

**United States  
Securities & Exchange Commission**

**Firm Disclosure Brochure  
Form ADV Part II**

**N E W C A P I T A L**

CRD 131658

New Capital Management LP  
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This brochure, pursuant to SEC Rule 206(4)-3, provides information about the qualifications and business practices of New Capital Management LP (“New Capital” or “NCM”). If you have any questions about the contents of this brochure, please contact New Capital by phone at (800) 724-9866 or by email at [lg@newcapitalmgmt.com](mailto:lg@newcapitalmgmt.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about New Capital is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may search for information by using New Capital’s CRD Number 131658.

New Capital is an SEC Registered Investment Advisor. Registration with the SEC does not imply a certain level of skill or training, only that total firm assets under management exceed \$100 million in value.

This revision fully supplants and replaces any prior editions of New Capital’s Form ADV II.

## 2. Material Changes

- New Capital Management's assets under management as of December 31, 2021 are approximately \$383,000,000 held across 99 client relationships, of which approximately \$369,000,000 is held in 95 discretionary client relationships, and approximately \$14,000,000 is held in 4 limited discretionary relationships.
- On January 24, 2022, New Capital entered into a sub-advisory agreement with SpiderRock Advisors LLC in order to provide New Capital clients with option based hedging strategies especially for portfolios that contain low-cost basis, highly appreciated equity securities. New Capital simultaneously modified its Investment Management Agreement to accommodate the retention of third-party sub-advisors.
- New Capital Management has initiated a process to reorganize its essential service offerings based upon account designations. This change is described in greater detail within form ADV II.
- On July 14, 2021, New Capital entered into a purchase order agreement with FeeX, Inc. (now known as Pontera) in order to provide clients with enhanced held-away account management services, especially for employer sponsored retirement accounts such as 401(k) plans. This service allows New Capital to assume management responsibility for electing client retirement accounts under the same fee structure as their other New Capital managed accounts. New Capital pays FeeX's costs directly.
- New Capital has eliminated any non-discretionary arrangements from its Investment Management Agreement and will not accept non-discretionary relationships in the future, furthermore New Capital will be working with the few non-discretionary clients currently in its roster to transition them into discretionary relationships.
- On February 1, 2022, New Capital moved its principal offices from 4119 Montrose Blvd., Suite 400 Houston, Texas 77006 to 3355 West Alabama, Suite 275 Houston, Texas 77098.
- On March 30, 2021, New Capital entered into an agreement with Orion Advisors Technology, LLC to provide portfolio accounting, trading and rebalancing, and client billing software and services. Orion replaces New Capital's previous provider Morningstar, Inc.
- New Capital has hired Cassandra Moss for the position of Administrative Coordinator in charge of daily client and firm administrative functions such as account servicing.
- New Capital has begun the process of extending access to its proprietary client information system NCM360 to clients so that they may access their own data from their own devices.

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#### 4. Advisory Business

New Capital Management LP (“NCM”), a Texas limited partnership, is a fee-only investment and financial advisory firm started in 2004. Leonard M. Golub is the firm’s founder, shareholder, and advisor. The general partner of New Capital Management LP is Solaris Advisors LLC, a Texas limited liability company, with Mr. Golub being the only owner of over 25% of NCM’s limited partnership interests.

Mr. Golub graduated from Amherst College (Massachusetts) in 1989 (Bachelor of Arts), from the University of Texas McCombs School of Business in 1999 (Master of Business Administration) and earned the Chartered Financial Analyst designation in 2003.

New Capital Management’s primary practices are investment management and wealth management. NCM specializes in broadly diversified portfolios primarily employing institutional no-load, low-expense mutual funds on behalf of clients. NCM employs primarily passively managed (“index fund”) strategies for clients (especially for equity exposure) but may also utilize a substantial allocation to actively managed funds. NCM believes that it can efficiently deliver meaningful diversification to clients along the following critical dimensions:

- Category (Equity, Fixed Income, Real Estate, Commodities, etc.)
- Geography (Domestic, Foreign, Emerging Markets, etc.)
- Industry (Energy, Technology, Financial, etc.)
- Capital Structure (Equity, Debt, Convertible Debt, etc.)
- Equity Style (Large, Small, Value, Growth, etc.)
- Alternatives (Hedge mutuals, Hedge funds, Private Equity funds, etc.) [note: these are sparingly used by New Capital Management given their high fee structures]

Clients may seek greater or lesser levels of portfolio customization with NCM, which may also include the imposition of restrictions on the acquisition of certain securities or types of securities. NCM offers socially responsible investments to clients who want them. NCM also provides management, for a fee, of client held-away assets, such as 401(k) assets, in order to better integrate them into an overall portfolio strategy. NCM also has significant expertise in the management of positions of low-cost basis/highly appreciated stock, including the use of options to hedge concentrated equity positions.

NCM, itself and in conjunction with other professional advisors, also provides advisory services in the following areas:

- Estate Planning
- Insurance Planning
- Tax and Accounting
- Education Planning
- Charitable Planning
- Real Estate
- Business Planning
- Asset Protection

- **Career/Retirement Planning**

Upon review of a client's financial status, NCM may propose that the client include, as part of his or her financial portfolio, one or more types of products that are not part of the investment advisory services provided by NCM, such as insurance products. If the client chooses to include such a product in his or her financial portfolio, NCM recommends that the client work closely with his or her attorney, accountant, insurance agent and other related professionals. Incorporation of the non-advisory financial product into the client's financial plan is entirely at the client's discretion.

For insurance products, NCM provides access to a platform of insurance products by DPL Financial Partners, LLC ("DPL"). The client is under no obligation to use DPL's service and may seek insurance advice from any licensed agent. The insurance products and fee structures available from DPL may differ from those available from other third-party insurance agents. NCM recommends that the client fully evaluate products and fee structures to determine which arrangements are most favorable to the client prior to making an investment decision. NCM does not receive compensation for insurance products selected by the client, whether secured through DPL or any other agent, but may assess additional fees for such products and associated advisory services directly from the client.

## **5. Fees and Compensation**

New Capital Management is only compensated by fees paid directly by its clients. NCM does not receive commissions, does not receive payments from third parties, and has no financial interest in any services or investment products employed for its clients. Accordingly, NCM has no fee-related conflicts of interest and therefore no incentive to recommend investment products based on the compensation received, rather than on a client's needs. When NCM recommends mutual funds for clients, they are no-load funds (i.e., they have no sales charges).

NCM assesses its fee based on the following standard fee schedule:

| <b>Breakpoint</b>          | <b>Fee basis</b> |
|----------------------------|------------------|
| \$1 million and less       | 0.75%            |
| \$1 million - \$3 million  | 0.70%            |
| \$3 million - \$5 million  | 0.60%            |
| \$5 million - \$8 million  | 0.50%            |
| \$8 million - \$20 million | 0.40%            |
| \$20 million +             | 0.30%            |

NCM's fees are not generally negotiable. New Capital regularly participates in and analyzes surveys of advisors that offer services and investments similar to our own, and we establish our fee schedules with reference to the results of these surveys. We believe our fees are generally in line or below industry medians. In rare circumstances NCM may negotiate to charge a greater or lesser fee based upon certain criteria, including but not limited to asset class, services rendered, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to

be managed, related accounts, account composition, pre-existing client relationship, account retention, pro bono activities, client referrals, client tenure, or financial hardship.

Fees are deducted quarterly in advance directly from pre-determined discretionary client accounts (clients may select how to apportion fees among their accounts). NCM delivers a fee billing statement along with its quarterly reports to clients. Additionally, fees are reflected as “Advisor Fee” on the client’s broker custodian statement. NCM also sends an end of year report to clients showing all fees billed for the year by account. A \$2,500 minimum annual fee applies to all households, and this minimum means that any household with under \$250,000 in assets under management would incur a rate higher than NCM’s maximum rate of 0.75%.

Clients incur additional management fees from any mutual or other funds used for portfolios.

Clients also incur brokerage transaction fees from NCM’s main custodian, Fidelity Investments, for trading securities, as follows:

|                                 | <b>Purchases</b> | <b>Sales</b> |
|---------------------------------|------------------|--------------|
| Equities and ETF’s              | \$4.95           | \$4.95       |
| No transaction fee mutual funds | \$0              | \$0          |
| Transaction fee mutual funds    | \$20             | \$20         |
| DFA                             | \$15             | \$15         |
| Vanguard                        | \$25             | \$15         |

As clients pay NCM’s quarterly retainer fee in advance, any terminating client may obtain a refund of this pre-paid fee if the advisory contract is terminated before the end of the billing period. The refund is made pro rata on the days remaining in the quarter.

NCM currently uses Fidelity Investments as its primary broker. While NCM could elect to use another primary broker(s), NCM gains efficiency advantages from its use of a sole broker and believes those efficiencies allow it to maintain a relatively lower fee structure than industry average. Additionally, NCM does not believe that other brokers are able to render services at meaningfully lower rates than those negotiated by NCM with Fidelity. However, Fidelity’s surcharge on DFA and Vanguard funds causes NCM to carefully evaluate the benefits of any particular trading initiatives in client accounts.

## **6. Performance-based Fees and Side-by-Side Management**

NCM does not currently assess fees based on a share of capital gains on or capital appreciation of the assets of clients. Accordingly, NCM does not have any incentive to favor accounts that receive a performance-based fee over those that do not.

## 7. Types of Clients

NCM provides investment advice mostly to families and individuals (including high net worth individuals), but also to related trusts, businesses, charitable foundations, and pension funds. While NCM does not have any stated requirements for opening or maintaining an account, such as a minimum account size, the majority of NCM's clients have at least \$1,000,000, and frequently more, in net household investable assets. Average household account size is approximately \$3.7 million. A majority of clients are in Houston, but there are also clients in other parts of Texas, in other U.S. states, and in other countries.

## 8. Methods of Analysis, Investment Strategies, and Risk of Loss

NCM's focus is on getting a client into the right portfolio for *them*. That necessarily involves analysis of *client, securities, investment environment, and portfolio*.

### Analysis of Client

On the client analysis side, the following methods are employed:

- *Life Planning*. NCM explores prospect/client goals and needs through an in-depth Discovery process. This process explores client background, family history, financial history and experience, and personal goals. This background information enables a thorough survey of actual and potential client cash needs over a long horizon. NCM provides clients with detailed summaries of this information.
- *Financial Planning*. NCM utilizes client background information developed during the Life Planning effort as the foundation for a full financial planning effort which juxtaposes goals and needs with available and prospective resources to determine whether a successful financial outcome (defined as both meeting all goals and not outliving resources) is likely. NCM provides prospects and clients with detailed reports of this work, which is also reviewed annually for changes.
- *Investment Planning*. Client risk capacity, risk tolerance, and return requirements are assessed using risk tolerance software, financial planning software, and investment modeling software which produces a recommended equity/fixed income allocation. This basic model is further refined using tactical assessments of current market valuations, and a recommended portfolio is discussed with the client. Refinements may follow that result in a final model and its implementation through trades. NCM provides clients with documentation including risk questionnaires, investment objectives, and portfolio detail reports.

### Analysis of Securities

NCM engages in a variety of activities to form a basis for investment recommendations to clients. In general, NCM regularly monitors the securities marketplace for the appearance of products that can:

- Fill voids in client portfolios
- Further diversification, and thereby decrease risk, of client portfolios
- Improve upon existing methods, portfolios, or products
- Lower costs for clients

NCM gains information about such investment products through a variety of sources, including the financial press (newspapers, magazines, and financial blogs), but especially through direct relationships and information subscriptions which include but are not limited to:

*Relationships with Fund Companies.* NCM meets regularly with representatives of fund companies whose products NCM either recommends to clients or is evaluating for recommendation. NCM is under no obligation to adopt fund company recommendations. Such meetings, alone or in conjunction with other advisors, are non-compensatory and educational in nature and designed to:

- Introduce funds to NCM
- Review fund performance
- Discuss investment strategy and environment
- Help form a reasonable basis for NCM recommendations
- Receive fund learning materials

As a public advisor, NCM is sought out by a wide variety of companies seeking to gain access for use in NCM's portfolios. NCM believes that its relationships with fund companies confer substantial benefits upon its clients including NCM's greater insight into fund composition, investment philosophy, fees and expenses, track record, management, alternatives, statistics, performance, valuations, and more.

*Relationship with Fidelity.* Since 2006, NCM has maintained a relationship with Fidelity Investments. Through this relationship, NCM has access to Fidelity's vast mutual funds warehouse. Additionally, as a registered investment advisor, NCM is granted access for its clients to the institutional class shares – generally the least expensive class – of virtually all fund companies. NCM believes that its access to institutional shares in Fidelity's funds warehouse confers substantial advantages on its clients and enables an unrestricted "go anywhere" approach to investment.

*Relationship with Dimensional Fund Advisors.* Since 2008, NCM is authorized to purchase funds managed by Dimensional Fund Advisors ("DFA"). DFA, with over \$500 billion in assets under management, is a fund company with significant and recognized skills in the assembly of sophisticated, low-cost, passive global equity portfolios, and distributes its funds solely through approved advisors. The DFA approval process requires advisors to submit a profile questionnaire

to DFA and attend training seminars at DFA's offices. The relationship with DFA is significant and substantial but non-binding, and NCM is under no obligation to invest any minimum amount of client funds with DFA. Instead, NCM is often disposed to utilize DFA funds in client portfolios because it believes that DFA's funds confer very substantial investment benefits for its clients, especially in core equity exposure. For example, DFA's core equity funds represent a larger universe of equity exposure than most competing funds and thereby actually reduce the need to engage in multiple transactions to gain comprehensive exposures.

*Relationship with Morningstar.* Since 2007, NCM has paid an annual subscription fee to Morningstar Inc., an independent securities research firm, for software to help analyze the universe of available investments. Using this software, NCM maintains watch lists of potential investments in different asset classes and can readily and quickly compare investments within asset classes, each of which carries its own distinct risks. As a result, NCM can make recommendations to clients over a particularly broad set of global assets. NCM believes that its use of Morningstar analytics confers very significant benefits upon its clients by providing a broad set of analyzed assets from which to consider investment.

### Analysis of Investment Environment

NCM prefers to focus on current effective total yield (undistributed earnings plus dividends) and yield spreads of investments to better understand the investment environment. Yields, provided they are rationally generated by an investment, often communicate substantial information about future returns, and help investors decide between investments of different risks. A riskier investment, for example, should produce a higher yield (or spread) than a less risky investment. When they do not, such as when prices for an asset class are bid so high that the investor is no longer compensated via effective yield for the risks being assumed, caution is warranted. Relative yields, in NCM's judgment, can convey substantial information about the general investment environment.

### Model Portfolios

NCM utilizes model portfolios that are composed of equity, fixed income, and other assets (commodities, real estate, etc.) to provide, broadly diversified exposure to asset class market returns. Model portfolios range from most *Conservative (Model 1)* to most *Aggressive (Model 10)* and are assigned to target risk benchmarks, against which portfolio and performance metrics are compared. NCM further provides variations of its investment models designed to meet clients' primary investment concerns more precisely, whether that be portfolio performance, portfolio costs, portfolio volatility, or portfolio restrictions such as ESG restrictions.

Our most employed set of models generally employ Factor-based investment approaches, with portfolio tilts toward value stocks, small cap stocks, and profitable company stocks. These factors offer the possibility, **but not the guarantee**, of return outperformance of the general market due to intentional "tilts" towards systematic return premiums. This investment approach is commonly known in the investment profession as a "smart beta" approach and will generally exhibit modest tracking error with designated benchmarks.

Some clients may desire lower all-in portfolio management costs, and in those cases NCM is able to provide a ***Lowest Cost*** portfolio that follows a similar asset allocation as Factors but employs alternative lower cost funds which trade with minimal, if any, transaction fees and among the lowest available fund management fees. This investment approach is commonly known as a “beta” approach and will generally exhibit minimal tracking error with the designated benchmarks.

### Environmental, Social, and Governance (ESG)

NCM offers ESG variants for its portfolios to those clients that seek such exposures. Our approach to ESG integration generally does not generally exclude particular industries, geographies, or strategies; rather it seeks to integrate ESG exposures that will enhance portfolio diversification, impact the value of the portfolio, and help shape a better society. These enhanced portfolios have the same asset allocation as the core models, however, they are constructed using mutual funds and ETF's that have an ESG focus and pass our due diligence screens for performance, diversification, environmental and social impact, and costs.

### Monitoring and Rebalancing

NCM monitors and rebalances client portfolios primarily using a portfolio analysis, reporting, and portfolio management system produced by Orion Advisors Technology, LLC, a major independent provider of investment data services. NCM regularly transfers and reconciles all client account transaction and position information into this system, which in turn produces asset allocation, performance, risk measures, cash flow, and other reports.

NCM strives to meet or exceed, without the assumption of excessive additional risk, the designated target risk benchmarks. Tax considerations are made for all trades made in non-qualified accounts. Trading costs are considered for all trades made. Fees are considered for all securities employed. Client accounts are generally rebalanced following annual client review meetings, after evaluations are made of changes in client risk tolerance and client circumstances, systematic portfolio rebalancing, typically quarterly or semi-annually, or opportunistically when market circumstances, projected risk, or valuations merit.

NCM's model portfolios are broadly diversified across global equity and fixed income markets. Accordingly, the primary risk that clients face is the risk of systematic market volatility, rather than risks commonly associated with individual securities (such as bankruptcy or mismanagement). Such volatility, however, is the price that any investor must pay to achieve market returns, and it cannot be avoided. In general, and over time, higher returning assets will experience higher price volatility, while lower returning assets will experience lower price volatility. Over the long term, defined as from ten to twenty years, asset classes may generally be expected to yield their normalized rates of return. Over the short term, however, any particular asset class may produce returns that deviate, sometimes dramatically, from the long-term rate of return. A major risk to any investor, therefore, is the possibility that the investor will allow shorter-term volatility to force them from their position before the expected return is earned. One of NCM's major risk management efforts, therefore, is to work with clients on a personal basis to minimize behavioral impulses that can compromise long-term portfolio returns.

Despite the expectation of a long-term expected return, assets that NCM acquires for its clients may face the risk of losses, conceivably permanent, from changes in interest rates, tax rates, rates of price inflation, government policies, technology, and from war, crises, revolutions, man-made disasters, natural disasters, bank failures, communication disruptions, and other unforeseen events. Moreover, the broad geographical diversification of NCM's portfolios makes these occurrences more likely to impact the portfolios in any given year. However, the broad diversification also significantly mutes the impact of any single occurrence on the larger portfolio.

Still, while material risks are involved in any investment strategy, they are even more so involved with the lack of an investment strategy, where inflation is a constant threat to undermine the value of currencies. Over the past eighty-five years, inflation has been present in the United States economy every single year except for the handful during the Great Depression (when prices declined). Investors therefore face a choice between certain, constant, and permanent debasement of the purchasing power of their assets should they choose to hold them primarily in cash and cash equivalents, and equally certain but far more intermittent and temporary losses with higher returning, more volatile assets. One of NCM's primary functions is to find the proper medium between these two positions considering the particular needs of the client.

## **9. Disciplinary Information**

No NCM personnel have been involved in any legal or disciplinary events before any court, any regulatory agency or authority, or any self-regulatory organization. Accordingly, there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of NCM's advisory business or the integrity of its management.

## **10. Other Financial Industry Activities and Affiliations**

As a fiduciary, New Capital Management Limited has certain legal obligations, including the obligation to act in clients' best interest. New Capital Management Limited maintains a Business Continuity and Succession Plan and seeks to avoid a disruption of service to clients in the event of an unforeseen loss of key personnel, due to disability or death. To that end, New Capital Management Limited entered into a contingent succession agreement with Buckingham Strategic Wealth, LLC, effective January 15, 2015. This agreement provides for the continuity of investment management of client accounts, cooperation of custodians in facilitating client accounts access by successor advisors, and potential compensation to New Capital's shareholders and/or their assigns. NCM can provide additional information about this agreement, including a client consent pre-authorization form, to any current or prospective client upon request.

NCM is not registered, and has no application pending to register, as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, a commodity pool operator, or a commodity trading advisor.

NCM maintains relationships, to varying degrees, with a variety of other professionals including:

1. Broker-dealers (especially Fidelity Investments and its affiliates)
2. Investment companies or other pooled investment vehicles (including mutual funds, closed-end investment companies, unit investment trusts, private investment companies or hedge funds, and offshore funds)
3. Other investment advisers or financial planners
4. Banking or thrift institutions
5. Accountants or accounting firms
6. Lawyers or law firms
7. Insurance companies or agencies
8. Real estate and mortgage brokers
9. Sponsors or syndicators of limited partnerships

None of these relationships are compensated, and as a result NCM believes that conflicts of interests with clients are either non-existent or not material. NCM enters relationships with such entities for two major purposes: (1) to enhance NCM's own service to clients by being able to make timely and qualified referrals of clients in need of other professional services, and (2) as part of NCM's efforts to market itself to and through other professionals.

## **11. Code of Ethics, Participation/Interest in Client Transactions, Personal Trading**

NCM maintains and follows a Code of Ethics designed to meet the requirements of its registration. NCM's Code of Ethics addresses numerous areas including General Policy, Access Persons, Chief Compliance Officer's Designee, Standards of Business Conduct, Custodial Account Reporting, Confidentiality of Client Information, Social Media Policy, Insider Trading, Trading Preclearance, Personal Securities Transactions and Trading Limits, Trading Blackout Periods, Compliance Procedures, Short-Term Trading Profits, Margin Transactions, Limit Orders, Participation in Affiliated Limited Offerings, Interested Transactions, Outside Business Activities, Service as an Officer or Director, Gifts and Entertainment, Political Contributions, Covered Associates, Rumor Mongering, Anti-Corruption Practices, Whistleblower Policy, Reporting of Violations, and Recordkeeping.

In addition, NCM maintains a Policies & Procedures Manual outlining areas of Advertising, Advisory Agreement, Advisory Fees, Agency Cross Transactions, Annual Compliance Reviews, Anti-Money Laundering, Best Execution, Books and Records, Cloud Computing, Corporate Records, Code of Ethics, Complaints, Custody, Cybersecurity, Digital Assets, Directed Brokerage, Disaster Recovery, Disclosures, Electronic Signature, ERISA, Electronic Communications, Environmental, Social, and Governance Investing (ESG), Financial Records, Form CRS, Identity Theft, Insider Trading, Incident Response, Investment Processes, Mutual Fund Share Class Selection, Outside Business Activities, Pandemic Response, Performance, Personal Securities and Transactions, Political Contributions, Principal Trading, Privacy, Proxy Voting, Registration, Regulatory Reporting, Senior Investors, Social Media, Solicitors/Promoters, Soft Dollars, Solicitor Arrangements, Internal Controls, Third-Party Managers and Vendors, Trading, Valuation of Securities, and Wrap Fees.

New Capital annually reviews its Code of Ethics and Policy & Procedures with all employees in a series of meetings and requires each employee to maintain a copy at their desk for quick reference and to sign and date a copy of the current Code. All signed documents are held with the firm's compliance documents. Clients or prospective clients may receive a copy of the firm's current Code of Ethics or Policies & Procedures by contacting the firm at 800-724-9866.

## **12. Brokerage Practices**

New Capital Management has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides NCM with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist NCM in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, record-keeping and client reporting.

Fidelity also offers other services intended to help NCM manage and further develop its advisory practice. Such services include, but are not limited to third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third-party service providers who provide a wide array of business related services and technology with whom NCM may contract directly.

NCM is independently operated and owned and is not a wholly or partially owned subsidiary of Fidelity Investments or any other custodian or brokerage.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

NCM takes the size and purpose of client accounts into consideration when determining which funds to use to cost effectively engage in transactions for clients. For example, a very large client account may be relatively impervious to transaction fees and may therefore be appropriate for purchases of funds that bear higher transaction charges. Conversely, a small retirement account may be better served with no transaction fee funds.

NCM maintains a secondary brokerage relationship with Interactive Brokers, but generally utilizes that relationship solely for the purposes of obtaining least expensive margin rates for clients who seek substantial loans for longer periods of time.

### 13. Review of Accounts

NCM periodically reviews its clients' accounts and financial plans. Such reviews occur:

- *Daily*, using NCM's trade rebalancing system, which compares client portfolios to assigned model portfolios and alerts NCM to potential portfolio drift. NCM may or may not elect to act depending upon factors such as trade costs, tactical portfolio concerns, client tax basis, and similar.
- *Quarterly*, upon generation of and prior to distribution of client quarterly reports. Such reviews are focused primarily on assessing whether any divergence of client accounts from assigned target risk benchmarks has occurred during the quarter and, if so, the cause and remedy.
- *Annually*, prior to and during meeting with clients for a regular review. Changes to account positions may result from changes in the investment environment or changes in a client's personal financial condition.
- *Ad hoc*, such as upon requests by clients, during periods of high market volatility, or simply during performance of tasks for clients.

NCM provides regular quarterly and comprehensive end of year reports to its clients. These reports are generated using a system provided by Orion Advisors Technology, LLC, a major financial data provider.

### 14. Client Referrals and Other Compensation

NCM does not compensate any client or other person or entity, directly or indirectly, for client referrals. NCM therefore believes that no conflicts of interest arise from referrals that it receives.

### 15. Custody

New Capital's primary qualified custodian for client funds is Fidelity Investments. New Capital maintains "Level 1" asset movement authorization at Fidelity for client accounts, which permits NCM to act in accordance with client Standing Letters of Authorization (SLOA's). NCM is in the process of reducing any authorizations that would require annual "surprise audits" of the firm.

Clients receive monthly and end of year account and tax statements directly from Fidelity and should carefully and regularly review those statements for accuracy. NCM maintains online access to copies of all client statements and tax documents.

NCM has secondary custody relationships with the following organizations:

| <u>Company</u>      | <u>Purpose</u>                 |
|---------------------|--------------------------------|
| Interactive Brokers | Margin Lending                 |
| Nationwide          | Variable Annuities             |
| Blackrock iShares   | 529 Accounts                   |
| Fidelity Charitable | Charitable Donor Advised Funds |
| Guideline           | Employer 401(k) Plans          |

A minority of NCM clients may have investments with other investment companies that are not eligible for custody with NCM's custodians (for example, a hedge fund or limited partnership). In such cases, clients will receive statements directly from the investment company, while NCM makes attempts to be established as the client's agent of record.

## **16. Investment Discretion**

NCM accepts full discretionary authority to manage securities accounts on behalf of clients which confers power of attorney to manage client accounts without requiring prior client permission to place trades. Clients who wish to manage specific securities or accounts are required to establish separate self-managed accounts for such purposes.

Clients further grant trading and asset movement authorities to NCM via the Investment Management Agreement and via Fidelity Investment's account applications.

## **17. Voting Client Securities**

NCM does not provide the means or authority to vote client securities. Clients receive their proxies or other solicitations directly from custodians, corporate issuers, investment companies, or transfer agents. Clients are welcome to contact NCM with questions about particular solicitations.

## **18. Financial Information**

NCM has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

NCM has not been the subject of a bankruptcy petition at any time.