape Ann Capital receives no compensation for the sale of securities or other investment products and therefore has no incentive to select one investment over another.

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## **ITEM 6: PERFORMANCE-BASED FEES**

Cape Ann Capital does not accept performance-based fees, flat fees, or hourly fees.

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## **ITEM 7: TYPES OF CLIENTS**

Cape Ann Capital provides investment advisory services to:

- high net worth individuals,
- individuals,
- qualified plans,
- trusts,
- corporations, and
- charities.

Generally, Cape Ann Capital does not require a minimum account size.

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

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

In most cases, Cape Ann Capital invests exclusively in actively managed, open-end mutual funds.

Cape Ann Capital regularly evaluates every open-end mutual fund in the country (currently about 25,000 funds including all share classes) to identify those that have outperformed their benchmarks over the long term with a consistency that is very unlikely to have been achieved by chance. Cape Ann Capital employs various research tools to conduct ongoing analyses of these funds. Cape Ann Capital typically draws on its proprietary research to select a diversified mixture of actively managed mutual funds that will deliver the long-term exposure desired by the client.

Cape Ann Capital uses a multi-factor risk model to measure the effective asset allocation history of each mutual fund and to calculate a unique reference benchmark that is appropriate for each manager. This allows measuring a value manager against a value index, a bond manager against a bond index, a small cap manager against a small cap

index, etc. Cape Ann Capital then calculates each manager's average excess return, the consistency of the excess return and a t-statistic that reflects the probability the result could have occurred by chance.

Cape Ann Capital looks at additional factors such as investment process, corporate culture, management tenure, expense ratios, portfolio turnover and load structure to arrive at a final proprietary Buy List. Cape Ann Capital reviews its Buy List periodically to ensure that it always reflects the most skillful managers available.

**Constructing Portfolios:** Every Cape Ann Capital client commits to a long-term asset allocation target and an upper limit on allowable tracking error relative to target. Cape Ann Capital uses an optimizer, a multi-factor risk model and proprietary excess return estimates for every fund on its buy list to identify an optimal model portfolio for each client. Optimal is defined as the portfolio with the highest expected return within the risk limit imposed by the tracking error constraint. The analysis takes account of the risk of each fund and the correlations among the funds. Cape Ann Capital sets lower and upper bounds on the size of each holding.

### ***Why Mutual Funds***

There are many investment vehicles available to investors. Cape Ann Capital prefers mutual funds for the following reasons:

**Transparency:** Mutual funds provide a transparent investment vehicle with a publically available track record. Net asset value is reported daily. The SEC carries out regular audits of mutual fund operations, independent directors oversee fund activities, independent auditors scrutinize fund financial statements and fund assets are held by independent custodians. These characteristics allow us to evaluate all mutual fund managers on a consistent basis. In our view it is very difficult to compare hedge funds or separately managed accounts as these vehicles are less regulated, performance is often not readily available and not all are registered with the SEC.

**Professional Management:** If a skillful management team can achieve a higher return, net-of-expenses than the return of the asset classes in which they invest, this benefit accrues to the shareholders of the fund. Investors do not have to pay more for the services of a skilled manager vs. an unskilled manager. Investors would certainly be willing to pay a premium for skilled management, but because mutual funds exchange shares at net asset value the services of a skilled manager costs no more than the services of an unskilled manager. Cape Ann Capital seeks to identify mutual fund managers with more than enough skill to overcome the expenses of their fund and the expenses of Cape Ann Capital.

**Diversification:** A single share of a mutual fund provides an investment in many individual securities.



**Lower Trading Commissions:** Because mutual funds trade in large volume, they can negotiate much lower commissions when buying and selling securities.

**Liquidity:** Mutual fund shares are redeemable daily.

**Load vs. No Load:** Mutual funds come in two types; load funds and no-load funds. A load is a commission that goes to the salesperson who markets the fund. Cape Ann Capital's fund selection is driven by our fiduciary responsibility as a registered investment adviser. In that regard, we never buy load funds. Since no-load mutual funds do not have a sales force marketing their shares, they must rely primarily on performance to compete. Since expenses detract from performance, no-load funds tend to have lower expense ratios than load funds.

### ***Risk of Loss***

An investment in a mutual fund or an exchange traded fund involves a risk of loss which a client should be prepared to bear.

Client portfolios are generally invested in ten to twelve mutual funds depending on the asset allocation being targeted. The mutual funds on our Buy List invest in stocks and bonds as well as various derivative contracts such as foreign currency contracts, futures contracts, options contracts, and swap agreements. Investing in mutual funds is risky because the underlying securities and derivative contracts fluctuate in value. These fluctuations may be due to political, economic, or general market circumstances. Some of these factors may affect a single company or industry and others may impact the broader market. Because the values of mutual funds fluctuate, portfolios managed by Cape Ann Capital may decline in value.

Investments in derivative instruments carry exposure to various risks such as, but not limited to, interest rate and foreign currency risk. Interest rate risk is the risk that a fixed income security will decline in value because of rises in interest rates. Foreign currency risk is the risk that a foreign currency or a security that is denominated in a foreign currency will decline in value. Derivative contracts also carry counter party risk, i.e., the risk that the entity on the other side of the contract will default.

All these risks are mitigated by the fact that Cape Ann Capital portfolios typically hold numerous funds, and each fund holds hundreds or even thousands of securities. Through all this diversification Cape Ann Capital believes it can eliminate most of the idiosyncratic risk in client portfolios. Systematic risk can be controlled, but not eliminated. Each client commits to a long-term asset allocation target and the systematic risks associated with that target. One of the largest risks born by Cape Ann Capital's clients is the risk that they will capitulate on an aggressive asset allocation after suffering

an extended period of market value declines and thereby convert an unrealized loss to a realized loss.

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## **ITEM 9: DISCIPLINARY INFORMATION**

Cape Ann Capital has never been involved in any kind of disciplinary proceeding in any court or with the SEC or with any other federal, state, or foreign regulatory authority.

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## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### ***Broker-Dealer Registration***

We do not have a registration or an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

### ***Futures, Commodity Pool Operator, Commodity Trading Adviser***

We do not have a registration or an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.

### ***Related Person Arrangements***

Neither we nor any of our management persons have any relationship or arrangement that is material to our advisory business or to our clients that we have not otherwise disclosed.

### ***Arrangements with Other Investment Advisers***

We do not recommend or select other investment advisers for our clients, nor do we have other business relationships with those advisers that create a material conflict of interest.

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## **ITEM 11: CODE OF ETHICS**

### ***Code of Ethics***

Cape Ann Capital has a Code of Ethics that provides the standard of conduct for all employees. The Code requires that all employees conduct themselves in accordance with high ethical standards premised on the concepts of integrity, honesty, and trust. Every employee is held to a strict fiduciary standard. Every employee must always act in the best interest of the client and to treat all clients fairly. A copy of the Code is available upon request. The following is a summary of certain provisions of the Code of Ethics:

**Confidential Information:** As an investment adviser, we have a fiduciary duty to our clients not to divulge or misuse information obtained in connection with our services as an adviser. Therefore, all information, whether of a personal or business nature, that an

employee obtains about a client's affairs during employment with us should be treated as confidential and used only to provide services to the benefit of the client. Such information may sometimes include information about non-clients, and that information should likewise be held in confidence. Even the fact that Cape Ann Capital advises a client should ordinarily be treated as confidential. Cape Ann Capital's Code of Ethics sets forth steps that employees should take to help preserve confidential information.

**Material Inside Information:** The Code of Ethics advises employees that purchasing or selling securities based on material nonpublic information for their own or a client's account or "tipping" is a crime.

**Fiduciary Duty and Conflicts of Interest:** Cape Ann Capital and its employees have a fiduciary duty to always act for the benefit of clients and to act on the clients' behalf before acting to benefit themselves or the firm. The way any employee discharges his or her fiduciary duty and addresses a conflict of interest depends on the circumstances.

**Unfair Treatment of Certain Clients vis-à-vis Others:** The Code prohibits employees from favoring one client over another.

**Personal Trading Policy:** Cape Ann Capital's Code is unusual in that it requires all employees to have all their personal investments managed by the company. Employees are not allowed to own or otherwise have a beneficial interest in any securities held in an account not managed by the company. Employees are not allowed any personal trading and their portfolios receive no preferential treatment over client portfolios.

Each new employee must submit an initial holdings report disclosing to the Cape Ann Capital Chief Compliance Officer the identities, amounts, and locations of all securities owned in all accounts in which he or she has a "beneficial ownership interest." The management of these securities must be immediately turned over to Cape Ann Capital. The employee portfolio will be managed via the same process used for all client portfolios. The employee portfolio will be subject to all the reviews and reporting listed under Item 13.

Employee portfolios look just like client portfolios. Each employee signs a management agreement and selects a risk level target. We run our optimizer to select the portfolio from our Buy List that comes closest to the employee's long-run risk level target.

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## **ITEM 12: BROKERAGE PRACTICES**

### ***Selecting Brokerage Firms***

Cape Ann Capital typically recommends TD Ameritrade Institutional for all client brokerage transactions. Cape Ann Capital reviewed other brokers' fees and services and believes that TD Ameritrade Institutional offers excellent service and a wide array of

investment options at reasonable, competitive rates. Currently, TD Ameritrade Institutional offers about 15,000 mutual funds, about 2,500 of which can be purchased or sold with no transaction fee. TD Ameritrade Institutional's commission for the remaining mutual funds is \$24 each way. TD Ameritrade Institutional assesses a \$49.99 redemption penalty for no-transaction-fee funds sold within 90 days of purchase. TD Ameritrade Institutional offers commission-free trading in ETFs and stocks. As noted earlier, Cape Ann Capital generally invests only in no-load, open-end mutual funds and ETFs for its clients. Charles Schwab has purchased TD Ameritrade. The two firms are in the process of merging their two operations. We expect improvements in technology and service when the merger is complete in about a year.

### ***Research and Other Soft Dollar Benefits***

Cape Ann Capital accepts no research or soft dollar benefits from any broker.

### ***Brokerage for Client Referrals***

We do not consider whether we receive client referrals from a broker in selecting or recommending brokers.

### ***Directed Brokerage***

We routinely recommend to our clients that they use TD Ameritrade Institutional for custody and for the execution of all mutual fund and exchange traded index fund transactions because of the reasons set out under the sub-heading "Selecting Brokerage Firms." We have no affiliation or other economic relationship with TD Ameritrade Institutional. It is possible that another broker might offer lower fees for certain mutual fund and/or exchange trades index fund purchases. Accordingly, there is the potential that we are unable to achieve the lowest price on client transactions when we use TD Ameritrade Institutional and the use of TD Ameritrade Institutional may cost our clients more money than the use of another broker. However, we believe that TD Ameritrade Institutional offers competitive pricing and service for mutual fund and exchange traded index fund transactions.

### ***Aggregation of Client Accounts***

Mutual funds exchange shares at the market close. All clients buying or selling that day receive the same price. Accordingly, we do not aggregate trades as we do not have to be concerned with one client getting a better price than another.

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## **ITEM 13: REVIEW OF ACCOUNTS**

### ***Periodic Reviews***

Cape Ann Capital reviews each client portfolio at least monthly. If the asset allocation of the portfolio is off target, we take steps to correct it. If any individual mutual fund is off target, we take steps to correct that as well.

Cape Ann Capital periodically reviews every mutual fund in the country. If we identify a fund that has demonstrated a higher skill level than a fund on the Buy List and the fund passes our due diligence check list, we make the substitution on our Buy List and adjust client portfolios accordingly.

### ***Review Triggers***

Cape Ann Capital monitors every mutual fund on the Buy List daily. If a fund displays a pattern of out-of-the-ordinary underperformance, we drop it from the Buy List and from client portfolios.

### ***Regular Reports***

Cape Ann Capital provides a written Portfolio Review to every client every month. The Portfolio Review contains commentary on the markets, month-end holdings, portfolio performance for various intervals (since inception, latest twelve months, year-to-date, latest three months, and latest month), performance of each individual holding for the latest month and all transactions for the month. TD Ameritrade Institutional sends monthly statements to clients as well. After year-end, TD Ameritrade Institutional sends each client with taxable accounts a 1099 and each client with an IRA account a 1099R and a 5498 if they have contributed.

For employer-sponsored qualified retirement plans, Cape Ann Capital provides monthly performance reports to supplement the valuation and position reports provided by recordkeepers.

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## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### ***Incoming Referrals***

Cape Ann Capital does not pay anyone for referral business.

### ***Referrals Out***

Cape Ann Capital does not receive any income for referring business to anyone.

### ***Other Compensation***

Cape Ann Capital's only compensation is the fee referred to in Item 5 of this brochure. Cape Ann Capital does not have any arrangements under which we receive any economic benefit, including sales awards or prizes.

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## **ITEM 15: CUSTODY**

Cape Ann Capital does not have custody of client assets. All Cape Ann Capital clients use TD Ameritrade Institutional as their primary custodian. A few clients have additional assets that we manage that are custodied at other custodians: TIAA-CREF, Fidelity, J.P. Morgan Retirement Plan Services and Vanguard.

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## **ITEM 16: INVESTMENT DISCRETION**

Cape Ann Capital has investment discretion over all but a handful of client accounts. Nearly all clients have given Cape Ann Capital limited power of attorney to execute trades on their behalf. Despite having discretionary authority, we are more than willing to discuss pending transactions in advance if desired by the client. Once each client gives us a long-term asset target, the client can be as involved or uninvolved as they wish in our investment process. Typically, if a transaction will generate meaningful taxable income, we will ask for client approval before making the trade.

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## **ITEM 17: VOTING CLIENT SECURITIES**

If a client so desires, Cape Ann Capital will accept the authority to vote proxies on their behalf.

### **Proxy Votes**

Cape Ann Capital's written Proxy Voting Policy is available upon request. As Cape Ann Capital's clients generally invest in mutual funds and exchange traded index funds rather than directly in securities, this issue is not of the same importance that it otherwise would be. Our objective in voting proxies is to support proposals and director nominees that maximize the expected long-term value of client investments. Proxy proposals are varied and complex. As such, Cape Ann Capital's Proxy Voting Policy guidelines can only provide a framework for assessing each proposal. The Policy stresses Cape Ann Capital's role as a fiduciary with responsibility for evaluating each proposal on its merits, based on facts and circumstances as presented. Cape Ann Capital gives substantial weight to the recommendations of the company's board, absent other specific facts that would support a vote against management.

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## **ITEM 18: FINANCIAL INFORMATION**

Since Cape Ann Capital invoices its fees in arrears, it is not required to include a balance sheet for its most recent fiscal year.

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## **ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Cape Ann Capital is an SEC registered adviser and not a state-registered adviser.

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Additional information about David Umstead is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## FIRM BROCHURE SUPPLEMENT *(PART 2B OF FORM ADV)*

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December 31, 2020

David Umstead-Contact information as above

This brochure supplement provides information about David A. Umstead, Managing Principal & Founder of Cape Ann Capital, Inc. This information supplements Cape Ann Capital's brochure. The brochure and supplements are available at Cape Ann Capital's website ... [www.capeanncapital.com](http://www.capeanncapital.com). Please contact David A. Umstead, Managing Principal & Founder and Chief Compliance Officer if you have questions about the contents of this supplement.

## **ITEM 2: EDUCATIONAL BACKGROUND AND BUSINESS**

**David A. Umstead, Ph.D., CFA**

Year of Birth: 1942

### **Formal Education after High School**

BS Mechanical Engineering, University of Vermont, 1964

MS Mechanical Engineering, MIT, 1966

MBA Boston University, 1972

Ph.D. Finance, University of North Carolina at Chapel Hill, 1975

The Chartered Financial Analyst (CFA) designation is awarded to those who successfully complete a graduate-level self-study program that combines a broad curriculum culminating in three sequential exams. The CFA curriculum includes ethical and professional standards, quantitative methods, economics, financial reporting and analysis, corporate finance, equity investments, fixed income investments, derivatives, alternative investments, portfolio management and wealth planning.

### **Business Background**

Assistant Professor of Finance, Wharton School of Finance, University of Pennsylvania, 1975-1978

VP and Director of Quantitative Research, Putnam Management Company, Inc., 1978-1984

VP and Chief Research Officer, State Street Global Advisors, Inc., 1984-1986

Co-Founder and Managing Director, Boston International Advisors, Inc., 1986-1996

Senior VP, Independence International Associates, Inc., 1996-1999

President and Founder, Cape Ann Capital, Inc., 1999-2016

Managing Principal & Founder, Cape Ann Capital, Inc., 2016 - present

## **ITEM 3: DISCIPLINARY INFORMATION**

There are no legal or disciplinary events to report regarding Mr. Umstead.



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## **ITEM 4: OTHER BUSINESS ACTIVITIES**

Mr. Umstead is not actively engaged in any investment-related business or occupation other than Cape Ann Capital (for example, activities that pertain to securities, commodities, banking, insurance, or real estate). Mr. Umstead is not registered, nor does he have an application pending to register, as a broker-dealer, registered representative or broker-dealer, futures commission merchant, commodity pool operator or commodity trading advisor.

Mr. Umstead is not an associated person of a futures commission merchant, commodity pool operator or commodity trading advisor.

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## **ITEM 5: ADDITIONAL COMPENSATION**

Mr. Umstead receives no arrangements in which someone other than a client gives Mr. Umstead an economic benefit, such as a sales award or other prize, for providing advisory services.

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## **ITEM 6: SUPERVISION**

As Managing Principal & Founder, Mr. Umstead is responsible for supervision, formulation, and monitoring of investment advice to clients. He may be contacted at (978) 526-7541. As Managing Principal, Mr. Jasinski is responsible for the company's long-term business strategies and client communications. Mr. Jasinski is an investment advisor representative. He may be contacted at (978) 254-5841. As Portfolio Manager, Mr. DiStefano is responsible for software systems and procedures to ensure that all portfolios are managed in compliance with their guidelines. Mr. DiStefano is an investment advisor representative. Mr. DiStefano may be contacted at (978) 626-1292.

Messieurs Umstead, Jasinski and DiStefano monitor every client portfolio and every mutual fund on the Cape Ann Capital Buy List daily. If a portfolio or a fund displays an unusual performance pattern they investigate.

Cape Ann Capital does not have custody of client assets but maintains a duplicate copy of client position and transactions records. Messieurs Umstead, Jasinski and DiStefano use this information for performance measurement and reporting purposes. For those custodians that provide electronic downloading capabilities, Messieurs Umstead, Jasinski and DiStefano reconcile positions daily. Where electronic communication is not available, they reconcile every month-end.

Messieurs Umstead, Jasinski and DiStefano provide a written Portfolio Review to every client every month. The Review contains commentary on the markets and provides snapshots of month-end holdings, recent fees and performance for the portfolio and its benchmark.

The Cape Ann Capital Buy List is derived from a statistical analysis of every mutual fund in the country. Messieurs Umstead, Jasinski and DiStefano periodically review this research to maintain a Buy List containing only the most skillfully managed mutual funds.

Every Cape Ann Capital portfolio is unique. Each client selects a long-term asset allocation target and Messieurs Umstead, Jasinski and DiStefano create a portfolio optimized from the Cape Ann Capital Buy List to best meet this target. They periodically review all client portfolios and rebalance any holdings that have drifted away from the optimized target.

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## **ITEM 7: REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

This is not required as Cape Ann Capital is a federally registered investment adviser.

Additional information about James J. Jasinski is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## FIRM BROCHURE SUPPLEMENT (PART 2B OF FORM ADV)

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December 31, 2020

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This brochure supplement provides information about James R. Jasinski, Managing Principal of Cape Ann Capital, Inc. This information supplements Cape Ann Capital's brochure. The brochure and supplements are available at Cape Ann Capital's website ... [www.capeanncapital.com](http://www.capeanncapital.com). Please contact David A. Umstead, Managing Principal & Founder and Chief Compliance Officer at (978) 526-7541 if you have questions about the contents of this supplement.

## **ITEM 2: EDUCATIONAL BACKGROUND AND BUSINESS**

**James R. Jasinski, CMT, CFP®**

Year of Birth: 1970

### **Formal Education after High School**

BA United States History, Williams College, 1993

The Chartered Market Technician (CMT) designation is awarded to those who successfully complete three sequential exams. The CMT curriculum focuses on six knowledge domains of technical analysis: General Principles; Trend and Momentum; Sentiment (Behavioral Finance); Inter-market Analysis; and Trading Investment Strategies. Candidates must also pass an Ethics component on each exam.

Financial Planning, Boston University, 2011

The CERTIFIED FINANCIAL PLANNER™ (CFP®) designation is awarded to those who successfully complete an educational component and meet work experience requirements. Candidates must also complete an exam focused across the knowledge domains of Financial Planning: General Principles of Financial Planning, Insurance Planning and Risk Management, Employee Benefits Training, Investment Planning, Income Tax Planning, Retirement Planning and Estate Planning.

### **Business Background**

Team Leader, John Hancock Funds, 1994-1996

Sales Trader, Jones and Associates, LLC, 1996-1999

VP Sales Trading, Adams, Harkness, and Hill, 1999-2003

Principal Sales Trading, America's Growth Capital, 2003-2005

Director Sales Trading, Avondale Partners, LLC, 2005-2007

Financial Advisor, UBS Financial Services, 2007-2009

VP Investment Advisor, Cape Ann Capital, Inc., 2009-2013

Chief Executive Officer, Cape Ann Capital, Inc., 2013-2016

Managing Principal, Cape Ann Capital, Inc., 2016 - present

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### **ITEM 3: DISCIPLINARY INFORMATION**

There are no legal or disciplinary events to report regarding Mr. Jasinski.

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### **ITEM 4: OTHER BUSINESS ACTIVITIES**

Mr. Jasinski is not actively engaged in any investment-related business or occupation other than Cape Ann Capital (for example, activities that pertain to securities, commodities, banking, insurance, or real estate). Mr. Jasinski is not registered, nor does he have an application pending to register, as a broker-dealer, registered representative or broker-dealer, futures commission merchant, commodity pool operator or commodity trading advisor.

Mr. Jasinski is not an associated person of a futures commission merchant, commodity pool operator or commodity trading advisor.

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### **ITEM 5: ADDITIONAL COMPENSATION**

Mr. Jasinski receives no arrangements in which someone other than a client gives Mr. Jasinski an economic benefit, such as a sales award or other prize, for providing advisory services.

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### **ITEM 6: SUPERVISION**

As Managing Principal, Mr. Jasinski is responsible for the company's long-term business strategies and client communications. Mr. Jasinski is an investment advisor representative. He may be contacted at (978) 254-5841. As Portfolio Manager, Mr. DiStefano is responsible for software systems and procedures to ensure that all portfolios are managed in compliance with their guidelines. Mr. DiStefano may be contacted at (978) 626-1292. As Managing Principal & Founder and Chief Compliance Officer, Mr. Umstead is responsible for supervision, formulation, and monitoring of investment advice to clients. Mr. Umstead may be reached at (978) 526-7541.

Messieurs Umstead, Jasinski and DiStefano monitor every client portfolio and every mutual fund on the Cape Ann Capital Buy List daily. If a portfolio or a fund displays an unusual performance pattern they investigate.

Cape Ann Capital does not have custody of client assets but maintains a duplicate copy of client position and transactions records. Messieurs Umstead, Jasinski and DiStefano use this information for performance measurement and reporting purposes. For those custodians that provide electronic downloading capabilities, Messieurs Umstead, Jasinski and DiStefano

reconcile positions daily. Where electronic communication is not available, they reconcile every month-end.

Messieurs Umstead, Jasinski and DiStefano provide a written Portfolio Review to every client every month. The Review contains commentary on the markets and provides snapshots of month-end holdings, recent fees and performance for the portfolio and its benchmark.

The Cape Ann Capital Buy List is derived from a statistical analysis of every mutual fund in the country. Messieurs Umstead, Jasinski and DiStefano periodically review this research to maintain a Buy List containing only the most skillfully managed mutual funds.

Every Cape Ann Capital portfolio is unique. Each client selects a long-term asset allocation target and Messieurs Umstead, Jasinski and DiStefano create a portfolio optimized from the Cape Ann Capital Buy List to best meet this target. They periodically review all client portfolios and rebalance any holdings that have drifted away from the optimized target.

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## **ITEM 7: REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

This is not required as Cape Ann Capital is a federally registered investment adviser.

Additional information about Jeremy DiStefano is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## FIRM BROCHURE SUPPLEMENT *(PART 2B OF FORM ADV)*

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December 31, 2020

Jeremy M. DiStefano  
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This brochure supplement provides information about Jeremy M. DiStefano, Portfolio Manager of Cape Ann Capital, Inc. This information supplements Cape Ann Capital's brochure. The brochure and supplements are available at Cape Ann Capital's website ... [www.capeanncapital.com](http://www.capeanncapital.com). Please contact David A. Umstead, Managing Principal & Founder and Chief Compliance Officer if you have questions about the contents of this supplement.

## **ITEM 2: EDUCATIONAL BACKGROUND AND BUSINESS**

**Jeremy M. DiStefano, CFA**

Year of Birth: 1979

### **Formal Education after High School**

BS Computer Information Systems, Bentley University, 2001

The Chartered Financial Analyst (CFA) designation is awarded to those who successfully complete a graduate-level self-study program that combines a broad curriculum culminating in three sequential exams. The CFA curriculum includes ethical and professional standards, quantitative methods, economics, financial reporting and analysis, corporate finance, equity investments, fixed income investments, derivatives, alternative investments, portfolio management and wealth planning.

### **Business Background**

Senior Coordinator, Financial Architects Partners, 2005-2007

Assistant Vice President, Income Research + Management, 2007-2014

Senior Analyst, Client Services, Lightkeeper, LLC, 2015-2016

Portfolio Manager, Cape Ann Capital, Inc., 2016-present

## **ITEM 3: DISCIPLINARY INFORMATION**

There are no legal or disciplinary events to report regarding Mr. DiStefano.

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## **ITEM 4: OTHER BUSINESS ACTIVITIES**

Mr. DiStefano is not actively engaged in any investment-related business or occupation other than Cape Ann Capital (for example, activities that pertain to securities, commodities, banking, insurance, or real estate). Mr. DiStefano is not registered, nor does he have an application pending to register, as a broker-dealer, registered representative or broker-dealer, futures commission merchant, commodity pool operator or commodity trading advisor.

Mr. DiStefano is not an associated person of a futures commission merchant, commodity pool operator or commodity trading advisor.

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## **ITEM 5: ADDITIONAL COMPENSATION**

Mr. DiStefano receives no arrangements in which someone other than a client gives Mr. DiStefano an economic benefit, such as a sales award or other prize, for providing advisory services.

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## **ITEM 6: SUPERVISION**

As Portfolio Manager, Mr. DiStefano is responsible for software systems and procedures to ensure that all portfolios are managed in compliance with their guidelines. Mr. DiStefano is an investment advisor representative. Mr. DiStefano may be contacted at (978) 626--1292. As Managing Principal, Mr. Jasinski is responsible for the company's long-term business strategies and client communications. Mr. Jasinski is an investment advisor representative. He may be contacted at (978) 254-5841. As Managing Principal & Founder and Chief Compliance Officer, Mr. Umstead is responsible for supervision, formulation, and monitoring of investment advice to clients. Mr. Umstead may be reached at (978) 526-7541.

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