



**Form ADV Part 2A • Appendix 1 • Wrap Fee Program Brochure**  
**March 2023**

Towercrest Capital Management, LLC  
41 University Drive, Suite 400 • Newtown, PA 18940  
Tel 215-809-2000 • [www.towercrestcapital.com](http://www.towercrestcapital.com)

This brochure provides information about the qualifications and business practices of Towercrest Capital Management, LLC. If you have any questions about the content of this brochure, please contact us by telephone at 215-809-2000 or email [info@towercrestcapital.com](mailto:info@towercrestcapital.com). The information in this brochure has not been verified or evaluated by any regulator. Additional information about Towercrest Capital Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Please note that the use of the term "registered investment adviser" does not imply a certain level of skill or training. Towercrest Capital Management, LLC shall be referred to as 'Towercrest' in this document.

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## Item 2 – Material Changes

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Towercrest Capital will update this wrap fee program brochure: 1) annually, 2) when information in the brochure becomes materially inaccurate, and 3) when Towercrest Capital deems it appropriate.

Since our last annual amendment filing on 03/11/2022, the following changes have been made:

- Our firm has clarified in Item 4 of this Brochure, how we bill on cash and cash equivalents held in client accounts. Further, please see Item 6 of this Brochure and Item 8 of our Firm Brochure for more information on cash and cash equivalents.

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## Item 4 – Services, Fees and Compensation

Towercrest Capital Management, LLC (“*Towercrest*”) offers a wrap fee program whereby the firm manages client accounts for a single convenient wrap fee that includes investment advisory services, portfolio management services, custody and clearance services and transaction costs.

Towercrest serves as the portfolio manager and seeks long-term growth of clients’ financial assets while emphasizing preservation of capital. Towercrest manages five model portfolios designed to meet clients’ risk/return objectives, ranging from conservative to aggressive growth. An appropriate portfolio is determined by a client’s investment objectives, investment time horizon, liquidity needs and risk tolerance. The investment process is designed for investors who seek an asset allocation model that is actively adjusted in response to changing market conditions.

Prior to engaging Towercrest to provide services through the wrap fee program, the client is required to enter into an Investment Management Agreement with Towercrest which sets forth the terms and conditions of the engagement and the scope of services to be provided. These services may include; developing the investment strategy, determining the appropriate target portfolio asset allocation, developing the Investment Policy Statement (IPS) and ongoing investment monitoring. Clients may impose restrictions on investing in specific securities, industries or sectors.

Towercrest also acts as a sub-advisor to other unaffiliated registered investment advisors. Towercrest relies on the unaffiliated registered investment advisors to determine the appropriate portfolio model for their clients.

Fidelity Brokerage Services (“Fidelity”), Charles Schwab & Co., Inc. (“Schwab”), and TD Ameritrade, Inc. (“TD Ameritrade”) do not charge transaction fees for U.S. listed equities and exchange traded funds. Since Towercrest pays the transaction fees charged by the custodian to clients participating in our wrap fee program, this presents a conflict of interest. Towercrest is financially incentivized to recommend equities, exchange traded funds, and no transaction fee mutual funds over other types of securities that incur transaction fees (such as transaction fee mutual funds and fixed income securities) to reduce Towercrest’s costs.

### Program Fee

Towercrest charges a single convenient “wrap fee” for these services. The fee is payable quarterly in advance and is based on the account value on the last trading day of the previous calendar quarter. The first quarterly fee payment is due upon execution of the Investment Advisory Agreement and will be assessed pro-rata in the event the agreement is executed at any time other than the first business day of a calendar quarter. Our firm bills on cash unless otherwise agreed to in writing. The pro-rata calculation will begin on the first day of the calendar month that follows the execution of the Investment Advisory Agreement (for example, if the Investment Advisory Agreement is executed in January, pro-rata billing will begin February 1<sup>st</sup>). Lower fees may be negotiated at Towercrest’s sole discretion. If an account is removed from Towercrest’s management during the quarter, fees will be prorated to the termination date and any unearned fees will be refunded to the client. The annual management fee schedule is set forth below:

<u>Value of Client Account</u>	<u>Annual Fee</u>
First \$1,000,000	1.00%
Next \$1,000,000	0.75%
Subsequent Accounts	0.50%

A minimum of \$250,000 of assets is necessary to establish a relationship with Towercrest. Towercrest may waive the asset minimum, however, an annual fee of \$2,500 will apply.

A portion of the fee paid to Towercrest is used to cover transactional costs attributed to the management of its clients' portfolios. Since Towercrest pays the transaction costs associated with trading, there may be a disincentive to actively trade in client accounts.

Services provided through the wrap fee program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the wrap fee program versus paying separate transactional costs and paying a separate fee for investment advisory and portfolio management services. The fee paid in the wrap fee program may also be higher or lower than fees charged by other investment advisory firms.

## **Other Charges**

Clients may incur certain fees or charges imposed by third parties other than Towercrest in connection with investments made by Towercrest on behalf of clients, via individual transaction charges. These fees and charges are separate and distinct from the fees paid to Towercrest and may include, but not be limited to: exchange-traded fund (ETF) fees, deferred sales charges on previously purchased mutual funds transferred into the account, interest charged on margin borrowing, "spreads" imposed by brokers/dealers representing implicit transactions costs, wire transfer/electronic fund transfer fees and fees related to trades executed away from a custodian. Towercrest is not responsible for and does not receive any portion of these fees or charges.

## **Compensation for Recommending the Wrap Fee Program**

Towercrest has no arrangements in place whereby persons recommending the wrap fee program are entitled to receive additional compensation as a result of clients' participation.

Products & Services Available to Us from Schwab - Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like ours. They provide us and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis and at no charge to us as long as we maintain a total of at least \$10 million of our clients' assets in accounts at Schwab.

Services that Benefit Client - Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit clients.

Services that May Not Directly Benefit Clients - Schwab also makes available to us other products and services that benefit us but may not directly benefit the client or their account(s). These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provides access to client account data (such as duplicate trade confirmations and account statements);
- facilitates trade execution and allocate aggregated trade orders for multiple client accounts;
- provides pricing and other market data;
- facilitates payment of our fees from our clients' accounts; and
- assists with back-office functions, recordkeeping and client reporting.

Schwab offers other services intended to help us manage and develop our business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees.

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## **Item 5 – Account Requirements and Types of Clients**

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Towercrest provides services to different client types. Clients may include individuals, trusts, charitable organizations, pension and profit-sharing plans, corporations and/or other businesses. The mix of client types may change over time. Towercrest imposes a minimum account balance of \$250,000 for participation in the wrap fee program. The minimum may be waived at the discretion of Towercrest.

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## **Item 6 – Portfolio Manager Selection and Evaluation**

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### **A. Selecting/Reviewing Portfolio Managers**

Clients' investment portfolios are managed directly by Towercrest, and the firm will not select any outside portfolio managers for the management of this wrap fee program. Towercrest will use industry standards to calculate portfolio performance and it will review these performance numbers on an ongoing basis to verify its accuracy and compliance with presentation standards.

### **B. Related Persons**

No related persons act as a portfolio manager for the wrap fee program described in this brochure. Hence, there are no conflicts of interest with related persons and Towercrest will not select any related persons as portfolio managers for this wrap fee program.

### **C. Selecting/Reviewing Portfolio Managers**

Towercrest serves as the portfolio manager for every portfolio in the wrap fee program as detailed in Item 4 above.

#### **i. Advisory Services Offered**

Investment Management – Towercrest provides clients with ongoing investment management services on a fee-only basis. Towercrest manages diversified portfolios that are designed to meet clients' risk and return objectives. An appropriate portfolio is determined by a client's investment objectives, investment time horizon, liquidity needs and risk tolerance. Towercrest typically uses exchange-traded funds (ETF's) to build diversified portfolios. These services are only performed on a discretionary basis.

Financial Planning and Consulting Services – Towercrest may provide financial planning to certain clients in conjunction with investment management services. Financial planning may include net worth analysis, tax planning, estate planning, risk management and retirement planning. In some cases, Towercrest may provide consulting services regarding non-investment related financial matters on a stand-alone separate fee basis.

401k/Retirement Plan Services – Towercrest provides investment advice and consulting services to qualified retirement plans. Towercrest will assist in plan design, educate participants, and guide plan sponsors on fiduciary matters.

ii. **Client Account Management**

Prior to engaging Towercrest to provide investment advisory services, the client is required to enter into an Investment Advisory Agreement with Towercrest which sets forth the terms and conditions of the engagement and the scope of services to be provided. These services may include; developing the investment strategy, determining the appropriate target portfolio asset allocation, developing the Investment Policy Statement (IPS) and ongoing investment monitoring. Clients may impose restrictions on investing in specific securities, industries or sectors.

iii. **Wrap Fee Programs**

Towercrest offers a wrap fee program whereby the firm manages client accounts for a single convenient wrap fee that includes investment advisory services, portfolio management services, custody and clearance services and transaction costs. Towercrest serves as the portfolio manager in the wrap fee program. Towercrest does not manage wrap fee accounts any differently than non-wrap accounts. A portion of the fees paid for the wrap account program will be paid to Towercrest as a management fee.

iv. **Performance-Based Fees and Side-by-Side Management**

Towercrest does not have any performance-based fee arrangements.

v. **Methods of Analysis, Investment Strategies and Risk of Loss**

Generally, Towercrest uses fundamental analysis in making investment decisions. Fundamental analysis is a technique that attempts to determine a security's value by evaluating underlying factors that affect the security's business and its future prospects. Towercrest also performs fundamental analysis on industries, countries, and the economy as a whole.

Towercrest uses the following sources for information; *Bloomberg*, *Morningstar*, inspection of corporate activities, financial news reports, financial journals, research materials prepared by others, company annual reports, prospectuses, filings with the Securities and Exchange Commission (SEC) and company press releases.

The results for individual portfolios will vary depending on market conditions and the portfolio's overall composition. All investments carry a certain degree of risk including the possible loss of principal and there is no assurance that an investment will provide positive performance over any period of time. Past performance is no guarantee of future results.

vi. **Investment Strategies**

Generally, Towercrest seeks long-term growth of clients' financial assets while emphasizing preservation of capital. Towercrest manages five model portfolios designed to meet clients' risk/return objectives, ranging from conservative to aggressive growth. An appropriate portfolio is determined by a client's investment objectives, investment time horizon, liquidity needs and risk tolerance. The investment process is designed for investors who seek an asset allocation model that is actively adjusted in response to changing market conditions.

Towercrest employs the following investing methods:

- Portfolio Diversification – Client portfolios are diversified across and within asset classes in order to reduce investment risk.
- Tactical Asset Allocation – A moderately active strategy that adjusts asset allocations in response to changing market conditions.

- Macroeconomic Factors – Towercrest employs a model that identifies strength or weakness in the global financial markets. Factors include:
  - The Leading Economic Indicators (LEI)
  - Market Valuation (e.g., P/E, price-to-book, price-to-sales ratios)
  - Interest Rates and Yield Curves
- Portfolio Rebalancing – Client portfolios are periodically realigned to keep the portfolio in line with its target asset allocation.
- Cash & Cash Equivalents - Cash and cash equivalents generally refer to either United States dollars or highly liquid short-term debt instruments such as, but not limited to, treasury bills, bank CD's and commercial paper. Generally, these assets are considered nonproductive and will be exposed to inflation risk and considerable opportunity cost risk. Investments in cash and cash equivalents will generally return less than the advisory fee charged by our firm. Our firm may recommend cash and cash equivalents as part of our clients' asset allocation when deemed appropriate and in their best interest. Our firm considers cash and cash equivalents to be an asset class. Therefore, our firm assesses an advisory fee on cash and cash equivalents unless indicated otherwise in writing.

Note: Towercrest employs these investment strategies with the intention of positive outcomes for its clients. However, all investments carry the risk of loss. There can be no assurance that clients will achieve their investment goals.

## vii. **Risk of Loss**

Investing in securities involves risk of loss. Investors face the following risks:

Systematic Risk (Market Risk) - Systematic risk is also known as market risk and relates to factors that affect the overall economy or financial markets. Systematic risk affects all companies, regardless of the company's financial condition, management, or capital structure, and, depending on the investment, can involve international as well as domestic factors. Some of the most common systematic risks are:

- Interest-rate risk is the risk that the value of a security will go down because of changes in interest rates. For example, when interest rates overall increase, bond issuers must offer higher coupon rates on new bonds in order to attract investors. The consequence is that the prices of existing bonds drop because investors prefer the newer bonds paying the higher rate.
- Inflation risk is the risk that increases in the prices of goods and services, and therefore the cost of living, reduce your purchasing power. Inflation risk and interest rate risk are closely tied, as interest rates generally rise with inflation. Because of this, inflation risk can also reduce the value of your investments. For example, to keep pace with inflation and compensate for the loss of purchasing power, lenders will demand increased interest rates. This can lead to existing bonds losing value because, as mentioned above, newly issued bonds will offer higher interest rates. Inflation can go in cycles, however. When interest rates are low, new bonds will likely offer lower interest rates.
- Currency risk occurs because many world currencies float against each other. If money needs to be converted to a different currency to make an investment, any change in the exchange rate between that currency and yours can increase or reduce your investment return.
- Liquidity risk is the risk that you might not be able to buy or sell investments quickly for a price that is close to the true underlying value of the asset. Sometimes you may not be able to sell the investment at all if there are no buyers for it. Liquidity risk is usually higher in over-the-counter markets.
- Sociopolitical risk is the possibility that instability or unrest in one or more regions of the world will affect investment markets. Terrorist attacks, war, and pandemics are just examples of events, whether actual or anticipated, that impact investor attitudes toward the market in general and result in system-wide fluctuations in stock prices. Some events, such as the September 11, 2001, attacks on the World Trade Center and the Pentagon, can lead to wide-scale disruptions of financial markets, further



exposing investments to risks. Similarly, if you are investing overseas, problems there may undermine those markets, or a new government in a particular country may restrict investment by non-citizens or nationalize businesses.

Nonsystematic Risk - Nonsystematic risk, in contrast to systematic risk, affects a much smaller number of companies or investments and is associated with investing in a particular product, company, or industry. Some examples of nonsystematic risk include:

- Management risk, also known as company risk, refers to the impact that bad management decisions, other internal missteps, or even external situations can have on a company's performance and, as a consequence, on the value of the investments in that company.
- Credit risk, also called default risk, is the possibility that a bond issuer won't pay interest as scheduled or repay the principal at maturity.

viii. **Voting Client Securities**

As a matter of company policy and practice, Towercrest will generally not vote proxies on securities held in clients' accounts. Clients will receive their proxies directly from their custodian.

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## **Item 7 – Client Information Provided to Portfolio Managers**

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Towercrest acts as both the sponsor and portfolio manager of the wrap fee program. Client information is collected by Towercrest and is updated when the information changes.

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## **Item 8 – Client Contact with Portfolio Managers**

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There are no restrictions on client ability to contact Towercrest in its capacity as the portfolio manager of the wrap fee program.

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## **Item 9 – Additional Information**

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### **A.1 Disciplinary Information**

As a registered investment advisor, Towercrest is required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of Towercrest or the integrity of the management team. Towercrest has no information applicable to this item.

### **A.2 Other Financial Industry Activities and Affiliations**

Broker-dealer - Neither the principal of Towercrest, nor any related persons are registered, or have an application pending to register, as a broker dealer or as an associated person of the foregoing entities.

Futures Commission Merchant/Commodity Trading Advisor - Neither Towercrest nor the principal of Towercrest, nor any related persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Relationship with Related Persons - This item is not applicable, as Towercrest has no relationships with related persons in the financial services industry that would pose a conflict of interest.

Recommendations of Other Advisers - Towercrest does not utilize nor select other advisers or third-party managers. All assets are managed by Towercrest management.

## **B.1 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

In recognition of Towercrest's fiduciary obligations to its clients and Towercrest's desire to maintain high ethical standards, Towercrest has adopted a Code of Ethics (*the "Code"*). The Code applies to all persons employed by Towercrest. The Code includes general requirements that Towercrest employees comply with their fiduciary obligations to clients and applicable securities laws. The Code also covers a range of topics that may include; reporting personal securities trading, exceptions to reporting securities trading and prohibitions on insider trading.

The Code is designed to assure that the personal securities transactions, activities and interests of Towercrest employees will not interfere with implementing decisions in the best interest of clients and, at the same time, allowing employees to invest for their own accounts.

The managing members of Towercrest may buy or sell securities and other investments that are also recommended to clients. To minimize this conflict of interest, Towercrest will place client interest ahead of its own interests in every case.

Towercrest's personal trading policy is based upon fundamental principles of integrity and openness. To prevent conflicts of interest, all personal trades made by Towercrest's employees are reviewed by the managing members of Towercrest. Additionally, Towercrest's policies and procedures prohibit the misuse of material nonpublic information and are designed to prevent insider trading by any employee.

The Code is reviewed and updated on an annual basis or in the event of any material change to Towercrest's operations or structure. Clients and prospective clients can request a copy of Towercrest's Code of Ethics by calling our office at (215) 809-2000.

## **B.2 Review of Accounts**

Towercrest's management team, made up of the two managing members, jointly review all accounts managed by Towercrest. All accounts are reviewed on an ongoing basis to ensure adherence to Towercrest's investment strategy and clients' investment objectives. Towercrest uses real-time market feeds to continuously monitor client portfolios.

When reviewing accounts, the management team takes the following items into consideration:

- Asset allocation
- Performance
- Cash management

Towercrest provides clients with a monthly report, which includes financial market commentary and portfolio performance data.

Clients receive a monthly brokerage statement directly from the custodian. Client account statements list the account positions, monthly account activity and other related information. Clients also receive trade confirmations directly from the custodian.

### **B.3 Client Referrals and Other Compensation**

Clients do not pay more for investment transactions effected and/or assets maintained by a custodian as a result of our arrangement. There is no corresponding commitment made by our firm to custodians or any other entity to invest any specific amount or percentage of client assets in any specific investment product.

Towercrest may refer clients to unaffiliated third parties such as attorneys or accountants. In this case, no compensation is given. Towercrest does not refer clients to other investment advisors.

If a client is introduced to Towercrest by an unaffiliated solicitor, Towercrest *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisors Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Towercrest's investment management fee and shall not result in any additional charges to the client. The solicitor, at the time of the solicitation, shall disclose the nature of its solicitor relationship, and shall provide each prospective client with access to Towercrest's published Brochure and a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Towercrest and the solicitor. If we are paying solicitation fees to another registered investment advisor, the licensure of individuals is the other firm's responsibility.

### **B.4 Financial Information**

Towercrest does not have any adverse financial information to disclose. Towercrest has no financial commitment that impairs the firm's ability to meet contractual and fiduciary commitments to clients and has never been the subject of bankruptcy proceedings.