

**Form ADV Part 2A Disclosure Brochure**  
**Item 1. Cover Page**

**XO CAPITAL LLC**

*a Registered Investment Adviser*

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Date of Brochure: March 29, 2023

This Disclosure Brochure (“Brochure”) provides information about the qualifications and business practices of XO Capital LLC (“Adviser” or “XO”). If you have any questions about the contents of this brochure, please Jason Oclaray at [jason@xo.team](mailto:jason@xo.team) or (310) 259-2620. 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 XO Capital is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

No less than annually, our Brochure will be updated. Within 120 days of our fiscal year end, we will deliver the updated Brochure or summary of material changes which have been made to our Brochure since its last annual update. The summary will include information about how you may obtain an updated Brochure at no charge, and it will include the date of the last annual update. We will provide updated disclosure information about material changes more frequently as needed.

This filing replaces the annual amendment on March 29, 2022. The following sections have been updated since our last annual amendment:

Item 4 – Assets Under Management

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## Item 4. Advisory Business

XO Capital offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to XO Capital rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with XO Capital setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

XO Capital filed for registration as an investment adviser in September 2021 and is owned by Adam B. Stern, Jason R. Oclaray, and Timothy J. Decilveo. As of December 31, 2022, XO Capital had \$186,224,514 of assets under management; \$68,372,948 of which was managed under a discretionary basis and \$117,851,566 of which was managed on a non-discretionary basis.

While this brochure generally describes the business of XO Capital, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or other persons who provide investment advice on XO Capital’s behalf and are subject to the Firm’s supervision or control.

### Financial Planning and Consulting Services

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XO Capital offers clients a broad range of financial planning and consulting services. The services include any or all of the following functions:

- |                          |                             |
|--------------------------|-----------------------------|
| • Business Planning      | • Investment Consulting     |
| • Financial Reporting    | • Trust and Estate Planning |
| • Cash Flow Forecasting  | • Retirement Planning       |
| • Bill Paying            | • Insurance Planning        |
| • Distribution Planning  | • Education Planning        |
| • Tax and Legal Planning | • Philanthropy Giving       |

While each of these services is available on a stand-alone basis, certain of them can also be rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (described in more detail below).

### *Business Brand and Talent Management*

The Firm and/or an affiliate also provides services to support business management, brand development, talent management, and other family office management services. This can include reviewing potential and existing deals; building businesses; financing and distribution of IP content (film, music, etc.); managing staff, vendor relationships, and other assets and expenses.

In performing the financial planning, consulting services (including the business, brand and talent management), and family office services, XO Capital is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. XO Capital recommends certain clients engage the Firm for additional related services and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage XO Capital or its affiliates to provide (or continue to provide) additional services for compensation, including investment management services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by XO Capital under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising XO Capital's recommendations and/or services.

### **Investment and Wealth Management Services**

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XO Capital provides certain clients with wealth management services which include a broad range of financial planning and consulting services as well as discretionary and/or non-discretionary management of investment portfolios.

XO Capital primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, privately placed securities (including direct debt and/or equity interest as well as through interests in pooled investment vehicles), options, futures, currencies, and independent investment managers ("Independent Managers") in accordance with their stated investment objectives.

Where appropriate, the Firm may provide advice about any type of legacy position or other investment held in client portfolios. Clients are informed that these assets are not being continuously monitored or otherwise advised on by the Firm unless specifically agreed upon. Clients can engage XO Capital to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, XO Capital directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

XO Capital tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. XO Capital consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify XO Capital if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients can impose reasonable restrictions or mandates on the management of their accounts if XO Capital determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

### **Retirement Plan Consulting Services**

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XO Capital provides various consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in structuring, managing and optimizing their corporate retirement plans. Each engagement is individually negotiated and customized, and includes any or all of the following services:

- Plan Design and Strategy
- Plan Review and Evaluation
- Executive Planning & Benefits
- Investment Selection
- Plan Fee and Cost Analysis
- Plan Committee Consultation
- Fiduciary and Compliance
- Participant Education

As disclosed in the Advisory Agreement, certain of the foregoing services are provided by XO Capital as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of XO Capital's fiduciary status, the specific services to be rendered and all direct and indirect compensation the Firm reasonably expects under the engagement.

### **Use of Independent Managers**

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As mentioned above, XO Capital selects certain Independent Managers to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an Independent Manager are set forth in a separate written agreement with the designated Independent Manager. That agreement can be between the Firm and the Independent Manager (often called a subadvisor) or the client and the Independent Manager (sometimes called a separate account manager).

XO Capital evaluates a variety of information about Independent Managers, which includes the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. XO Capital also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

XO Capital continues to provide services relative to the discretionary or non-discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. XO Capital seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

### **Management of Collective Investment Vehicle**

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XO Capital and/or its affiliate expect to serve as the general partner, managing member, and/or investment manager to one or more affiliated private investment funds in the future (the "Private Funds"). Securities in the Private Funds will be privately offered pursuant to Regulation D under the Securities Act of 1933, as amended and will rely on an exemption from registration under the Investment Company Act of 1940, as amended. Participation as an investor in the Private Funds will be restricted to investors that meet the qualifications necessary to invest in that Private Fund. This will include "qualified clients" as defined in Rule 205-3(d) under the Advisers Act where there are performance fees charged, "accredited investors" as defined in Rule 501(a) of the Securities Act of 1933, as amended and "qualified purchasers" as defined under the Investment Company Act of 1940, as amended.

To the extent certain of XO Capital's individual advisory clients qualify, they will be eligible to participate as investors in the Private Funds. Investment in the Private Funds will include a significant degree of risk. All relevant information, terms and conditions relative to the Private Funds, including the compensation received by XO Capital or its affiliate, suitability, risk factors, and potential conflicts of interest, are set forth in the Offering Documents which each investor is required to receive and/or execute prior to being accepted as an investor in the Private Fund. While the Private Fund is generally considered to be a client of XO Capital, "client(s)" may also refer to the investors in the Private Fund.

XO Capital will devote its best efforts with respect to its management of both the Private Fund and its individual client accounts. Given the above discussion relative to the objectives, suitability, risk factors, and qualifications for participation in the Private Fund, XO Capital may give advice or take action with respect to the Private Fund that differs from that for individual client accounts. To the extent that a particular investment is suitable for both the Private Fund and certain individual client accounts, such investments will be allocated between the Private Fund and the individual client accounts in a manner which XO Capital determines is fair and equitable under the circumstances to all of its clients.

The Firm has a conflict of interest where it acts as investment adviser to a client and recommends and investment in the Fund. The conflict exists because the Firm is recommending an investment in a proprietary fund that could be invested elsewhere which would remove assets from the Firm's management. In addition, the Firm will receive management fees and/or performance-based fees or allocations for managing the Private Fund.

## **Item 5. Fees and Compensation**

XO Capital offers services on a fee basis, which includes fixed fees, as well as fees based upon assets under management or advisement as well as the performance of the account.

### **Financial Planning and Consulting Fees**

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XO Capital charges a fixed fee for providing financial planning and consulting services under a stand-alone engagement. These fees are negotiable, but range from \$150,000 to \$1,000,000, depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services. The fee can be for a defined project, such as the delivery of a plan, or for ongoing services. If the client engages the Firm for additional investment advisory services, XO Capital can offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services. These services and fees will often include services and fees to an affiliated entity of the Firm where the services are not investment advisory.

### **Investment Management Fees**

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XO Capital offers investment management services for an annual fee based on the amount of assets under the Firm's management. This management fee varies between 25 and 100 basis points (0.25% – 1.00%). Alternatively or additionally, the Firm may charge a fixed fee for the investment management services. The fees will be individually negotiated and will depend upon the size and composition of a client's portfolio, the type and amount of services rendered and the individual(s) providing the services.

The annual fee is prorated and charged quarterly, in arrears. Asset-based fees will be based upon the market value of the assets being managed or advised on by XO Capital on the last day of the month. If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is not adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.



Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), XO Capital can negotiate a fee rate that differs from the range set forth above. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage XO Capital for additional services for compensation, including rolling over retirement accounts or moving other assets to the Firm's management. Clients retain absolute discretion over all decisions regarding engaging the Firm and are under no obligation to act upon any of the recommendations.

#### *Performance-Based Fees*

XO Capital also offers investment management services to certain qualified clients for a performance-based fee in accordance with applicable laws, rules and regulations. Under this arrangement, the Firm charges a fee based upon the performance of a client account in addition to an annual fee based upon assets under management.

The performance fee is negotiated with clients and is based on the net gains achieved in a client's account during the agreed upon period. Depending on the strategy and services provided, the performance fee can be subject to an agreed upon benchmark, a perpetual high-water mark or a hurdle rate of return. The annual asset-based management fee is charged as described above.

#### **Retirement Plan Consulting Fees**

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XO Capital charges a fixed project-based fee to provide clients with retirement plan consulting services. Each engagement is individually negotiated and tailored to accommodate the needs of the individual plan sponsor, as memorialized in the Agreement. These fees vary, based on the scope of the services to be rendered, the amount of assets to be advised on and the person providing the services.

#### **Fee Discretion**

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XO Capital may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention, pro bono activities, or competitive purposes.

#### **Additional Fees and Expenses**

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In addition to the advisory fees paid to XO Capital, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges include securities brokerage commissions, transaction fees, custodial fees, fees attributable to alternative assets, reporting charges, fees charged by the

Independent Managers, margin and other borrowing costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (*e.g.*, fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

### **Direct Fee Debit**

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Clients provide XO Capital and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to XO Capital.

### **Use of Margin**

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XO Capital can be authorized by clients to use margin in the management of the client's investment portfolio. In these cases, the fee payable will be assessed gross of margin such that the market value of the client's account and corresponding fee payable by the client to XO Capital will be increased. Where investment management fees are assessed gross of margin, a conflict of interest exists as the Firm has an incentive to use margin to increase its fees.

In addition, XO Capital can recommend that certain clients utilize margin in the client's investment portfolio or other borrowing for non-investment needs, such as bridge loans and other financing needs. The Firm's fees are determined based upon the value of the assets being managed gross of any margin or borrowing.

### **Account Additions and Withdrawals**

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Clients can make additions to and withdrawals from their account at any time, subject to XO Capital's right to terminate an account. Additions can be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients can withdraw account assets on notice to XO Capital, subject to the usual and customary securities settlement procedures. However, the Firm designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. XO Capital may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (*e.g.*, contingent deferred sales charges) and/or tax ramifications.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

As stated in Item 4, XO Capital provides advisory services to qualified clients for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets). Although XO Capital believes that this fee arrangement best aligns the interests of the Firm and its clients, it raises conflicts of interest. The performance fee is an incentive for the Firm to make or recommend investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, where XO Capital charges performance-based fees and also provides similar services to accounts not being charged performance-based fees, there is an incentive to favor accounts paying a performance-based fee, including, without limitation, in the allocation of resources, services, functions or investment opportunities. XO Capital has procedures in place to ensure that any decisions are made in the best interest of clients regardless of the applicable fee structure.

## **Item 7. Types of Clients**

XO Capital offers services to individuals, trusts, estates, philanthropic organizations, corporations and other business entities, and pension and profit sharing plans.

### **Minimum Account Value**

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As a condition for starting and maintaining an investment management relationship, XO Capital imposes a minimum portfolio value of \$15,000,000. The minimum is based on relationships so the Firm will factor in related accounts and clients. XO Capital may, in its sole discretion, accept clients with smaller portfolios based upon certain criteria, including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities. XO Capital only accepts clients with less than the minimum portfolio size if the Firm determines the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. XO Capital may, in its sole discretion, aggregate the portfolios of family members to meet the minimum portfolio size.

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

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

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XO Capital recognizes that different investment styles, markets and asset classes cycle in and out of favor, and therefore generally recommends diversification of the client's overall investment portfolio, in many cases recommending allocations to different types of investment strategies.

In managing its investment strategies and portfolios, XO Capital relies on a wide range of information, including its proprietary quantitative and qualitative research, research provided by third parties, and other available political, financial, economic and market information. XO Capital's proprietary quantitative research analyzes price trends in various securities, statistical properties of securities, including investment styles and sectors, geographical location, asset classes, and alternative investments. XO Capital's qualitative research is conducted through financial models, in-person diligence meetings, channel checks, and other qualitative methodologies. In addition to making its own active investment decisions and recommendations, XO Capital accesses third party investment managers through its review, selection and monitoring of actively managed hedge funds, mutual funds, exchange-traded funds ("ETFs"), and exchange traded futures. The portfolio managers also weigh other considerations when making investment decisions or recommendations, including without limitation diversification, turnover, and transaction costs.

XO Capital's Investment Committee provides high-level oversight of all portfolio management matters, including investment strategy and portfolio process, implementation and performance; review, discussion and approval of new investment strategies and portfolios and enhancements to existing investment strategies and portfolios; portfolio management projects; policies, procedures, systems, portfolio operations and trading; and determining the overall strategic priorities of the portfolio management team.

In conducting its proprietary quantitative research, XO Capital analyzes a large amount of price information which XO Capital obtains from third parties. XO Capital does not guarantee the accuracy of this information or that it will be correctly captured or analyzed by XO Capital. Any errors in the information, its capture or the analytical process may result in different research output, which may influence or cause XO Capital to make different investment decisions or recommendations. XO Capital will not be liable for investment decisions or recommendations resulting from inaccurate price information or errors in capturing or analyzing information.

In general, XO Capital's investment strategies and portfolios focus on total return. XO Capital utilizes equities, ETFs, mutual funds, exchanged traded futures, private placement securities, individual debt securities, and other types of pooled investment vehicles extensively in its investment strategies and portfolios, and does not generally provide investment advice with respect to any other types of investments. However, financial plans or reports provided to financial planning clients may include within their scope other types of securities owned or subsequently acquired by the clients.

The individual equities, ETFs, exchange traded futures, and mutual funds through which XO Capital's investment strategies and portfolios may be implemented are subject to change at any time without prior notice.

## **Risk of Loss**

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The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with respect to the Firm's investment management activities. Clients should consult with their legal, tax, and other advisors before engaging the Firm to provide investment management services on their behalf.

### *General Risks*

XO Capital's investment strategies and portfolios, like most investment strategies, involve the risk of loss of principal that clients should be prepared to bear. In all cases, investment returns and principal value will fluctuate and are subject to market volatility, so that a client's investment, when sold, may be worth more or less than the original cost. Various types of investments involve different kinds of risk, and there is no assurance that any investment strategy or portfolio will be profitable. There is no guarantee that XO Capital's approach to investing, its proprietary quantitative and qualitative research, and investment strategies and portfolios will be successful or that the opinions expressed by XO Capital will prove to be true. Asset allocation does not ensure a profit or protect against a loss.

Past performance of XO Capital's investment strategies and portfolios is not a guarantee of future performance results. You should not assume that future performance results will be profitable or equal to past performance. Some of XO Capital's investment strategies and portfolios have a limited performance history. The use of XO Capital's investment strategies or portfolios may be appropriate for certain investors as part of their overall investment strategy. However, the use of investment strategies or portfolios is not a substitute for personalized investment advice and investors should consult with their advisors before implementing any investment strategy or portfolio. No investment strategy or portfolio ensures a profit or protects against a loss.

XO Capital's investment strategies and portfolios are often implemented using ETFs, individual equities, or exchange traded futures, which are subject to various risks, including loss of principal, price volatility, reductions in distributions, competitive industry pressures, possible trading halts, securities lending and global, political and economic developments. These risks may be magnified in funds with concentrated holdings. In other cases, XO Capital's investment strategies and portfolios are implemented through mutual funds, which share many of these risks. While mutual funds are not traded on an exchange, and are therefore not subject to possible trading halts, investments in mutual funds do involve risks including loss of principal, price volatility, reductions in distributions, competitive industry pressures, securities lending,

delays in payments of redemption proceeds for up to seven days and global, political and economic developments.

Many ETFs and mutual funds through which XO Capital's investment strategies and portfolios may be implemented may utilize derivative investments. Derivative investments will typically increase a fund's exposure to principal risks to which it is otherwise exposed, and may expose the fund to additional risks, including correlation risk, counterparty risk, hedging risk, leverage risk and/or liquidity risk. In addition to the potential for substantial losses (e.g., a relatively small movement in the price of an underlying security, instrument, commodity, currency or index may result in a much larger loss for a fund), the use of derivative instruments may lead to increased volatility for a fund. In addition, many ETFs and mutual funds through which XO Capital's investment strategies and portfolios may be implemented are exposed to various additional risks often associated with index funds, including index tracking error, passive management, and other risks. While index funds are designed to provide investment results that generally correspond to their underlying indices, index funds may not be able to exactly replicate the performance of the indices because of fund related expenses and other factors. Index ETFs may also trade at a premium or discount to their net asset values, which may give rise to additional differences relative to their underlying indices.

In addition to mutual funds, some of XO Capital's portfolios may be implemented using other types of pooled investment vehicles, e.g., collective investment trusts, which share many of the characteristics of mutual funds and are subject to many of the risks associated with mutual funds.

XO Capital does not generally take tax considerations into account in making investment strategy and portfolio-level investment decisions or recommendations. Many of XO Capital's investment strategies and portfolios involve a high level of portfolio turnover, which may increase transaction costs, lower returns, and have negative tax consequences in taxable accounts.

### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of XO Capital's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that XO Capital will be able to predict these price movements accurately or capitalize on any such assumptions.

### *Volatility Risks*

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

### *Cash Management Risks*

The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

### *Equity-Related Securities and Instruments*

The Firm may take long positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, midcapitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

### *Fixed Income Securities*

While the Firm emphasizes risk-averse management and capital preservation in its fixed-income bond portfolios, clients who invest in this product can lose money, including losing a portion of their original investment. The prices of the securities in our portfolios fluctuate. The Firm does not guarantee any particular level of performance. Below is a representative list of the types of risks clients should consider before investing in this product.

- Interest rate risk. Prices of bonds tend to move in the opposite direction to interest rate changes. Typically, a rise in interest rates will negatively affect bond prices. The longer the duration and average maturity of a portfolio, the greater the likely reaction to interest rate moves.
- Credit (or default) risk. A bond's price will generally fall if the issuer fails to make a scheduled interest or principal payment, if the credit rating of the security is downgraded, or if the perceived creditworthiness of the issuer deteriorates.
- Liquidity risk. Sectors of the bond market can experience a sudden downturn in trading activity. When there is little or no trading activity in a security, it can be difficult to sell the security at or near its perceived value. In such a market, bond prices may fall.
- Call risk. Some bonds give the issuer the option to call or redeem the bond before the maturity date. If an issuer calls a bond when interest rates are declining, the proceeds may have to be reinvested

at a lower yield. During periods of market illiquidity or rising rates, prices of callable securities may be subject to increased volatility.

- Prepayment risk. When interest rates fall, the principal of mortgage-backed securities may be prepaid. These prepayments can reduce the portfolio's yield because proceeds may have to be reinvested at a lower yield.
- Extension risk. When interest rates rise or there is a lack of refinancing opportunities, prepayments of mortgage-backed securities or callable bonds may be less than expected. This would lengthen the portfolio's duration and average maturity and increase its sensitivity to rising rates and its potential for price declines.
- Distressed debt. In certain circumstances, the Firm will invest in distressed debt opportunities. These debt investments are typically in the existing debt of issuers that are in financial distress. These investments have a significantly higher risk than other debt, especially investment grade debt.

#### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (*e.g.*, sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for index-based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.



### *Use of Independent Managers*

As stated above, XO Capital selects certain Independent Managers to manage a portion of its clients' assets. In these situations, XO Capital continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, XO Capital does not have the ability to supervise the Independent Managers on a day-to-day basis.

### *Use of Private Investments Including Collective Investment Vehicles*

XO Capital recommends that certain clients invest in privately placed securities, including collective investment vehicles (*e.g.*, hedge funds, private equity funds, direct private equity, etc.). Because these investments are privately placed and not registered, they have less regulatory oversight than publicly traded investments. In addition, the managers of the collective investment vehicles have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. Hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the collective investment vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. Clients should consult each fund's private placement memorandum and/or other documents explaining such risks prior to investing.

The Firm expects to access certain of these Private Investments through LLCs or limited partnerships (LPs) that the Firm or an affiliate manages. In those circumstances there are additional risks and conflicts since the Firm or its affiliates will receive fees for its services to the LLC or LP. Clients will be provided with subscription documents that explain the risks and conflicts before investing.

### *Options*

Options allow investors to buy or sell a security at a contracted "strike" price at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (*i.e.*, limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Use of Margin*

While the use of margin borrowing for investments can substantially improve returns, it may also increase overall portfolio risk. Margin transactions are generally effected using capital borrowed from a Financial Institution, which is secured by a client's holdings. Under certain circumstances, a lending Financial Institution may demand an increase in the underlying collateral. If the client is unable to provide the

additional collateral, the Financial Institution may liquidate account assets to satisfy the client's outstanding obligations, which could have extremely adverse consequences. In addition, fluctuations in the amount of a client's borrowings and the corresponding interest rates may have a significant effect on the profitability and stability of a client's portfolio.

#### *Currency Risks*

An advisory account that holds investments denominated in currencies other than the currency in which the advisory account is denominated may be adversely affected by the volatility of currency exchange rates.

#### *Interest Rate Risks*

Interest rates may fluctuate significantly, causing price volatility with respect to securities or instruments held by clients.

#### *Futures*

A futures contract is an arrangement between two parties to buy or sell an asset at a particular time in the future for a particular price. When used for hedging, they can reduce risk of loss. When used for speculation, however, they can have similar risks as options, including the potential for greater losses than the investment.

## **Item 9. Disciplinary Information**

XO Capital has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

This item requires investment advisers to disclose certain financial industry activities and affiliations. The Firm does not have any other financial industry activities or affiliations that need to be disclosed.

## **Item 11. Code of Ethics**

XO Capital has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. XO Capital's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of

material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of XO Capital's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. Supervised Persons will often co-invest with clients in privately placed securities.

This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (*i.e.*, spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by money market funds; and iv) shares issued by other unaffiliated open-end mutual funds.

Clients and prospective clients may contact XO Capital to request a copy of its Code of Ethics by contacting the Firm at the phone number on the cover page of this brochure.

## **Item 12. Brokerage Practices**

### **Recommendation of Broker-Dealers for Client Transactions**

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XO Capital recommends that clients utilize the custody, brokerage and clearing services of various Financial Institutions for investment management accounts (also referred to as "Custodians"). The final

decision to custody assets with a recommended Custodian is at the discretion of the client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. XO Capital is independently owned and operated and not affiliated with Custodians . Custodians will provide XO Capital with access to their institutional trading and custody services, which are typically not available to retail investors.

Factors which XO Capital considers in recommending a specific Custodian to clients include their respective financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by Custodians may be higher or lower than those charged by other Financial Institutions.

The commissions paid by XO Capital's clients to Custodians comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where XO Capital determines that the commissions are reasonable in relation to the value of the brokerage and research services received. 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 Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. XO Capital seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other broker-dealers with whom the Firm and its Custodians have entered into agreements for prime brokerage clearing services. Should an account make use of prime brokerage, the client may be required to sign an additional agreement, and additional fees are likely to be charged.

Consistent with obtaining best execution, brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist XO Capital in its investment decision-making process. Such research will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because XO Capital does not have to produce or pay for the products or services.

XO Capital periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

### **Software and Support Provided by Financial Institutions**

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XO Capital anticipates receiving, without cost, computer software, related systems support, as well as other third party support as further described below (together "Support") which allow XO Capital to better

monitor client accounts maintained at Custodians and otherwise conduct its business. XO Capital receives the Support without cost because the Firm renders investment management services to clients that maintain assets at Custodians. The Support is not provided in connection with securities transactions of clients (i.e., not “soft dollars”). The Support benefits XO Capital, but not its clients directly. Clients should be aware that XO Capital’s receipt of economic benefits such as the Support from a broker-dealer creates a conflict of interest since these benefits will influence the Firm’s choice of broker-dealer over another that does not furnish similar software, systems support or services. In fulfilling its duties to its clients, XO Capital endeavors at all times to put the interests of its clients first and has determined that the recommendation of a Custodian is in the best interest of clients and satisfies the Firm’s duty to seek best execution.

Specifically, XO Capital receives the following benefits from Custodians when on their advisor platform:

i) receipt of duplicate client confirmations and bundled duplicate statements; ii) access to a trading desk that exclusively services its institutional traders; iii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and iv) access to an electronic communication network for client order entry and account information.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain amount of the advisor’s clients’ assets are maintained in accounts at Custodian. Custodians’ services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For client accounts maintained in its custody, Custodians generally do not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Custodians or that settle into the Custodians’ accounts.

Custodians also make available to the Firm other products and services that benefit the Firm but may not benefit its clients’ accounts. These benefits may include national, regional or Firm specific educational events organized and/or sponsored by Custodians. Other potential benefits may include occasional business entertainment of personnel of XO Capital by Custodian personnel, including meals, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist XO Capital in managing and administering clients’ accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of the Firm’s fees from its clients’ accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of the Firm’s accounts, including accounts not maintained at Custodians.

Custodians also make available to XO Capital other services intended to help the Firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Custodians may make available, arrange and/or pay vendors for these types of services rendered to the Firm by independent third parties. Custodians may discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. While, as a fiduciary, XO Capital endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at Custodians may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by Custodians, which creates a potential conflict of interest.

### **Brokerage for Client Referrals**

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XO Capital does not consider, in selecting or recommending broker-dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

### **Directed Brokerage**

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The client may direct XO Capital in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by XO Capital (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, XO Capital may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### **Trade Aggregation**

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Transactions for each client will be effected independently, unless XO Capital decides to purchase or sell the same securities for several clients at approximately the same time. XO Capital may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among XO Capital's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which XO Capital's Supervised

Persons may invest, the Firm does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. XO Capital does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## **Item 13. Review of Accounts**

### **Account Reviews**

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XO Capital monitors client portfolios on a continuous and ongoing basis and regular account reviews are conducted on at least a semi-annual basis. Such reviews are conducted by one or more of the Firm's Principals and/or investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with XO Capital and to keep the Firm informed of any changes thereto.

### **Account Statements and Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from XO Capital and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from XO Capital or an outside service provider.

## **Item 14. Client Referrals and Other Compensation**

### **Client Referrals**

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In the event a client is introduced to XO Capital by either an unaffiliated or an affiliated promoter, the Firm may pay that promoter a referral fee in accordance with applicable state securities laws. Unless otherwise disclosed, any such referral fee is paid solely from XO Capital's investment management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated promoter, the client will receive a disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated promoter of XO Capital is required to disclose the nature of his or her relationship to prospective clients at the time of the referral and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the referral.

### **Other Compensation**

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The Firm receives economic benefits from Custodians. The benefits, conflicts of interest and how they are addressed are discussed above in response to Item 12.

## **Item 15. Custody**

XO Capital is deemed to have custody of client funds and securities because the Firm is given the ability to debit client accounts for payment of the Firm's fees. As such, client funds and securities are maintained at one or more Financial Institutions that serve as the qualified custodian with respect to such assets. Such qualified custodians will send account statements to clients at least once per calendar quarter that typically detail any transactions in such account for the relevant period.

In addition, as discussed in Item 13, XO Capital will also send, or otherwise make available, periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from XO Capital. Any other custody disclosures can be found in the Firm's Form ADV Part 1.

### **Surprise Independent Examination**

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XO Capital expects to have custody over clients' cash, bank accounts or securities for reasons other than those discussed above (including bill paying and/or acting as trustee for clients). When the Firm takes this level of custody it will engage an independent accounting Firm to perform a surprise annual examination



of those assets and accounts over which it maintains custody. Any related opinions issued by an independent accounting Firm are filed with the SEC and are publicly available on the SEC's Investment Adviser Public Disclosure website. XO Capital does not have direct physical access to client funds as they are maintained with an independent qualified custodian.

### **Standing Letters of Authorization**

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XO Capital also anticipates having custody due to clients giving the Firm limited power of attorney in a standing letter of authorization ("SLOA") to disburse funds to one or more third parties as specifically designated by the client. In such circumstances, the Firm will implement the steps in the SEC's no-action letter on February 21, 2017 which includes (in summary): i) client will provide instruction for the SLOA to the custodian; ii) client will authorize the Firm to direct transfers to the specific third party; iii) the custodian will perform appropriate verification of the instruction and provide a transfer of funds notice to the client promptly after each transfer; iv) the client will have the ability to terminate or change the instruction; v) the Firm will have no authority or ability to designate or change the identity or any information about the third party; vi) the Firm will keep records showing that the third party is not a related party of the Firm or located at the same address as the Firm; and vii) the custodian will send the client an initial and annual notice confirming the SLOA instructions.

### **Item 16. Investment Discretion**

XO Capital is given the authority to exercise discretion on behalf of clients. XO Capital is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. XO Capital is given this authority through a power-of-attorney included in the agreement between XO Capital and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). XO Capital takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made;
- The broker-dealer that executes trades (in the case of a prime brokerage relationship); and
- The Independent Managers to be hired or fired.

## **Item 17. Voting Client Securities**

XO Capital does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

## **Item 18. Financial Information**

XO Capital is not required to disclose any financial information listed in the instructions to Item 18 because:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.