

**Item 1: Cover Page**  
**Part 2A of Form ADV: Firm Brochure**  
**March 23, 2021**

**Hobart Private Capital, LLC**

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**Firm Contact: Thomas Hamilton**  
**Chief Compliance Officer**

This brochure provides information about the qualifications, business practices and advisory services of Hobart Private Capital, LLC ("Hobart," "our," "we" and "Firm"), an investment adviser registered with the U.S. Securities and Exchange Commission ("SEC"). If you have any questions about the contents of this brochure, please contact us at (888) 553-0122 or [compliance@hobartwealth.com](mailto:compliance@hobartwealth.com). The information in this brochure has not been approved or verified by the SEC or by any State securities authority. Additional information about our Firm is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). There you may search for us by our Firm name or by our "CRD" number which is #168494.

Please note that the use of the term "registered investment adviser" and the description of our Firm and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for more information on the qualifications of our Firm and our representatives.

## Item 2: Material Changes

Hobart Private Capital, LLC (“Hobart,” “our,” “we” and “Firm”) is required to prepare a disclosure document such as this one, commonly referred to as a “Brochure,” that describes the adviser and its business practices. We are required to amend our Brochure at least annually and provide clients and prospective clients with a summary of any material changes made after the previous annual amendment. In this section we only discuss material changes since the date of the last annual update of our brochure.

This version of our Brochure dated March 23, 2021 is an annual updating amendment. The following are the material changes since our last annual update of April 6, 2020:

- We have updated our firm email address to [compliance@hobartwealth.com](mailto:compliance@hobartwealth.com).
- We revised Items 4 and 5 to indicate that we offer retirement plan consulting services to employer-sponsored retirement plans, and to describe how these services are billed. Please see Items 4 and 5 for additional information.
- We revised Items 5 and 12 to reflect that we may recommend that clients use Charles Schwab & Co., Inc. (“Schwab”), a registered broker-dealer and member SIPC, as a qualified custodian of their accounts. We further revised Items 5 and Item 12 to provide a description of benefits we receive from Schwab and the conflicts of interest they create. Lastly we revised Item 5 to describe that clients may incur trade-away fees in accounts maintained at Schwab. Please see Items 5 and 12 for more information.
- We have historically recommended the sub-advisory services of Global Financial Private Capital, LLC (“Global”). AssetMark, LLC (“AssetMark”) purchased Global in 2019, and in 2020 our accounts managed by Global were transitioned onto the AssetMark Platform. We will continue to use strategies previously offered by Global on the AssetMark Platform. Going forward, the Global strategies will be managed by AssetMark.
- We have revised Items 4 and 5 to remove references to “Global Platform” and to provide additional details regarding the AssetMark Platform, including how fees on amounts deposited during a quarter are billed, situations in which the transaction fees Hobart is generally obligated to pay may be waived, differences in fee terminology, situations in which clients may incur transaction-based fees, and trading away transactions. Please see Items 4 and 5 for more information.
- We have revised Items 4, 5 and 10 to clarify that our IARs who are insurance licensed generally receive one-time compensation for advisory business equal to a percentage of the opening value of assets held in advisory accounts they service. Please see Items 4, 5 and 10 for more information.
- We have revised Item 5 – Fees & Compensation to indicate that the Platform Fee charged by AssetMark for accounts managed by Hobart on the AssetMark Platform without the use of a Third-Party Manager is waived by AssetMark with respect to certain historical accounts. We have also revised the description of other types of fees or expenses clients may pay in connection with our advisory services. Please see Item 5 for more information.
- We have revised Item 5 – Fees & Compensation to describe the conflict of interest involved with our receipt of asset-based fees, as well as how we address that conflict of interest. We

have further revised Item 5 to indicate that our financial planning fees are included in our Advisory Fee for asset management clients who initially invest at least \$250,000 with us. Please see Item 5 for more information.

Annually, we will ensure that you receive either an amended brochure or a summary of any material changes to this and any subsequent Brochure within 120 days of the end of our fiscal year, and promptly at any time if any of the information herein becomes materially inaccurate.

We will deliver a complete copy of our Brochure upon your request at any time during the year. Please contact our Chief Compliance Officer, Thomas Hamilton, at (888) 553-0123 or via email at [compliance@hobartwealth.com](mailto:compliance@hobartwealth.com) to request a Brochure.

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## Item 4: Advisory Business

Our Firm is a Charlotte-based investment adviser that primarily provides individuals, high net worth individuals and other types of clients with discretionary investment advisory services. We became registered with the U.S. Securities and Exchange Commission on February 29, 2016. Prior to that we maintained registration with the North Carolina Securities Division. Our Firm is a limited liability company formed under the laws of the State of North Carolina in 2013, the day we began operations. Our Firm is wholly owned by Christopher S. (Chris) Hobart, who also serves as Managing Member, President and Chief Executive Officer. Thomas Hamilton is the Firm's Chief Compliance Officer.

In each section below, you will find more information about the specific services we offer. For information about our Wrap Fee Program, please see Form ADV Part 2A, Appendix 1 (Our Wrap Fee Program Brochure).

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

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The following are descriptions of the primary advisory services of Hobart. Please understand that a written agreement, which details the exact terms of the service, must be signed by you and Hobart before we can provide you the services described below. That agreement contains important details regarding, among other things, our obligations to you and the costs to you of the management of your accounts.

#### **Asset Management Services:**

We manage clients' assets primarily on a discretionary basis pursuant to our Investment Advisory Agreement. As part of our Asset Management service, a portfolio is created, potentially including individual stocks, bonds, exchange traded funds ("ETFs"), options, mutual funds and other public and private securities or investments. The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Portfolios will be designed to meet a particular investment goal which we have determined to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, portfolios are continuously and regularly monitored, and, if necessary, rebalanced based upon the client's individual needs, stated goals and objectives. We will meet with clients periodically to review the performance of the account and determine whether any changes should be made.

We also offer asset management services on a non-discretionary basis. When a client engages us to provide asset management services on a non-discretionary basis, we monitor the accounts in the same way as for discretionary services. The difference is that changes to the client's account will not be made until we have confirmed with the client (either verbally or in writing) that our proposed change is acceptable to the client.

#### **Allocation of Assets to Third-Party Advisors:**

Our Firm may utilize the services of various third-party investment advisory firms, including Sub-Advisers, Money Managers, and Third-Party Managers (collectively referred to herein as "Third-Party Managers") to aid in the implementation of an investment portfolio. Before selecting a Third-Party Manager, our Firm will ensure that the chosen Third-Party Manager is properly licensed or registered as required. We will also conduct other due diligence on these managers before approving them to manage our clients' accounts. In order to assist in the selection of a Third-Party Manager for a particular client, our Firm will gather client information pertaining to financial situation,

investment objectives, and reasonable restrictions to be imposed upon the management of the account.

We almost always use a “Platform” to manage clients’ assets. A Platform is a system offered by a third-party, through which we obtain access to custodians, Third-Party Managers, and other tools, products or services that aid us in managing your account. Currently Third-Party Managers are made available to us through the Platform offered by AssetMark, LLC (“AssetMark”).

Under the AssetMark Platform, each client will execute, at our request, a separate Client Services Agreement with AssetMark that authorizes participation on the Platform. Hobart assists the client in selecting the risk/return objective and Third-Party Managers that best suit the clients’ risk profile and investment objectives. Although we have authority to implement investments in our clients’ accounts, for those clients in which we recommend a Third-Party Manager, we will usually request that the client specifically direct the account to be invested in accordance with the chosen investment solution with a specific Third-Party Manager. After that, the account will be managed directly by the Third-Party Manager under our supervision. The Third-Party Manager will make any changes to the holdings or allocations that manager deems appropriate in the account(s). This client authorization also results in the purchase and sale of securities without further authorization by the client or any party at such time as the Third-Party Manager changes the composition of the selected model asset allocation.

We will review the management of the selected Third-Party Manager on an ongoing basis. Furthermore, we may, without further input from or permission of the client, move client assets from one Third-Party Manager to another, terminate the services of a Third-Party Manager with respect to a client, or reallocate client assets between Third-Party Managers.

Our Firm will review Third-Party Manager reports provided to the client at least annually. We will also contact clients from time to time in order to review their financial situation and objectives; communicate information to Third-Party Managers as warranted; and assist the client in understanding and evaluating the services provided by the Third-Party Manager. Clients will be expected to notify our Firm of any changes in their financial situation, investment objectives, or account restrictions that could affect their financial standing.

Information regarding AssetMark and its Platform can be found in the AssetMark Platform Disclosure Brochure. There, among other things, clients can read about the account minimums applicable to Third-Party Managers or other investment programs available on the Platform. Hobart may have the ability to negotiate lower account minimums.

### **Financial Planning & Consulting Services:**

We provide stand-alone financial planning and consulting services to clients for the management of financial resources for a planning fee under a separate financial planning and consulting engagement. We provide these services based upon an analysis of clients’ current situation, goals, and objectives. Financial planning services will typically involve preparing a financial plan after consultation with clients based on the client’s financial goals and objectives. This planning or consulting may encompass investment planning, retirement planning, estate planning, charitable planning, education planning, corporate and personal tax planning, cost segregation study, corporate structure, real estate analysis, mortgage/debt analysis, insurance analysis, lines of credit evaluation, or business and personal financial planning.

Written financial plans or financial consultations rendered to clients may include general recommendations for a course of activity or specific actions to be taken by the clients. Implementation of the recommendations will be at the discretion of the client. Each client may choose whether or not to act on our recommendations. If a client chooses to do so, the client is free to use another financial professional or firm.

### **Retirement Plan Consulting Services:**

We offer retirement plan consulting services to employer-sponsored retirement plans subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). Our retirement plan consulting services include, but are not limited to, the following services:

- Plan Design and Consultation – Analysis of employer retirement plan objectives based on its needs and employee demographics, and recommendation of appropriate type of plan. Consultation and recommendation on plan design and specifications.
- Employer Investment Consulting – Consulting on ERISA fiduciary issues. Participation in the selection of the menu of investment choices, including analysis of proposed menu and development of portfolio models.
- Employee Meetings – Conduct meetings with eligible employees to provide information to such employees about the plan and its purpose, investing in general, available investment choices, and to enroll employees.
- Participant Investment Consultant – Consulting with individual participants as to appropriate investment choices, including assistance in developing custom portfolio models on a participant-by-participant basis.
- Evaluation of Plan Effectiveness – Providing analysis of the plan's effectiveness in achieving the employer's goals and purposes of the plan.

The specific services to be provided will be listed in our agreement with each retirement plan. The Firm acknowledges that in performing the retirement plan consulting services listed above it is acting as a "fiduciary" as such term is defined under ERISA Section 3(21)(A)(ii) for purposes of providing investment advice only. The Firm acts in a manner consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause the Firm to be a fiduciary as a matter of law.

### **Newsletters:**

We occasionally prepare general, educational and informational newsletters. Newsletters are always offered on an impersonal basis and do not focus on the needs of a specific individual.

### **Seminars:**

Our Firm may occasionally provide seminars in areas such as financial planning, retirement planning, estate planning, college planning, charitable planning and tax planning. Seminars are always offered on an impersonal basis and do not focus on the individual needs of participants.

## **Retirement Plan Rollovers:**

A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If we are asked by a client or prospective client to make a recommendation from among these choices, we have a conflict of interest in that we have an incentive to recommend that a client roll over their retirement plan assets into an account to be managed by the Firm. Such a recommendation creates a conflict of interest as we will earn a new (or increase our current) advisory fee as a result of the rollover. We address this conflict of interest by reviewing any such recommendation to ensure it is in the best interest of the client. No client is under any obligation to accept our recommendation or to roll over retirement plan assets to an account managed by us.

## **Tailoring of Advisory Services**

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Our Firm offers individualized investment advice to our asset management clients. General investment advice will be offered to our financial planning & consulting clients.

Each asset management client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

## **Participation in Wrap Fee Programs**

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Our Firm manages client assets exclusively under a wrap fee program (the "Wrap Program") as further described in Part 2A, Appendix 1 (the "Wrap Program Brochure"). The services offered under, and the corresponding terms and conditions pertaining to, the Wrap Program are discussed in the Wrap Program Brochure, a copy of which is presented to all prospective Wrap Program participants. Under the Wrap Program, we are able to offer participants investment management services for a single specified annual wrap fee which includes trade execution, custody, reporting, and investment management. We receive a portion of the wrap fee for our services. The single wrap fee charged by Hobart is customarily referred to as the "Advisory Fee." The terms and conditions for client participation in the Wrap Program are set forth in detail in the Wrap Program Brochure.

## **Regulatory Assets Under Management**

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Our Firm managed \$ 267,677,371 all on a discretionary basis, as of 1/31/2021. We do not manage any client assets on a non-discretionary basis.

## **Conflicts of Interests Regarding Securities and Insurance Products that Pay Commissions**

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Some of our investment adviser representatives are also registered representatives of a broker-dealer. Whenever any such representative recommends that a client purchase a security product through the broker-dealer, the representative is recommending a product on which he or she will receive a commission. Additionally, while our representatives have a fiduciary duty to clients with respect to investment advice provided through HPC, they do not have a fiduciary duty with respect to the recommendation of securities products. They are required, however, only to recommend securities products or transactions that are in the client's best interest.



Our representatives are also individually licensed insurance agents. Whenever any such representative recommends that a client purchase an insurance product, the representative is recommending a product on which he or she will receive a commission. Most of our representatives who are licensed insurance agents have an added incentive to recommend commissionable insurance products to their clients because of the way Hobart compensates its representatives for investment advisory business. Specifically, these representatives generally receive only one-time compensation equal to a percentage of the opening value of assets held in advisory accounts they service, rather than continuing compensation that continues as the assets remain in the account. These representatives would also typically receive a one-time commission based on the value of an insurance policy issued as well. However, because the one-time insurance commission is generally higher than a one-time advisory fee based upon the same amount of assets invested by the client, the representative has a financial incentive to recommend the insurance product.

**PLEASE BE AWARE THAT MOST OF OUR INDIVIDUAL REPRESENTATIVES WHO ARE ALSO INSURANCE LICENSED HAVE ADDITIONAL FINANCIAL INCENTIVES IN THE FORM OF BONUSES THAT WILL BE PAID BY HOBART FINANCIAL GROUP IF THEY REACH CERTAIN ANNUAL AND QUARTERLY GOALS FOR INSURANCE ISSUED AND ASSETS UNDER MANAGEMENT FOR ADVISORY ACCOUNTS.**

**BECAUSE TWO CATEGORIES OF GOALS ARE TIED TO THE DOLLAR VOLUME OF INSURANCE PRODUCTS ISSUED, THE REPRESENTATIVE HAS A CLEAR AND DIRECT INCENTIVE TO RECOMMEND INSURANCE PRODUCTS TO REACH THOSE GOALS, EVEN IN SITUATIONS WHERE SUCH PRODUCTS MAY BE UNSUITABLE FOR THE CLIENT. THIS INCENTIVE CREATES A CONFLICT OF INTEREST WITH RESPECT TO THE INDIVIDUAL ADVISOR'S COMPENSATION.**

**IN CERTAIN OTHER CIRCUMSTANCES, SOME INDIVIDUAL ADVISORS OF HPC HAVE A FINANCIAL INCENTIVE TO RECOMMEND ONE FORM OF INSURANCE PRODUCT OVER ANOTHER, EVEN WHEN SUCH A RECOMMENDATION MAY NOT BE IN THE CLIENT'S BEST INTEREST. MORE SPECIFICALLY, THERE ARE SEPARATE GOALS FOR ANNUITIES AND LIFE INSURANCE PRODUCTS. SINCE THE REPRESENTATIVE'S COMPENSATION WILL BE HIGHER IF BOTH OF THOSE SEPARATE GOALS ARE MET, THE ADVISOR IS INCENTIVIZED TO RECOMMEND THE PRODUCT THAT IS MOST LIKELY TO RESULT IN HIM OR HER REACHING BOTH GOALS. FOR EXAMPLE, IF A REPRESENTATIVE HAS ALREADY MET THE GOAL FOR ANNUITIES, BUT HASN'T MET THE GOAL FOR LIFE INSURANCE, HE OR SHE WILL HAVE A FINANCIAL INCENTIVE TO RECOMMEND A LIFE INSURANCE PRODUCT IN ORDER TO MEET THAT GOAL. THIS INCENTIVE CREATES A CONFLICT OF INTEREST WITH RESPECT TO THE INDIVIDUAL ADVISOR'S COMPENSATION.**

**IN CERTAIN OTHER CIRCUMSTANCES, SOME INDIVIDUAL ADVISORS OF HPC HAVE A FINANCIAL INCENTIVE TO RECOMMEND THAT CLIENTS CONTRIBUTE FUNDS OR SECURITIES TO BE MANAGED BY HPC PURSUANT TO AN INVESTMENT ADVISORY AGREEMENT, EVEN WHEN SUCH A RECOMMENDATION MAY NOT BE IN THE CLIENT'S BEST INTEREST. SPECIFICALLY, THERE ARE SEPARATE GOALS FOR LIFE INSURANCE PRODUCTS AND ASSETS UNDER MANAGEMENT. SINCE THE REPRESENTATIVE'S COMPENSATION WILL BE HIGHER IF ALL OF THOSE SEPARATE GOALS ARE MET, THE ADVISOR IS INCENTIVIZED TO RECOMMEND THE PRODUCT OR SERVICE THAT IS MOST LIKELY TO RESULT IN HIM OR HER REACHING ALL GOALS. FOR EXAMPLE, IF A REPRESENTATIVE HAS ALREADY MET THE GOALS FOR ONE OR BOTH OF THE INSURANCE PRODUCTS BUT HASN'T MET THE GOALS FOR ASSETS UNDER MANAGEMENT, HE OR SHE WILL HAVE A FINANCIAL INCENTIVE TO RECOMMEND ADVISORY SERVICES (ASSETS UNDER MANAGEMENT) IN ORDER TO MEET THAT GOAL. THIS INCENTIVE**

**CREATES A CONFLICT OF INTEREST WITH RESPECT TO THE INDIVIDUAL ADVISOR'S COMPENSATION.**

**ADDITIONALLY, THE BONUS PROGRAM WAS ESTABLISHED BY AND IS ADMINISTERED THROUGH HOBART FINANCIAL GROUP. HOBART FINANCIAL GROUP AND HOBART INSURANCE SERVICES, LLC, WILL ALSO BENEFIT IF INDIVIDUAL ADVISORS MEET THEIR GOALS. THIS ALSO REPRESENTS A CONFLICT OF INTEREST.**

**WE ADDRESS THESE CONFLICTS OF INTEREST BY (1) MAKING SURE ALL CLIENTS ARE ADVISED OF THIS CONFLICT THROUGH CONSPICUOUS DISCLOSURE IN THIS BROCHURE; (2) REQUIRING ALL REPRESENTATIVES TO ASSURE THAT ANY RECOMMENDATIONS OF INSURANCE PRODUCTS OR RECOMMENDATIONS FOR ASSET MANAGEMENT ARE IN THE CLIENT'S BEST INTEREST AND SUITABLE FOR THE CLIENT; (3) REQUIRING ALL ADVISORS TO SIGN A WRITTEN AGREEMENT SPECIFYING THAT, AS A CONDITION FOR RECEIPT OF ANY BONUS, ALL COMPLIANCE PAPERWORK (INCLUDING SUITABILITY DOCUMENTATION) BE SUBMITTED TO THE COMPLIANCE DEPARTMENT; AND (4) SUBJECTING ALL RECOMMENDATIONS TO THOROUGH REVIEW BY THE CCO OR HIS/HER DESIGNEE FOR A DETERMINATION THAT THE RECOMMENDATION IS CONSISTENT WITH THE CLIENT'S RISK TOLERANCE AND IN FACT IN THE CLIENT'S BEST INTEREST AND SUITABLE FOR THE CLIENT.**

Not all our representatives are licensed to make all of these types of recommendations, nor do all representatives who are licensed to recommend these products do so for all clients. The "Brochure Supplement" you have received for your representative indicates whether the representative is securities licensed, insurance licensed or both.

Please be aware that even if you agree to follow a representative's recommendation regarding a securities product or transaction, or an insurance product, you do not have to purchase the product through the representative, or through Hobart Insurance Services, LLC. Rather, you can purchase the product through another broker-dealer or another insurance agency or representative.

## **Item 5: Fees & Compensation**

### **Compensation for Our Advisory Services**

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In addition to the information provided in Item 4 – Advisory Business, this section provides additional details regarding our Firm's services along with descriptions of each service's fees and compensation arrangements. It should be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be described in the agreement between you and Hobart.

#### **Asset Management Services:**

Our Firm manages client assets exclusively under a wrap fee program (the "Wrap Program") as further described in Part 2A, Appendix 1 (the "Wrap Program Brochure"). The services offered under, and the corresponding terms and conditions pertaining to, the Wrap Program are discussed in the Wrap Fee Program Brochure, a copy of which is presented to all prospective Wrap Program participants. Under the Wrap Program, we are able to offer participants investment management services, including our service in arranging for and paying transaction charges, under a single specified annual type of fee called a "wrap fee." The wrap fee also covers custody, reporting, and

investment management. To avoid confusion, we will refer to the wrap fee charged by Hobart as the Advisory Fee. The terms and conditions for client participation in the Wrap Program are set forth in detail in the Wrap Program Brochure.

Advisory Fees are negotiable and will be deducted from client account(s). In rare cases, our Firm will agree to bill clients directly rather than deduct fees from the client's account. For those clients whose Advisory Fees are deducted by us:

- a) Clients will provide authorization permitting our Firm to be directly paid; and
- b) The client's independent custodian sends statements at least quarterly showing the market values for each security included in the account and all account disbursements, including the amount of the advisory fees paid to our Firm.

In the event that our Firm employs the services of Third-Party Managers in connection with our provision of asset management services, the Advisory Fee consists of two components: (a) a base amount for services we provide (the "HPC Advisory Fee"), plus where applicable, (b) the amount charged by the Third-Party Manager ("Third-Party Management Fee") or Platform Provider ("Platform Fee"). On the AssetMark Platform, fees for the Third-Party Managers and for AssetMark's services will be paid in the form of a cumulative "Platform Fee." The client will not be charged additionally for those services.

The Third-Party Manager Fee or Platform Fee is disclosed in a separate disclosure delivered to the client by Hobart at or before the time the assets are designated to be managed by that Third-Party Manager. Clients will be provided with a copy of the chosen Third-Party Manager's Form ADV Part 2A, all relevant Brochures, and the Third-Party Manager's privacy policy notice. Please note that, because we have negotiated lower rates from Platform Providers, the rates charged to our clients will not necessarily be the standard rates shown on that Platform Provider's Brochure. Rather, the rate on the disclosure form received from us will be applicable.

Please note that the Client Services Agreement (between each client and AssetMark) and the AssetMark Platform Brochure both use different terminology to describe fees paid by the client than the terminology used in this Brochure and in Hobart's Investment Advisory Agreement. This is explained more fully below in this Item 5 under the heading "Terminology Differences When Discussing Fees."

The maximum annual Advisory Fee charged will not exceed 2.50%. The actual Advisory Fee to be assessed will be described in the Investment Advisory Agreement to be signed by the client and our Firm. Except as otherwise described below, Advisory Fees are billed quarterly, in advance, based on the value of the account(s) on the last day of the previous quarter. We authorize the Platform Provider to collect the Advisory Fee, which includes the HPC Advisory Fee. For purposes of determining the client's assets under management, any accounts owned by members of client's household may, at the option of the Firm, be aggregated. Please note that some client assets may be considered "assets under management" for purposes of calculating our fee even though they would not be considered "assets under management" for purposes of regulatory reporting as referenced in Item 4 of this Brochure.

Each quarterly fee is calculated by dividing the number of days in the quarter by 365 and multiplying the quotient by the quarterly fair market value described above. Advisory Fees for services during the initial quarter in which the account is opened shall be a prorated fee calculated according to the days remaining in the quarter when the account is opened. Advisory Fees on amounts deposited

during a quarter are payable upon the commencement of management of the account. The fee charged on such a deposit is calculated by dividing the number of days remaining in the quarter by the total days in the quarter and multiplying the quotient by the quarterly fee derived by the process described above. Credits for withdrawals made during a quarter will not be issued.

Under the AssetMark Platform Agreement between our Firm and AssetMark, the Platform Fee charged to Hobart will vary depending on the Third-Party Managers used. Furthermore, because of the volume of accounts or cumulative value of assets managed on the Platform, Hobart has received preferential pricing with respect to the Platform Fees for assets allocated to most Third-Party Managers. Hobart is required to maintain at least \$50,000,000 in assets allocated to Third-Party Managers on the AssetMark Platform in order to continue to receive the preferential pricing. Hobart believes this arrangement will benefit its clients, since keeping platform costs low also helps to keep the client's Advisory Fee low. However, it does create a conflict of interest in that the existence of a minimum asset maintenance requirement creates an incentive for Hobart to continue managing clients' assets on the AssetMark Platform rather than some other platform or with a different custodian or Third-Party Manager. Hobart will manage that conflict by periodically evaluating and assessing whether maintaining assets on the AssetMark Platform is in the clients' best interest, taking into consideration the quality of the services provided by AssetMark for the clients' benefit, or available to Hobart via the Platform in connection with services Hobart provides to its clients, costs to the client and other factors.

On the AssetMark Platform, we will generally continue to use Third-Party Managers who we historically used for our clients on the platform previously made available to our clients by Global Financial Private Capital, LLC ("Global"). These accounts, as well as accounts that were previously managed by Hobart directly on the Global Platform without the use of a Third-Party Manager, are hereinafter collectively referred to as "Global Legacy Accounts." All Global Legacy Accounts are now classified as non-wrap fee accounts on the AssetMark Platform. However, Hobart has arranged with AssetMark to credit transaction fees back to Global Legacy Accounts until further notice, pursuant to Hobart's Wrap Fee Program. Fidelity no longer charges transaction fees for equity and exchange-traded fund transactions in accounts that either receive electronic statement delivery or have at least \$1 million within their householded accounts held at Fidelity. Accordingly, with respect to Global Legacy Accounts, the requirement that Hobart pay such transaction charges has been eliminated for those clients that either receive electronic statement delivery or have at least \$1 million within their householded accounts held at Fidelity. Hobart does not make any recommendations regarding whether a client should receive paper or electronic statements. If Hobart were to recommend receiving electronic statements to clients who do not have a balance of \$1 million or more, this would constitute a conflict of interest, as reducing the transaction fees applicable to client accounts increases Hobart's compensation.

Additionally, portfolios invested in Global Legacy Third-Party Managers that constitute "Multi-Strategy Accounts" on the AssetMark Platform are also subject to waived transaction fees. Multi-Strategy Accounts generally consist of accounts in which assets are allocated to multiple Global Third-Party Managers, or a mixture of both Global Legacy Third-Party Managers and other Third-Party Managers offered through the AssetMark Platform. In those Multi-Strategy Accounts, the requirement that Hobart pay the transaction charges relating to clients' accounts has been eliminated. This creates a conflict of interest in that we have an incentive to specify that clients' accounts be managed through Multi-Strategy Accounts rather than through non- Multi-Strategy Accounts, in order to avoid the transaction costs. We address this conflict of interest by not recommending Multi-Strategy Accounts.

Hobart has a conflict of interest in that it will only use or recommend Third-Party Managers, Platform Providers or other third-party investment advisers that have a relationship with Hobart and have met the conditions of our due diligence review. There may be other providers that may be suitable that we do not have a relationship or that may be more or less costly. To address this conflict, we consider the best interests of clients in selecting Third-Party Managers and Platform Providers. You are under no obligation to utilize the services of the Third-Party Managers or Platform Providers we recommend. No guarantees can be made that your financial goals or objectives will be achieved. Further, no guarantees of performance can be offered.

Our receipt of an asset-based fee presents a conflict of interest. This is because the more assets there are in the client's account, the more the client will pay in fees. Therefore, we have an incentive to encourage clients to increase the assets in their accounts. We address this conflict of interest by ensuring any such recommendations are in the client's best interest.

#### **Platform Fee For Accounts Managed Without Use of Third-Party Manager:**

With respect to accounts managed by Hobart directly on the AssetMark Platform, that is, without the use of a Third-Party Manager, Hobart must pay a Platform Fee of 0.12% of assets under management in order to use the AssetMark Platform with respect to the Account. This creates a conflict of interest with respect to the Hobart managed accounts, in that Hobart has an incentive to use Third-Party Managers in order to avoid having to incur the additional 0.12% costs. This conflict of interest is ameliorated by the fact that the costs to Hobart of administration and supervision of accounts managed by Third-Party Managers is significantly higher than those same costs with respect to accounts managed without the use of Third-Party Managers. Hobart seeks to further minimize or eliminate the conflict by assuring that the decision whether or not to recommend a Third-Party Manager is in the client's best interest. This Platform Fee is waived by AssetMark with respect to certain historical accounts.

#### **Terminology Differences When Discussing Fees:**

Please note that the Client Services Agreement between each client and AssetMark, and the AssetMark Platform Brochure, both use different terminology than the terminology used in this Brochure and in our Investment Advisory Agreement. Often when clients are required to sign two advisory agreements, in so-called "dual contract" situations, it is not possible to use the exact same terminology in both agreements, because the terminology of the primary adviser (in this case, Hobart) must remain constant and flexible in order to describe a variety of situations involving different platform providers or sub-advisers that we may choose to use for the benefit of our clients. The difference in terminology, however, does not change the amount paid by the client, nor does it change the amounts that each of the various service providers ultimately receives for the services provided to the client. In order to assist clients in comparing the terminology used in Hobart's documents with the terminology used in AssetMark's documents, we have prepared a key which is attached hereto as Exhibit I.

#### **Financial Planning & Consulting Services:**

Our Firm will charge clients on an hourly or flat fee basis for any financial planning and/or consulting services to be provided. Fees are negotiable and will be based on the scope and complexity of our engagement with the client. The maximum hourly fee to be charged will not exceed \$500 per hour. Flat fees will range from \$2,500 to \$10,000. Our Firm will generally require a retainer of fifty percent (50%) of the ultimate financial planning or consulting fee at the time of signing. The remainder of the



fee will generally be directly billed to the client and due within thirty (30) days of a financial plan being delivered or consultation rendered. Our Firm will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 (six) months. For asset management clients who invest at least \$250,000 with us, these fees are included in the Advisory Fee. If you engage us for financial planning before engaging us for asset management, you will still be obligated to pay the fees you agreed to pay in our financial planning agreement, even if you invest \$250,000 or more with us.

### **Retirement Plan Consulting Services:**

Our firm charges an annual investment advisory fee for retirement plan consulting services. Fees are deducted from the plan assets on a quarterly basis, in arrears, based upon the agreed annual percentage rate. The exact advisory fee will be specified in the advisory agreement. Fees are negotiable.

### **Newsletters:**

Newsletters are provided to clients and prospective clients free of charge.

### **Seminars:**

Typically, no fees are charged for seminars. However, if we are hired by larger groups, such as corporations, we reserve the right to charge fees to cover the expenses incurred by us for presenting the seminars. All fees and payment provisions will be fully disclosed to each client prior to the seminar being presented.

### **Other Types of Fees & Expenses**

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Under our Wrap Fee Program, clients will generally not incur transaction costs for trades. More information about this can be found in our separate Wrap Program Brochure. Notwithstanding the above, clients on the AssetMark Platform in accounts other than Global Legacy Accounts will incur transaction-based fees for transactions in certain assets listed on the Fidelity Asset-Based Pricing Supplement signed by the client, including cash and core sweet vehicles, non-core Fidelity money market funds, no transaction fee (NTF) mutual funds, mutual funds with a load or sales charge, Fidelity mutual funds, alternative investments, Unit Investment Trusts (UITs), and international securities that settle and are held in local currency. These charges will be detailed in the Fidelity Schedule of Charges delivered to clients.

Even under the Wrap Fee Program, clients will typically pay charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees, initial or deferred sales charges, mutual fund sales loads, 12b-1 fees, surrender charges, annuity fees, IRA and qualified retirement plan fees, and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees, ADR fees, overnight check fees, close-out fees, activity assessment fees and taxes on brokerage accounts and securities transactions. Furthermore, clients are responsible for all transaction fees and charges incurred when placing unsolicited orders directly on the custodian's website, pursuant to the agreement with the custodian. All clients will be delivered a current and accurate schedule of fees charged by the custodian, and are encouraged to carefully review those documents. Our Firm does not receive any portion of these fees. For more information regarding brokerage practices, see Item 12.

Third-Party Managers on the AssetMark Platform have discretion to engage in "trading away," which involves directing client trades away from Fidelity to an outside/third-party broker-dealer or

custodian for execution. Third-Party Managers will only do so in the client's best interest. If the Third-Party Manager engages in a trading away transaction, the client's account will be subject to additional costs, including a trade-away fee which is typically \$20 per trade. Exact trade-away fees are described in the schedule of fees charged by the custodian provided to all clients. Hobart has arranged with AssetMark to credit these fees back to Global Legacy Accounts.

For client accounts maintained at Schwab, we have negotiated lower commission rates with Schwab than their published fees for mutual fund transactions based on the condition that we transfer a total of at least \$255 million of our clients' assets to accounts at Schwab within 12 months from the date of our agreement with Schwab. Schwab has further agreed to reimburse the Transfer of Account Exit Fees of our client accounts that transfer to Schwab within 12 months from the date of the agreement (up to \$125,000). These commitments benefit our firm because the overall commission rates and fees we pay are lower than they would be otherwise. We have an incentive to recommend Schwab in order to obtain these lower rates, which presents a conflict of interest. We address this conflict of interest through our best execution review, as further described in Item 12.

In addition to commissions or other fees for trades executed in the accounts, Schwab charges clients a flat dollar amount as a "prime broker" or "trade away" fee for each trade that it has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's Schwab account. These fees are in addition to the commissions or other compensation the client must pay the executing broker-dealer. Because of this, in order to minimize trading costs, we have Schwab execute most trades for client accounts maintained at Schwab. We have determined that having Schwab execute most trades is consistent with our duty to seek best execution of client trades in client accounts maintained at Schwab. Please see Item 12 for more information regarding brokerage practices.

### **Termination & Refunds**

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Either party may terminate the advisory agreement for our asset management services in writing at any time. If a client terminates within five (5) days of the date the advisory agreement is signed, then the Firm will not charge any Advisory Fee. Upon notice of termination, our Firm will process a pro-rata refund of the unearned portion of the Advisory Fees.

Financial Planning & Consulting clients may terminate their agreement at any time before the delivery of a financial plan by providing written notice. For purposes of calculating refunds, all work performed by us up to the point of termination shall be calculated at the hourly fee currently in effect. Clients will receive a pro-rata refund of unearned fees based on the time and effort expended by our Firm.

### **Conflicts of Interests Regarding Securities and Insurance Products that Pay Commissions**

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Our Firm and representatives do not recommend securities that pay commissions in advisory accounts; however, some of our investment adviser representatives are also registered representatives of a broker-dealer. Whenever any such representative recommends that a client purchase a security product through the broker-dealer, the representative is recommending a product on which he or she will receive a commission. Additionally, while our representatives have a fiduciary duty to clients with respect to investment advice provided through HPC, they do not have a fiduciary duty with respect to the recommendation of securities products. They are required, however, only to recommend securities products or transactions that are in the client's best interest.

Our representatives are also individually licensed insurance agents. Whenever any such representative recommends that a client purchase an insurance product, the representative is recommending a product on which he or she will receive a commission. Most of our representatives who are licensed insurance agents have an added incentive to recommend commissionable insurance products to their clients because of the way Hobart compensates its representatives for investment advisory business. Specifically, these representatives generally receive only one-time compensation equal to a percentage of the opening value of assets held in advisory accounts they service, rather than continuing compensation that continues as the assets remain in the account. Most of our representatives who are insurance licensed have additional financial incentives in the form of bonuses for reaching certain annual and quarterly goals for insurance issued and assets under management, as more fully described above in Item 4.

Not all our representatives are licensed to make all of these types of recommendations, nor do all representatives who are licensed to recommend these products do so for all clients. The “Brochure Supplement” you have received for your representative indicates whether the representative is securities licensed, insurance licensed or both.

Any time any such recommendation is made that you purchase a security through the broker-dealer, or that you purchase an insurance product, the representative will receive a commission if the recommendation is followed. Please be aware that even if you agree to follow a representative’s recommendation, you do not have to purchase the product through the representative. Rather, you can purchase the product through another broker-dealer or another insurance agency or representative.

The recommendation of these products presents a conflict of interest, in that our representatives have a financial incentive to recommend products based on the compensation received rather than on the client’s needs. We manage the conflict of interest related to the recommendation of both securities and insurance products by describing the conflicts of interest in this brochure, and by reviewing any such proposed transaction to determine whether it is in the client’s best interest and suitable for the client. We further require all representatives to seek prior approval of any outside employment activity so that we may ensure that any conflicts of interest in such activities are properly disclosed, and fully disclose to a client when a particular transaction will result in the receipt of commissions or other associated fees.

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

Our Firm does not charge performance-based fees or engage in side-by-side management of accounts.

## **Item 7: Types of Clients & Account Requirements**

Hobart generally provides investment advice to the following types of clients:

- Individuals
- High net worth individuals
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations



Our Firm generally requires that new clients have a minimum liquid net worth of \$250,000 for our asset management services. This minimum requirement is generally negotiable. Our Firm does not generally impose any other requirements for opening and maintaining accounts or otherwise engaging us.

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

### Methods of Analysis

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Hobart may use the following methods of analysis in formulating investment advice:

**Charting** - This is a set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

Charting is likely the most subjective analysis of all investment methods since it relies on proper interpretation of chart patterns. The risk of reliance upon chart patterns is that the next day's data can always negate the conclusions reached from prior days' patterns. Also, reliance upon chart patterns bears the risk of a certain pattern being negated by a larger, more encompassing pattern that has not shown itself yet.

**Cyclical** - This method analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and in higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

While most economists and investors agree that there are cycles in the economy that need to be respected, the risk is that the duration of such cycles is generally unknown. An investment decision to buy at the bottom of a business cycle may actually turn out to be a trade that occurs before or after the bottom of the cycle. If done before the bottom, then downside price action can result prior to any gains. If done after the bottom, then some upside price action may be missed. Similarly, a sell decision meant to occur at the top of a cycle may result in missed opportunity or unrealized losses.

**Fundamental** - This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

**Technical** – This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

There are risks involved in using any analysis method.

To conduct analysis, Hobart gathers information from financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses and filings with the SEC, and company press releases.

### **Investment Strategies We Use**

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We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long term purchases** – Investments held at least a year.

**Short term purchases** – Investments sold within a year.

**Frequent trading** – This strategy refers to the practice of selling investments within 30 days of purchase. Frequent trading can have a significant impact on investment performance, particularly through increased brokerage and other transaction costs and taxes.

**Margin transactions** – When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest of the purchase price from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from Hobart. Clients who trade securities on margin incur the potential for higher losses. The brokerage firm has the ability to liquidate margined securities without further notice to you in order to meet its maintenance margin requirements, and clients will be responsible for any short fall in the account after such a sale. Furthermore, margin accounts generally have fairly high interest rates.

**Option writing including cover options or spreading strategies** – Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.

In advising clients via the AssetMark Platform, Hobart may select from mutual funds, exchange traded funds (ETFs), individual stocks, bonds and other investment solutions offered on the Platform. These solutions are provided by a number of institutional investment strategists and based on the information, research, asset allocation methodology and investment strategies of those institutional strategies.

## **Risk of Loss**

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Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- **Market Risk** – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- **Equity (stock) market risk** – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- **Company Risk** – When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its

industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced

- **Fixed Income Risk** – When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- **Options Risk** – Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- **ETF and Mutual Fund Risk** – When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- **Management Risk** – Your investment with our Firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

#### Item 9: Disciplinary Information

Our Firm is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management personnel. We do not have any required disclosures to report in response to this Item.

#### Item 10: Other Financial Industry Activities & Affiliations

##### Registered Representatives:

Some investment adviser representatives ("IARs") of our Firm are also currently registered representatives of Cape Securities, Inc, Member FINRA, a non-affiliated registered broker-dealer (CRD #7072). Whenever any such representative recommends that a client purchase a security product through the broker-dealer, the representative is recommending a product on which he or she will receive a commission. Not all our representatives are licensed to make all of these types of recommendations, nor do all representatives who are licensed to recommend these products do so for all clients. The "Brochure Supplement" you have received for your representative indicates whether the representative is securities licensed.

Any time any such recommendation is made that you purchase a security through the broker-dealer, the representative will receive a commission if the recommendation is followed. Additionally, while our representatives have a fiduciary duty to clients with respect to investment advice provided through HPC, they do not have a fiduciary duty with respect to the recommendation of securities products. They are required, however, only to recommend securities products or transactions that are in the client's best interest. Please be aware that even if you agree to follow a representative's recommendation, you do not have to purchase the product through the representative. Rather, you can purchase the product through another broker-dealer or representative.

The recommendation of these products presents a conflict of interest, in that our representatives have a financial incentive to recommend products based on the commission amount received rather than on the client's needs. We manage this conflict of interest by describing it in this brochure and by reviewing any such proposed transaction to determine whether it is in the client's best interest. We further require all representatives to seek prior approval of any outside employment activity so that we may ensure that any conflicts of interest in such activities are properly disclosed, and fully disclose to a client when a particular transaction will result in the receipt of commissions or other associated fees.

### **Insurance Agents:**

Chris Hobart owns a state-licensed affiliated insurance agency, Hobart Insurance Services, LLC ("Hobart Insurance"). Hobart Insurance is licensed to offer insurance products in the state of North Carolina. The insurance products that Hobart Insurance will provide include life insurance, long-term care, group life, and fixed annuities. Many of these insurance products are offered through separate and distinct vendors.

As an insurance agency, Hobart Insurance will receive separate, yet customary compensation for insurance product issuance. Our representatives are also individually licensed insurance agents. Whenever any such representative recommends that a client purchase an insurance product, the representative is recommending a product on which he or she will receive a commission.

Not all our representatives are licensed to make all of these types of recommendations, nor do all representatives who are licensed to recommend these products do so for all clients. The "Brochure Supplement" you have received for your representative indicates whether the representative is insurance licensed.

Any time any such recommendation is made that you purchase an insurance product, the representative will receive a commission if the recommendation is followed. Please be aware that even if you agree to follow a representative's recommendation, you do not have to purchase the product through the representative. Rather, you can purchase the product through another insurance agency or representative.

Acting in dual capacities (insurance agency and investment advisor) and receiving compensation as such, creates conflicts of interest. Furthermore, the recommendation of these products by our representatives presents a conflict of interest, in that our representatives have a financial incentive to recommend products based on the commission amount received rather than on the client's needs. Most of our representatives who are insurance-licensed have an added incentive to recommend commissionable insurance products to their clients because of the way Hobart compensates its representatives for investment advisory business. Specifically, these representatives generally receive only one-time compensation equal to a percentage of the opening value of assets held in advisory accounts they service, rather than continuing compensation that continues as the assets remain in the account. Most of our representatives who are insurance licensed have additional financial incentives in the form of bonuses for reaching certain annual and quarterly goals for insurance issued and assets under management, as more fully described above in Item 4.

We manage these conflicts of interest by describing them in this brochure, and by reviewing any such proposed transaction to determine whether it is in the client's best interest and suitable for the client. We further require all representatives to seek prior approval of any outside employment activity so

that we may ensure that any conflicts of interest in such activities are properly disclosed, and fully disclose to a client when a particular transaction will result in the receipt of commissions or other associated fees.

Hobart Financial Group, Inc. (“HFG”) is a holding company and is the sole owner of Hobart Insurance. HFG, which is wholly owned by Chris Hobart, also acts as an umbrella brand for all of the Hobart affiliated companies. For example, our Firm’s advisory services are described on HFG’s web site along with the services of Hobart Insurance. HFG also provides certain administrative and back-office services to the Hobart affiliated companies under an internal cost sharing arrangement.

Chris Hobart provides coaching services to other financial professionals, including insurance agents. In providing these services he uses the name Hobart Coaching and Consulting. These services typically consist of speaking events discussing topics such as practice management. If as a result of Mr. Hobart’s coaching services these insurance agents write insurance business with Advisors Excel, LLC (“Advisors Excel”), a non-affiliated insurance agency, Mr. Hobart receives a portion of the revenue. This could present a conflict of interest if these insurance products were issued to clients of Hobart. None of these other insurance agents work with Hobart clients at this time.

Advisors Excel also sponsors and hosts programs, conferences and other trips that are available to agents who place insurance business through Advisors Excel. For many of these trips Advisors Excel pays or reimburses travel-related costs of Hobart Insurance personnel, including Hobart representatives and their spouses. This practice could be considered a form of non-monetary compensation for placing business on the Advisors Excel Platform, and creates a conflict of interest in that it incentivizes Hobart Insurance to use that Platform. Hobart and Hobart Insurance seek to minimize the impact of these conflicts by regularly assessing the availability, comparative costs and comparative services of alternative platforms that could provide the same services as Advisors Excel, without regard to the receipt of travel and other non-monetary compensation.

### **Third-Party Managers:**

In addition, our Firm may direct clients to Third-Party Managers. We will always act in the best interests of the client, including when recommending a Third-Party Manager. Hobart has a conflict of interest in that it will only use or recommend Third-Party Managers or other third-party investment advisers that have a relationship with Hobart and have met the conditions of our due diligence review. There may be other Third-Party Managers that may be suitable that we do not have a relationship or that may be more or less costly. To address this conflict, we consider the best interests of clients in selecting Third-Party Managers. You are under no obligation to utilize the services of the Third-Party Managers we recommend. No guarantees can be made that your financial goals or objectives will be achieved. Further, no guarantees of performance can be offered. See Item 4 for more information.

### **Additional Conflicts of Interest Related to Financial Industry Affiliations**

#### **The Premier Business Builder Development Allowance:**

Hobart has elected to participate in a program sponsored by AssetMark called the “Premier Business Builder Development Allowance” program (“BDA Program”), under which AssetMark will reimburse Hobart the cost of certain qualifying marketing or practice management expenses incurred by Hobart on a quarterly basis. Hobart also expects to receive an additional one-time payment of \$20,000 from



AssetMark by entering into a Platform Agreement and intending to manage client assets on the AssetMark Platform.

Furthermore, the level of assets Hobart elects to manage using the AssetMark Platform materially impacts the amounts of reimbursement payments we will receive under the BDA program. Specifically, the payments to be received by Hobart under the BDA Program increase with the amount of assets managed by Hobart via the AssetMark Platform. Hobart expects to receive material sums in the form of reimbursement as long as we continue to participate in the BDA Program.

Both the one-time payment and our continued participation in the BDA Program create a conflict of interest in that Hobart has an incentive to continue managing assets via the AssetMark Platform in order to receive the payment or reimbursements. Hobart manages that conflict by periodically evaluating and assessing whether maintaining assets on the AssetMark Platform is in the client's best interest, taking into consideration the quality of the services provided by AssetMark for the clients' benefit, or available to Hobart via the Platform in connection with services Hobart provides to its clients, costs to the client and other factors.

AssetMark sponsors annual conferences for participating financial advisory firms and/or financial advisors designed to facilitate and promote the success of the firm, the adviser or AssetMark. AssetMark offers portfolio strategists (including Third-Party Managers) and other financial industry firms the opportunity to contribute to the costs of AssetMark's annual conferences and be identified as a sponsor. AssetMark also covers travel-related expenses for certain financial advisors to attend AssetMark's annual conferences, quarterly meetings, or to conduct due diligence visits. Hobart personnel and Hobart representatives have participated in these events and likely will participate in future events. In addition to and outside of the DBA Program, AssetMark contributes to the costs incurred by certain advisers, including Hobart representatives, in connection with conferences and other events. AssetMark also solicits research from financial advisors regarding new products or services that AssetMark is considering for clients such as Hobart. In exchange for this feedback and guidance, AssetMark may offer an incentive to the financial advisor for their attendance at, or participation in, for example, a survey or focus-group. These types of arrangements create conflicts of interest, in that a Hobart adviser may be inclined to utilize the AssetMark Platform in order to receive and maximize these benefits. However, Hobart recognizes the conflict of interest and manages that conflict by periodically evaluating and assessing whether maintaining assets on the AssetMark Platform is in the clients' best interest, taking into consideration the quality of the services provided by AssetMark for the clients' benefit, or available to Hobart via the Platform in connection with services Hobart provides to its clients, cost to the client and other factors.

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

### **Code of Ethics:**

Hobart, its management, and persons associated with the Firm subscribe to a strict Code of Ethics. Our Code of Ethics is designed to comply with the investment advisory laws and regulations that require firms to act as fiduciaries in transactions with their clients. Our fiduciary duty requires that we act solely in our clients' best interest and adhere to standards of utmost integrity in our communications and transactions. These standards ensure that your interests are given priority.

The Firm's Code of Ethics contains extensive policies, guidelines, and procedures that promote ethical practices and conduct by all of the Firm's personnel. We adopted our Code of Ethics to specify and prohibit certain types of transactions deemed to create conflicts of interest (or perceived or potential conflicts of interest), as well as to establish reporting requirements and enforcement procedures relating to personal transactions by our personnel. Our Code of Ethics, which specifically deals with professional standards, insider trading, personal trading, gifts and entertainment, and fiduciary duties, establishes our ideals for ethical conduct based upon fundamental principles of openness, integrity, honesty, and trust. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

**Participation or Interest in Client Transactions:**

Hobart does not recommend that its clients buy or sell securities in which a related person may have a material financial interest.

**Proprietary Trading:**

Hobart and its associated persons are permitted to buy or sell securities that the Firm also recommends to clients consistent with the Firm's policies and procedures. This creates a conflict of interest in that representatives have an incentive to place their own interests ahead of clients' interests. We will always document any transactions that could be construed as a conflict of interest. To mitigate or remedy any actual or potential conflicts of interest, we will monitor trading reports for adherence to our Code of Ethics.

**Simultaneous Trading:**

From time to time, the Firm and its associated persons may buy or sell securities for their own accounts at or around the same time as clients do. This policy presents a conflict of interest in that such parties have an incentive to prioritize their own trading over their clients. To mitigate this conflict, in any instance where such securities are purchased or sold we will uphold our fiduciary duty by always ensuring that transactions are beneficial to the interest of our clients and that neither the sequence nor timing of execution or any other factor results in a benefit to Hobart or our associated persons.



## Item 12: Brokerage Practices

### Selecting a Brokerage Firm

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Client assets must be maintained by a qualified custodian. Our Firm seeks to recommend a custodian who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. The factors considered, among others, are these:

- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation
- Quality of services

With this in consideration, our Firm has arrangements with Fidelity Brokerage Services LLC ("Fidelity") and Charles Schwab & Co, Inc. ("Schwab"), qualified custodians with which our Firm is unaffiliated. Fidelity and Schwab offer services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions.

Fidelity and Schwab make certain research and brokerage services available at no additional cost to our Firm. Research products and services provided by Fidelity may include: research reports on recommendations or other information about particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by Fidelity to our Firm in the performance of our investment decision-making responsibilities. Research products and services provided by Schwab may include: investment research (both Schwab's own and that of third parties); software and other technology that 1) provide access to client account data (such as duplicate trade confirmations and account statements), 2) facilitate trade execution and allocate aggregated trade orders for multiple client accounts, 3) provide pricing and other market data, 4) facilitate payment of our fees from our clients' accounts, and 5) assist with back-office functions, recordkeeping, and client reporting; educational conferences and events; consulting on technology, compliance, legal, and business needs; publications and conferences on practice management and business succession; access to employee benefits providers, human capital consultants, and insurance providers; and marketing consulting and

support. Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. In some cases we must hit certain client asset benchmarks in order to obtain certain benefits, including payment of eligible third-party vendor services such as Orion Advisor Solutions software, as further described below. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel. The aforementioned research and brokerage services qualify for the safe harbor exemption defined in Section 28(e) of the Securities Exchange Act of 1934.

The aforementioned research and brokerage services are used by our Firm to manage accounts for which our Firm has investment discretion. Without this arrangement, our Firm might be compelled to purchase the same or similar services at our own expense. When we use client brokerage commissions to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research products or services. As part of our fiduciary duty to our clients, our Firm will endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our Firm or our related persons creates a potential conflict of interest and may indirectly influence our Firm's choice of a Custodian as a custodial recommendation. Our Firm examined this potential conflict of interest when our Firm chose to recommend Fidelity and have determined that the recommendation is in the best interest of our Firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

We have entered into an agreement with Schwab under which Schwab will reimburse our Firm the cost of certain technology, research, marketing, and compliance consulting products and services once the value of our clients' assets in accounts at Schwab reaches certain thresholds. The agreement is based on the expectation that we will have at least \$255 million in assets in Schwab client accounts within 12 months from the date of our agreement with Schwab. This creates an incentive for us to recommend the use of Schwab in order to receive the payment or reimbursements, which is a conflict of interest. We address this conflict by periodically evaluating and assessing whether maintaining client assets at Schwab is in our clients' best interest and consistent with our duty to seek best execution.

In addition, we receive discounts on pricing from various products or services by virtue of using the AssetMark Platform. In addition to preferential transaction pricing, subscriptions to asset management tools are available to us at a discount. This could create a conflict of interest to the extent these discounts may not be available at the same discounts through other platform providers. We seek to provide best execution as a way to ensure the conflict of interest is avoided.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Although our Firm will seek competitive rates, to the benefit of all clients, our Firm may not necessarily obtain the lowest possible commission rates for specific client account transactions.

### **Client Brokerage Commissions**

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Custodian does not make client brokerage commissions generated by client transactions available for our Firm's use.

## **Brokerage for Client Referrals**

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Our Firm does not receive brokerage for client referrals.

## **Directed Brokerage**

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Neither our Firm nor any of our Firm's representatives have discretionary authority in making the determination of the brokers-dealers and/or custodians with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. Our Firm routinely recommends that clients direct us to execute through a specified broker-dealer. Our Firm recommends the use of Fidelity. Each client will be required to establish their account(s) with Fidelity if not already done. Please note that not all advisers have this requirement. By directing brokerage, we may be unable to achieve most favorable execution of client transactions and this practice may cost clients more money.

## **Special Considerations for ERISA Clients**

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A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, our Firm will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

## **Client-Directed Brokerage**

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Our Firm allows clients to direct brokerage outside our recommendation. Our Firm may be unable to achieve the most favorable execution of client transactions when we allow clients to direct brokerage. Client directed brokerage may cost clients more money. For example, in a directed brokerage account, clients may pay higher brokerage commissions because our Firm may not be able to aggregate orders to reduce transaction costs, or clients may receive less favorable prices.

## **Aggregation of Purchase or Sale**

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Our Firm provides investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our Firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when our Firm believes that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, our Firm attempts to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

**The Premier Business Builder Development Allowance:**

As described in Item 10 - Other Financial Industry Activities and Affiliations - Hobart participates in a program sponsored by AssetMark called the Premier Business Builder Development Program. Further details regarding that program, including conflicts of interests relating to the program, are provided in Item 10.

**Item 13: Review of Accounts**

Our management personnel or financial advisors review accounts on at least a quarterly basis for our Asset Management clients. The nature of these reviews is to learn whether client accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable.

Our Firm may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

Financial Planning clients will not receive reviews of their written plans unless they take action to schedule a financial consultation with us. Our Firm does not provide ongoing services to financial planning clients, but are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc. Financial Planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately engage our Firm for a post-financial plan meeting or update to their initial written financial plan.

**Client Reports:**

Asset management clients will receive written transaction confirmations from the account custodian shortly after executing purchases or sales. Additionally, the account custodian will send at least quarterly written statements for each quarter in which the client has an account under management by our Firm. These statements will provide details regarding account activity, holdings, and performance. Please note that while brokerage assets may be reflected on account statements, these assets are not included in calculation of your management fee, nor are these assets managed by HPC. From time to time, clients may receive reports from Hobart regarding holdings, portfolio performance and other matters. Clients are encouraged to compare such reports to their actual account statements received from the custodian.

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

We do not directly or indirectly compensate any person for client referrals.

We may from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as client appreciation events, advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific quotas, the product sponsor reimbursements are typically made by those sponsors for which policies have been issued or for which it is anticipated policy placements will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

### **The Premier Business Builder Development Allowance:**

As described in Item 10 - Other Financial Industry Activities and Affiliations - Hobart participates in a program sponsored by AssetMark called the Premier Business Builder Development Program. Further details regarding that program, including conflicts of interests relating to the program, are provided in Item 10.

## **Item 15: Custody**

Our Firm has custody of client funds or securities solely due to our standing authority to make third-party transfers on behalf of our clients who have granted us this authority. This authority is granted to us by the client through the use of a standing letter of authorization ("LOA") established by the client with his or her qualified custodian. The standing LOA authorizes our Firm to disburse funds to one or more third parties specifically designated by the client pursuant to the terms of the LOA, and can be changed or revoked by the client at any time. We have implemented procedures to comply with the requirements outlined by the Securities Exchange Commission ("SEC") in its February 21, 2017 No-Action Letter to the Investment Adviser Association. Further, we require that a qualified custodian hold client assets. Information about the custodian that we recommend is fully described in the Brokerage Practices section (Item 12).

All our clients receive account statements directly from their qualified custodians at least quarterly upon opening of an account. If our Firm decides to also send account statements to clients, such notice and account statements will include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our Firm. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

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

Clients have the option of providing our Firm with investment discretion on their behalf, pursuant to an executed investment advisory client agreement. By granting investment discretion, our Firm is authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our Firm's written acknowledgement.

### **Item 17: Voting Client Securities**

Our Firm does not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our Firm, our Firm will forward them to the appropriate client and ask the party who sent them to mail them directly to the client in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

Third-Party Managers selected or recommended by our Firm may vote proxies for clients. Therefore, except in the event a Third-Party Manager votes proxies, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Therefore (except for proxies that may be voted by a Third-Party Manager), our Firm and/or the client shall instruct the qualified custodian to forward to copies of all proxies and shareholder communications relating to the client's investment assets.

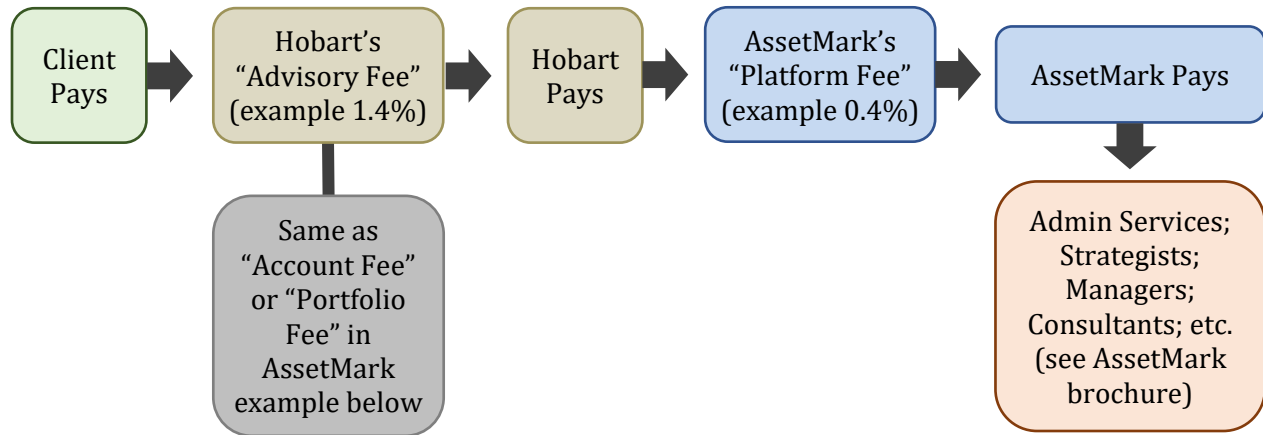
### **Item 18: Financial Information**

Our Firm is not required to provide financial information in this Brochure because:

- Our Firm does not require or solicit the prepayment of more than \$1,200 in fees per client six or more months in advance of services rendered.
- Our Firm does not have any financial condition or commitment that impairs or is reasonably likely to impair our ability to meet contractual and fiduciary obligations to clients.
- Our Firm has never been the subject of a bankruptcy proceeding.

## Exhibit I – Fee Terminology

### Hobart / Fee Terminology (Sample Fees Only; Actual Fees May Differ)



### AssetMark / Fee Terminology (Sample Fees Only; Actual Fees May Differ)

