

# Hudson Capital Advisory, Inc.

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## FORM ADV PART 2A BROCHURE

### Item 1 – Cover Page

*This disclosure brochure provides clients with information about the qualifications and business practices of Hudson Capital Advisory, Inc., a registered investment advisory firm. It also describes the services Hudson Capital Advisory, Inc. provides as well as background information on those individuals who provide investment advisory services on behalf of Hudson Capital Advisory, Inc. Please contact Hudson Capital Advisory, Inc. at 617-820-4014 if you have any questions about the contents of this disclosure brochure.*

*The information in this disclosure brochure has not been approved or verified by any state securities authority. Registration does not imply that Hudson Capital Advisory, Inc. or any individual providing investment advisory services on behalf of Hudson Capital Advisory, Inc. possess a certain level of skill or training.*

*Information on the disciplinary history and the registration of Hudson Capital Advisory, Inc. and its associated persons is available on the Internet at [www.adviserinfo.sec.gov/IAPD/](http://www.adviserinfo.sec.gov/IAPD/). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Hudson Capital Advisory, Inc. is 304163.*

## **Item 2 – Material Changes**

This item discusses specific material changes to the Hudson Capital Advisory, Inc. disclosure brochure.

Pursuant to current regulations, Hudson Capital Advisory, Inc. will ensure that clients receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of its fiscal year which occurs at the end of the calendar year. Hudson Capital Advisory, Inc. may further provide other ongoing disclosure information about material changes as necessary.

Hudson Capital Advisory, Inc. will also provide clients with a new brochure as necessary based on changes or new information, at any time, without charge.

Hudson Capital Advisory, Inc. has made the following material changes to this disclosure brochure since its last annual amendment filing on March 23, 2022:

## **Item 4 – Advisory Services**

Hudson Capital Advisory, Inc. has disclosed that it manages a third portfolio strategy, the HCA Balanced Portfolio.

## **Item 15 – Custody**

Hudson Capital Advisory, Inc. is deemed to have custody because an associate person of Hudson Capital serves as a trustee on certain client accounts or Hudson Capital Advisory, Inc. itself may have full power of attorney over certain client accounts.

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## **Item 4 - Advisory Business**

### **A. The Company**

Hudson Capital Advisory, Inc. (“Hudson Capital” or the “firm”), a Delaware corporation, was registered with the State of New York from 2019 to 2022 and has been registered with the U.S. Securities and Exchange Commission since May 2021.

The principal owner of Hudson Capital is William N. Hudson III.

### **B. Advisory Services**

Hudson Capital offers the following services to advisory clients:

#### **Investment Management Services**

Hudson Capital offers ongoing Investment Management Services based on the individual goals, objectives, time horizon, and risk tolerance of each client. Investment Management Services include, but are not limited to, the following:

- Financial planning
- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

Hudson Capital will create and manage a customized portfolio based on the client’s risk profile and investment guidelines. Hudson Capital will allocate the client’s assets among various asset classes based on the client’s risk tolerance. Each portfolio will be designed with the goal of meeting each client’s individual needs.

Investment Management Services will be provided on both a discretionary and non-discretionary basis. For those accounts to be managed on a discretionary basis, the client will give Hudson Capital full authority to manage the client’s assets in accordance with what Hudson Capital deems to be in the client’s best interest based on the client’s investment objectives and guidelines. Clients will retain individual ownership of all securities in their account.

#### **Hudson Capital Portfolio Strategies**

Hudson Capital manages two proprietary portfolio strategies:

- The HCA Healthcare Opportunities Portfolio
- The HCA Earnings Growth Portfolio
- The HCA Balanced Portfolio

Hudson Capital may recommend to clients that a portion of their assets be invested in either one or both of these portfolio strategies. Please see the fee disclosures in Item 5 (Fees and Compensation) below for an explanation of any potential conflicts of interest and for

disclosures regarding Hudson Capital's fee-sharing arrangement with Monetary Management Corporation, Inc., an investment adviser registered with the State of California that provides research to support the construction of the Hudson Capital proprietary portfolio strategies.

### **Financial Planning Services**

If a client desires to obtain financial planning apart from the basic planning services provided as part of Investment Management Services, Hudson Capital also provides financial planning as a stand-alone service. Financial plans and/or financial planning recommendations (in the absence of a financial plan) may include, but are not limited to, investment planning, life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. Information gathered includes a client's current financial status, future goals and attitudes towards risk. Related documents supplied by the client are carefully reviewed, and a written report may be prepared.

Financial planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All financial planning recommendations are of a generic nature. In performing its services, Hudson Capital is not required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely on such information.

Should a client choose to implement the financial planning recommendations contained in the plan, Hudson Capital may recommend its own services or that of other professionals (*i.e.*, attorney, accountant, insurance agent, and/or stockbroker). Clients are advised that a conflict of interest exists if Hudson Capital recommends its own services. The client is under no obligation to act upon any of the recommendations made by Hudson Capital under a financial planning engagement and/or engage the services of any such recommended professional, including Hudson Capital or any of its related persons. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Hudson Capital's recommendations.

### **Consulting Services**

Clients can also receive investment advice on a more limited basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, reviewing a client's existing portfolio, or any other specific topic. Hudson Capital also provides specific consultation and administrative services regarding investment and financial concerns of the client. Additionally, Hudson Capital provides advice on non-securities matters. Generally, this is in connection with the rendering of estate planning, tax planning insurance, and/or annuity advice.

Consulting recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

### **Sub-Advisory Services**

Hudson Capital offers investment advisory services to other registered investment advisers on a sub-advisory basis. Such sub-advisory services may include providing proprietary research and investment ideas. Hudson Capital provides sub-advisory services on both a discretionary and a non-discretionary basis.

## **Bookkeeping Services**

If requested by a client, Hudson Capital will provide customized bookkeeping services which consists of serving as either your bookkeeper or assistant bookkeeper and/or providing tax preparation.

## **C. Client Tailored Services and Client Imposed Restrictions**

Hudson Capital's investment management services are tailored to meet the specific needs of each client. In order to provide appropriately individualized services, Hudson Capital will work with the client to obtain information regarding the client's financial circumstances, investment objectives, overall financial condition, income and tax status, personal and business assets, risk profile and other information regarding the client's financial and investment needs.

At least annually, Hudson Capital will review with clients their financial circumstances, investment objectives and risk profile. In order for Hudson Capital to provide effective investment management services, it is critical that clients provide accurate and complete information to Hudson Capital and inform Hudson Capital anytime such information needs to be updated or anytime there is a change in their financial circumstances, investment objectives and/or risk profile.

Generally, clients are permitted to impose reasonable restrictions on investing in certain securities or types of securities in their advisory accounts, provided, however, that some restrictions may not be accommodated when utilizing Exchange Traded Funds, mutual funds or with respect to certain third-party investment managers. In addition, a restriction request may not be honored if it is fundamentally inconsistent with Hudson Capital's investment philosophy, runs counter to the client's stated investment objectives, or would prevent Hudson Capital from properly servicing client accounts.

## **D. Wrap Fee Programs**

Hudson Capital does not participate in wrap fee programs (*i.e.*, programs that offer services for one, all-inclusive fee).

## **E. Assets Under Management**

As of March 20, 2023, Hudson Capital has approximately \$76,258,000 in assets under management, of which \$68,799,000 are managed on a discretionary basis and \$7,458,000 on a non-discretionary basis.

## **Item 5 - Fees And Compensation**

### **A. Advisory Fees**

#### **Investment Management Services**

The type of fee charged for Investment Management Services is determined by whether or not the client is a "Qualified Client." As defined in Rule 205-3 under the Investment Adviser Act of 1940, as amended, a "Qualified Client" is an individual or company that immediately after entering into an investment contract has at least \$1,100,000 under management with

the advisory firm or an individual or a company with a net worth (or a joint net worth, in the case of an individual, with assets held jointly with a spouse) of more than \$2,200,000 immediately before entering into the investment contract. The term “net worth” means the fair market value of total assets minus total liabilities. For purposes of calculating a natural person’s net worth the following conditions apply:

- The person’s primary residence will not be included as an asset;
- Indebtedness that is secured by the person’s primary residence (e.g., a mortgage), up to the estimated fair market value of the primary residence at the time the advisory contract is entered into, will not be subtracted as a liability (except that if the amount of such indebtedness outstanding at the time of calculation exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess will be subtracted as a liability); and
- Indebtedness that is secured by the person’s primary residence in excess of the estimated fair market value of the primary residence at the time the advisory contract is entered into will be subtracted as a liability.

#### Qualified Clients

For those clients that are Qualified Clients, the annual fee for Investment Management Services is equal to (i) 1% of assets under management (the “Asset-Based Fee) and (ii) 20% of the net profits in the account (the “Performance-Based Fee), provided, however, that the Performance-Based Fee is subject to a quarterly high-water mark which means that no Performance-Based Fee will be paid to Hudson Capital as to net profits in a period to the extent they “restore” net losses in the account. The Asset-Based Fee is payable quarterly in arrears and is based upon the market value of assets in the client’s account at the end of the quarter. Market value will be determined by the client’s custodian. The Performance-Based Fee accrues quarterly and is payable annually or when a client terminates their relationship with Hudson Capital.

#### Non-Qualified Clients

For those clients that are not Qualified Clients, the annual fee for Investment Management Services is charged as a percentage of assets under management and will not exceed 2.00% of the value of the client’s account. Clients will be billed either monthly or quarterly in arrears based upon the market value of assets in the client’s account at the end of the month or quarter. Market value will be determined by the client’s custodian.

For the initial calendar month or quarter, fees will be adjusted pro rata based upon the number of calendar days in the calendar month or quarter that the advisory agreement was effective. Fees are earned as of the commencement of the investment advisory agreement and are prorated when assets were not managed for the entire quarter. Details of the investment management fee charged are more fully described in the investment advisory agreement entered into with each client.

#### **Hudson Capital Portfolio Strategies**

The fee for participation in the Hudson Capital Portfolio Strategies is charged as a percentage of assets under management as follows:

<b>Portfolio Strategy</b>	<b>Annual Advisory Fee</b>
HCA Earnings Growth Portfolio	1.95%
HCA Healthcare Opportunities Portfolio	1.50%
HCA Balanced Portfolio	1.00%

Clients will be billed either monthly or quarterly in arrears.

Because the fees for participation in the Hudson Capital Advisory Portfolio Strategies are typically higher than the advisory fees charged for Hudson Capital's Investment Management Services, a conflict of interest exists if Hudson Capital recommends that a client invest a portion of their managed assets in either one or both of Hudson Capital's portfolio strategies. In the event that such recommendation is made, a client will be required to sign a separate acknowledgment and waiver of any such conflict of interest. Clients are under no obligation to accept HCA's recommendation that they invest a portion of their assets in one or both of these portfolio strategies.

In addition, Hudson Capital has entered into a research agreement whereby Monetary Management Corporation, Inc. ("MMC"), an investment adviser registered with the State of California, provides research for the composition and rebalancing of the Hudson Capital portfolio strategies. Hudson Capital is required to pay MMC fifty percent (50%) of the advisory fees received from any client assets placed in one or both of the Hudson Capital portfolio strategies. This does not present a conflict of interest nor does it increase the overall fee paid by a client as all fees paid to MMC are paid out of HCA's investment advisory fee.

### **Financial Planning/Consulting Services**

Financial Planning/Consulting Services fees will be charged a rate of up to \$350 per hour depending on the length of time it will take to complete the Financial Planning or Consulting service and on the nature and complexity of the individual client's personal circumstances. An estimate for total hours will be determined at the start of the advisory relationship.

### **Sub-Advisory Services**

The fee for participation in investment portfolios managed by Hudson Capital on a sub-advisory basis is charged either as a fixed-fee or as a percentage of assets under management which will not exceed 1.95% of the value of the client's account. Clients will be billed either monthly or quarterly in arrears based upon the market value of assets in the client's account at the end of the month or quarter. Market value will be determined by the account custodian.

### **Bookkeeping Services**

Bookkeeping services are provided on a fixed-fee basis that is paid on either a monthly or quarterly basis in arrears. The fee will typically not exceed \$500 a month; provided, however, that Hudson Capital reserves the right to charge a higher fee if the complexity of the work warrants such an increased fee. All fees will be disclosed in writing to the client prior to engagement.

## **B. Payment Method**

### Investment Management Services

There are two options a client may select from to pay Hudson Capital's Investment Management Services fee:

#### *Direct Debiting*

Each month or quarter, as the case may be, Hudson Capital will notify the client's qualified custodian of the amount of the fee due and payable to Hudson Capital pursuant to the firm's fee schedule and advisory agreement. The qualified custodian will not validate or check Hudson Capital's fees, its corresponding calculation or the assets on which the fee is based unless the client has retained their services to do so. With the client's pre-approval, the qualified custodian will "deduct" the fee from the client's account or, if the client has more than one account, from the account(s) the client has designated to pay Hudson Capital's advisory fees.

Each month, the client will receive a statement directly from the qualified custodian showing all transactions, positions and credits/debits into or from the client's account. Statements sent after quarter end will also reflect the advisory fee paid by the client to Hudson Capital.

#### *Billing*

Each quarter, Hudson Capital will issue the client a summary of fees for the firm's services and the client will pay Hudson Capital by check or wire transfer. All fees are due and payable upon receipt of the invoice or as negotiated and documented in the client's advisory agreement.

### Financial Planning/Consulting Services

Clients will be billed for the Financial Planning/Consulting Services fee upon conclusion of the service.

### Sub-Advisory Services

Each month or quarter, as the case may be, Hudson Capital will notify the client's qualified custodian of the amount of the fee due and payable to Hudson Capital pursuant to the firm's fee schedule and advisory agreement. The qualified custodian will not validate or check Hudson Capital's fees, its corresponding calculation or the assets on which the fee is based unless the client has retained their services to do so. With the client's pre-approval, the qualified custodian will "deduct" the fee from the client's account or, if the client has more than one account, from the account(s) the client has designated to pay Hudson Capital's advisory fees.

## **C. Additional Information**

### Minimum Requirements

Hudson Capital requires new clients have a minimum account size of \$100,000 for portfolio management services. Hudson Capital, in its sole discretion, may 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. Hudson Capital will only accept clients with less than the minimum portfolio size if, in the sole opinion of the firm, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Hudson Capital may aggregate the portfolios of family members to meet the minimum portfolio size.

#### Fees Negotiable

Hudson Capital retains the right to modify fees, including minimum account size and/or minimum fee requirements, in its sole and absolute discretion, on a client-by-client basis. Factors considered include the complexity and nature of the advisory services provided, anticipated amount of assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, and account composition.

#### Mutual Fund Fees and Exchange Traded Funds

All fees paid to independent investment managers for investment management services are separate and distinct from the fees and expenses charged by mutual funds and exchange-traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee and other fund expenses.

#### Alternative Investments

Hudson includes the fair market value of an alternative investment in its calculation of clients' investment management fee. Hudson receives no other fee from placing a client in an alternative investment. However, like a mutual fund or an exchange-traded fund, all fees paid to independent investment managers for investment management services are separate and distinct from the fees and expenses charged by alternative investments to their investors. These fees and expenses are described in each alternative investment's offering documents. These fees will generally include a management fee and other expenses.

#### Miscellaneous Expenses

Hudson Capital's investment management fee with respect to each client account does not include certain other charges and expenses, including (a) brokerage charges, which are paid on a transactional basis, (b) dealer mark-ups or mark-downs on securities purchased or sold for an account through third-party dealers and (c) taxes. Please see Item 12 on page 17 of this brochure for detailed information about Hudson Capital's brokerage practices.

#### Professional Fees

Fees do not include the services of any co-fiduciaries, accountants, broker dealers or attorneys. Accordingly, the fees of any additional professionals engaged by a client will be billed directly by such professional(s).

### **D. Termination and Refunds**

A client has the right to terminate an investment advisory or financial planning agreement without penalty within five (5) business days after entering into such agreement. In addition, an investment management agreement may be canceled at any time, by either party, for any reason upon thirty (30) days prior written notice to the other party. If an account is terminated during a calendar quarter, fees will be adjusted *pro rata* based upon the number

of calendar days in the calendar quarter that the investment management agreement was effective. Because fees are charged in arrears, the client will not typically be due a refund.

### **E. Additional Compensation**

Hudson Capital and its associates are engaged for fee-only services and an effort is made to recommend “no-load” investments whenever possible. Hudson Capital does not accept commissions or compensation from any other source (*e.g.*, mutual funds, insurance products or any other investment product) and does not charge a mark-up on clients’ securities transactions.

Neither Hudson Capital nor its associated persons receive “trailer” or 12b-1 fees from an investment company that the firm recommends. Fees charged by issuers are detailed in prospectuses or product descriptions and clients are encouraged to read these documents before investing.

Clients always have the option to purchase recommended or similar investments through a service provider of their own choosing.

### **IRA Rollover Considerations**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of each.

An employee will typically have four options:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - a) Employer retirement plans generally have a more limited investment menu than IRAs.
  - b) Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
  - a) If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - b) You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. Our strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 72.5.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you.

## **Item 6 - Performance-Based Fees and Side-By-Side Management**

As stated in the “Fees and Compensation” section on page 4 of this disclosure brochure, under certain circumstances Hudson Capital manages client accounts where it is eligible to receive a performance-based fee. In addition, Hudson Capital may manage client accounts where it is not eligible to receive performance-based compensation for its advisory services either because the account holder is not a Qualified Client (and thus not permitted to be charged a performance-based fee) or because under the terms of the applicable agreement, Hudson Capital did not earn the performance-based fee (in which case only a management fee would then be charged).

### Conflicts of Interest

Situations – such as those described above - where Hudson Capital manages both accounts that pay performance-based compensation and accounts that do not pay performance-based compensation gives rise to certain conflicts of interest that have the potential to motivate Hudson Capital to favor its performance-based account clients over other clients. For example, performance-based fees, are typically significantly higher than the asset-based fees paid on traditional accounts. As a result, Hudson Capital has additional incentives to favor the performance-based clients over other clients by allocating investment opportunities to the performance-based accounts. Finally, because performance-based compensation is not paid unless Hudson Capital achieves a certain level of performance, the above described performance fee arrangement may create an incentive for Hudson Capital to make investments that are more risky or more speculative than might be the case in the absence of a fee or allocation based on performance.

Hudson Capital is aware of these conflicts of interest and has implemented an order allocation procedure to ensure that all clients are treated fairly.

## **Item 7 - Types of Clients**

### **A. Clients**

Hudson Capital provides investment management services to individuals, including high net worth individuals and other registered investment advisory firms.

### **B. Engaging the Services of Hudson Capital**

All clients wishing to engage Hudson Capital for advisory services must enter into the applicable advisory agreement with Hudson Capital as well as any other document or questionnaire provided by the firm. The advisory agreement describes the services and responsibilities Hudson Capital to the client. It also outlines Hudson Capital’s advisory fees in detail. In addition, clients must complete certain broker-dealer/custodial documentation. Upon completion of these documents, Hudson Capital will be considered engaged by the client.

Clients are responsible for ensuring that Hudson Capital is informed in a timely manner of changes in investment objectives and risk tolerance.

### **C. Conditions for Managing Accounts**

Hudson Capital requires new clients have a minimum account size of \$100,000 for investment management services. Hudson Capital, in its sole discretion, may 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. Hudson Capital will only accept clients with less than the minimum portfolio size if, in the sole opinion of the firm, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Hudson Capital may aggregate the portfolios of family members to meet the minimum portfolio size.

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

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

#### Methods of Analysis

##### *Fundamental Analysis*

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points.

##### *Technical Analysis*

Technical analysis involves the examination of past market data rather than specific company data in determining which securities to buy/sell. Technical analysis may involve the use of various quantitative-based calculations, variation metrics and charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of a company. These trends may include put/call ratios, pricing trends, moving averages, volume, changes in volume, among many others. These trends, both short and long-term, are used for determining specific trade entry and exit points and broad economic analysis.

##### *Cyclical Analysis*

Cyclical analysis is similar to technical analysis in that it involves the assessment of market conditions at a macro (e.g., the entire market/economy) or micro (e.g., company specific) level, rather than the overall fundamental analysis of the health of a particular company. Cyclical analysis involves the historical patterns and trends of securities, markets or economies as a whole in an effort to determine future behaviors, the estimation of price movement and an evaluation of a transaction before entry into the market in terms of risk and profit potential.

#### Investment Strategies

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

##### *Long-Term Purchases*

Securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

### *Short-Term Purchases*

Securities are purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

### *Trading*

Securities are purchased with the expectation that they will be sold within a very short period of time, generally less than 30 days, in an effort to capture significant market gains and avoid significant market losses during a volatile market.

### *Short Sales*

A securities transaction in which an investor sells borrowed securities in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.

### *Margin Transactions*

A securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

### *Option Writing*

An investment strategy utilizing option writing involves selling (writing) an option. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells (writes) an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller pays the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

### Sources of Information

In conducting its security analysis, Hudson Capital may utilize the following sources of information: financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the U.S. Securities and Exchange Commission, data services, and company press releases.

### Types of Investments

Investment advice may be offered on any investments held by a client at the start of the advisory relationship. Recommendations for new investments will typically include to domestic and foreign equity securities, exchange traded funds, warrants, corporate debt securities, mutual funds, alternative investments (i.e., hedge funds), real estate investment trusts (REITS) and various types of private investments.

### Investing Involves Risk

Investing in securities involves risk of loss that each client should be prepared to bear. The value of a client's investment may be affected by one or more of the following risks, any of which could cause a client's portfolio return, the price of the portfolio's shares or the portfolio's yield to fluctuate:

- *Market Risk.* The value of portfolio assets will fluctuate as the stock or bond market fluctuates. The value of investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.
- *Interest Rate Risk.* Changes in interest rates will affect the value of a portfolio's investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tend to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.
- *Credit Risk.* An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.
- *Allocation Risk.* The allocation of investments among different asset classes may have a significant effect on portfolio value when one of these asset classes is performing more poorly than the others. As investments will be periodically reallocated, there will be transaction costs which may be, over time, significant. In addition, there is a risk that certain asset allocation decisions may not achieve the desired results and, as a result, a client's portfolio may incur significant losses.
- *Foreign (Non-U.S.) Risk.* A portfolio's investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, regulatory or other factors.
- *Emerging Markets Risk.* Securities of companies in emerging markets may be more volatile than those of companies in developed markets. By definition, markets, economies and government institutions are generally less developed in emerging market countries. Investment in securities of companies in emerging markets may entail special risks relating to the potential for social instability and the risks of expropriation, nationalization or confiscation. Investors may also face the imposition of restrictions on foreign investment or the repatriation of capital and a lack of hedging instruments.
- *Currency Risk.* Fluctuations in currency exchange rates may negatively affect the value of a portfolio's investments or reduce its returns.
- *Derivatives Risk.* Certain strategies involve the use of derivatives to create market exposure. Derivatives may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses for a client's portfolio and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, a portfolio may not realize the anticipated benefits from a derivative it holds or it may realize losses. Derivative transactions may create investment leverage, which may increase a portfolio's volatility and may require the portfolio to liquidate portfolio securities when it may not be advantageous to do so.

- *Capitalization Risk.* Investments in small- and mid-capitalization companies may be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies have limited product lines, markets or financial resources.
- *Liquidity Risk.* Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing an investment manager from selling out of such illiquid securities at an advantageous price. Derivatives and securities involving substantial market and credit risk also tend to involve greater liquidity risk.
- *Issuer Specific Risk.* The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including, but not limited to, management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.
- *Concentrated Portfolios Risk.* Certain investment strategies focus on particular asset classes, countries, regions, industries, sectors or types of investments. Concentrated portfolios are an aggressive and highly volatile approach to trading and investing. Concentrated portfolios hold fewer different stocks than a diversified portfolio and are much more likely to experience sudden dramatic prices swings. In addition, the rise or drop in price of any given holding is likely to have a larger impact on portfolio performance than a more broadly diversified portfolio.
- *Cybersecurity Risk.* The information and technology systems of Hudson Capital and its affiliates, as well as of key service providers, including third-party vendors, central agents, exchanges, clearing houses, and other financial institutions (including the custodian), are vulnerable to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks may cause losses to clients by interfering with the processing of transactions, affecting the ability to calculate net asset value or impeding or sabotaging trading. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, and the dissemination of confidential and proprietary information. Any such breach could expose Hudson Capital to civil liability as well as regulatory inquiry and/or action. In addition, clients could be exposed to additional losses as a result of unauthorized use of their personal information. While Hudson Capital has established business continuity plans, incident responses plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cybersecurity risks also are present for issuers of securities in which Hudson Capital invests, which could result in material adverse consequences for such issuers, and may cause a client's investment in such securities to lose value.
- *Novel Coronavirus Pandemic, Public Health Emergency and Global Economic Impacts.* As of the date of this Form ADV Part 2A, there is an ongoing outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization declared a pandemic on March 11, 2020. The outbreak of

COVID-19 has caused a worldwide public health emergency with a substantial number of hospitalizations and deaths, and has significantly adversely impacted global commercial activity and contributed to both volatility and material declines in equity and debt markets. The global impact of the outbreak is rapidly evolving, and many country, state and local governments have reacted by instituting mandatory or voluntary quarantines, travel prohibitions and restrictions, closure or reduction of offices, businesses, schools, retail stores and other public venues and/or cancellation, suspension or postponement of certain events and activities, including certain non-essential government and regulatory activity. Businesses are also implementing their own precautionary measures, such as voluntary closures, temporary or permanent reductions in workforce, remote working arrangements and emergency contingency plans. Such measures, as well as the general uncertainty surrounding the dangers, duration and impact of COVID-19, are creating significant disruption in supply chains and economic activity, impacting consumer confidence and contributing to significant market losses, including having particularly adverse impacts on transportation, hospitality, tourism, sports, entertainment and other industries dependent upon physical presence. As COVID-19 continues to spread, potential additional adverse impacts, including a global, regional or other economic recession of indeterminate duration, are increasingly likely and difficult to assess.

The extent of the impact of COVID-19 on Hudson Capital will depend on many factors, including the duration and scope of the resulting public health emergency, the extent of any related restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity, and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of the COVID-19 pandemic may materially and adversely impact Hudson Capital's ability to source, manage and divest investments and Hudson Capital's ability to achieve its investment objectives on a client's behalf, all of which could result in significant losses to a client.

In addition, COVID-19 and the resulting changes to global businesses and economies will, likely, adversely impact the business and operations of Hudson Capital. Certain businesses and activities may be temporarily or permanently halted as a result of government or other quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors, including the potential adverse impact of COVID-19 on the health of key personnel.

- *Other Catastrophic Risks.* In addition to the potential risks associated with COVID-19 as outlined above, Hudson Capital may be subject to the risk of loss arising from direct or indirect exposure to a number of types of other catastrophic events, including without limitation (i) other public health crises, including any outbreak of SARS, H1N1/09 influenza, avian influenza, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof; or (ii) other major events or disruptions, such as hurricanes, earthquakes, tornadoes, fires, flooding and other natural disasters; acts of war or terrorism, including cyberterrorism; or major or prolonged power outages or network interruptions. The extent of the impact of any such catastrophe or other emergency on Hudson Capital's operational and financial performance will depend on many factors, including the duration and scope of such emergency, the extent of any related travel advisories and restrictions, the impact on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity, and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. In particular, to the extent that

any such event occurs and has a material effect on global financial markets or specific markets in which Hudson Capital participates (or has a material effect on any locations in which Hudson Capital operates or on any of their respective personnel) the risks of loss could be substantial and could have a material adverse effect the ability of Hudson Capital to fulfill its investment objectives.

- *Legal or Legislative Risk.* Legislative changes or court rulings may impact the value of investments or the securities' claim on the issuer's assets and finances.
- *Limitations of Disclosure.* The foregoing list of risks does not purport to be a complete enumeration or explanation of the risks involved in investing in investments. As investment strategies develop and change over time, clients may be subject to additional and different risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

## **B. Risks Associated with Investment Strategies and Methods of Analysis**

### *Risks Associated with Investment Strategies*

#### Long-Term Purchases

Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or your particular investments will decrease in value even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost (e.g., "locking-up" assets that may be better utilized in the short-term in other investments).

#### Short-Term Purchases

Using a short-term purchase strategy generally assumes that the performance of the financial markets can be accurately predicted over the short-term. The risk associated with a short-term purchase strategy is that there are many factors that may affect market performance in the short-term including interest rate fluctuations, cyclical earnings, etc. Such factors may have a smaller impact over the longer-term. In addition, short-term trading may incur a disproportionately higher amount of transaction costs compared to long-term trading.

#### Trading

Strategies involving frequent trading of securities can affect investment performance through increased brokerage and other transaction costs and taxes.

#### Short Sales

Short selling is very risky. The primary risk associated with selling a security that was borrowed in anticipation of a price decline is that if the price of those borrowed shares *increases*, the potential losses are *unlimited*.

#### Margin

When buying stocks on margin, you are employing leverage as an investing strategy. Leverage allows an investor to extend their financial reach by investing using borrowed

funds while limiting the amount of their own cash they expend. This can involve a high degree of risk, including, but not limited to:

- Losing more money than you have invested;
- Paying interest on your loan;
- Being required to deposit additional cash or securities in your account on short notice to cover market losses;
- Being forced to sell some or all of your securities when falling stock prices reduce the value of your securities; and/or
- Having your brokerage firm sell some or all of your securities without consulting you to pay off the loan it made to you.

### Option Writing

There are numerous risks associated with transactions in options on securities or securities indexes and therefore, are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss of principal. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. For example, as the writer of covered call options, the client forgoes, during the option's life, the opportunity to profit from increases in the market value of the underlying security or the index above the sum of the option premium received and the exercise price of the call, but has retained the risk of loss, minus the option premium received, should the price of the underlying security decline. In the case of index options, the client incurs basis risk between the performance of the underlying portfolio and the performance of the underlying index (e.g., the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well).

### *Risk Associated with Methods of Analysis*

Hudson Capital's securities analysis methods rely on the assumption that the companies whose securities the firm purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While the firm is alert to indications that data may be incorrect, there is always the risk that Hudson Capital's analysis may be compromised by inaccurate or misleading information.

### Fundamental Analysis

Fundamental analysis, when used in isolation, has a number of risks:

- Information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value.
- If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- The data used may be out of date.
- It ignores the influence of random events such as oil spills, product defects being exposed, and acts of God and so on.
- It assumes that there is no monopolistic power over markets.
- The market may fail to reach expectations of perceived value.

### Technical Analysis

The primary risk in using technical analysis is that spotting historical trends may not help predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that Hudson Capital will be able to accurately predict such a reoccurrence.

### Cyclical Analysis

The primary risk of cyclical analysis is that economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore, there is an attendant difficulty in predicting economic trends. Consequently, the changing value of securities that would be affected by these changing trends.

## **C. Risks Associated with Specific Securities Utilized**

### Common Stocks

The major risks associated with investing in common stocks relate to the issuer's capitalization, quality of the issuer's management, quality and cost of the issuer's services, the issuer's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk and the issuer's ability to create shareholder value (i.e., increase the value of the company's stock price).

### Preferred Stocks

Preferred stock dividends are generally fixed in advance. Unlike requirements to pay interest on certain types of debt securities, the company that issues preferred stock may not be required to pay a dividend and may stop paying the dividend at any time. Preferred stock may also be subject to mandatory redemption provisions and an issuer may repurchase these securities at prices that are below the price at which they were purchased by the investor. Under these circumstances, a client account holding such preferred securities could lose money.

### Fixed-Income Securities

Different forms of fixed-income instruments, such as bonds, money market funds, and certificates of deposit may be affected by various forms of risk, including:

- *Interest Rate Risk.* The risk that the value of the fixed-income holding will decrease because of an increase in interest rates.
- *Liquidity Risk.* The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed-income securities are generally liquid (e.g., corporate bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also the risk of not being able to purchase a particular issue at the desired price.
- *Credit Risk.* The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as "default risk." Credit risk may also occur when an issuer's ability to make payments of principal

and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments.

- *Reinvestment Risk.* With declining interest rates, investors may have to reinvest income or principal at a lower rate.
- *Duration Risk.* Duration is a measure of a bond's volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

### Exchange Traded Funds (ETFs)

An ETF holds a portfolio of securities designed to track a particular market segment or index. 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 indexed-based ETFs and 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.

ETFs are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that when shares are sold they may be worth more or less than their original cost. ETF shares are bought and sold at market price (not Net Asset Value) and are not individually redeemed from the fund. There is also the risk that a manager may deviate from the stated investment mandate or strategy of the ETF which could make the holdings less suitable for a client's portfolio. ETFs may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. In addition, while many ETFs are known for their potential tax efficiency and higher "qualified dividend income" (QDI) percentages, there are asset classes within these ETFs or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of an ETF's portfolio, may be considered "non-qualified" under certain tax code provisions.

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 50,000 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.

### Mutual Funds - Equity Funds

The major risks associated with investing in equity mutual funds is similar to the risks associated with investing directly in equity securities, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Other risks include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification and the type and amount of sector diversification within specific industries.

In addition, there is the risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund which could make the holdings less suitable for a client's portfolio. Also, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold their shares in the fund. Mutual funds may also carry additional expenses based on their share of operating

expenses and certain brokerage fees, which may result in the potential duplication of certain fees.

#### Mutual Funds - Fixed-Income Funds

In addition to the risks associated with investing in equity mutual funds, fixed-income mutual funds also have the same risks as set forth under “Fixed-Income Securities” listed above.

#### Mutual Funds - Index Funds

Index Funds have the potential to be affected by “tracking error risk” which means a deviation from a stated benchmark index. Since the core of a portfolio may attempt to closely replicate a benchmark, the source of the tracking error (deviation) may come from a “sample index” that may not closely align the benchmark. In addition, while many index mutual funds are known for their potential tax efficiency and higher “qualified dividend income” (QDI) percentages, there are assets classes within these funds or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of a fund’s portfolio, may be considered “non-qualified” under certain tax code provisions.

#### Alternative Investments

The performance of alternative investments (e.g., commodities, futures, hedge funds; funds of hedge funds, private equity or other types of limited partnerships) can be volatile. Alternative investments generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in the offering documents of each specific alternative investment. Due to the speculative nature of alternative investments a client must satisfy certain income or net worth standards prior to investing.

#### Promissory Notes

Promissory notes often involve an uncollateralized and uninsured promise to pay. The issuer is only obligated to repay the principal at maturity with interest payable at stated times, although the issuer may also make a “best-effort” offer to redeem at par prior to maturity upon an investor’s request. The promissory notes are not securities registered with the U.S. Securities and Exchange Commission.

#### Debt Securities

Debt Securities (corporate or municipal bonds) are basically promissory notes that pay interest and the return of principal at the end of a specified term. Credit risk is the chance the issuer will fail to pay the interest payments on the security or to pay the principal at maturity. Interest rate risk is that the market value of the bonds will go down when interest rates go up. Prepayment risk is the chance that a bond will be paid off early. For example, if interest rates fall, a bond issuer may decide to pay off its debt. When this happens, the investor may not be able to reinvest the proceeds in an investment with as high a return or yield.

#### Real Estate Related Securities

Investing in real estate related securities includes, among others, the following risks: possible declines in the value of real estate; risks related to general and local economic conditions, including increases in the rate of inflation, possible lack of availability of

mortgage funds, overbuilding, extending vacancies of properties, increases in competition, property taxes and operating expenses, changes in zoning laws, costs resulting from clean up of, and liability to third-parties for damages resulting from, environmental problems, casualty and condemnation losses, uninsured damages from floods, earthquakes or other natural disasters, limitations on and variations in rents and changes in interest rates. Investing in Real Estate Investment Trusts (“REITs”) involves certain unique risks in addition to those risks associated with investing in real estate in general. REITs are dependent upon the skills of management, are not diversified and are subject to cash flow dependency, default by borrowers and self-liquidation.

**Note that there may be other circumstances not described here that could adversely affect a client’s investment and prevent their portfolio from reaching its objective.**

### **Item 9 - Disciplinary History**

Neither Hudson Capital nor its management personnel have any reportable disciplinary history.

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

#### **A. Broker-Dealer Registration and Registered Representatives**

Hudson Capital is not registered, nor does it have an application pending to register, as a broker-dealer. No management person is registered, nor does any management person have an application pending to register, as a registered representative of a broker-dealer.

#### **B. Futures and Commodity Registration**

Hudson Capital is not registered, nor does it have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor. No management person is registered, nor does any management person have an application pending to register, as an associated person of a futures commission merchant, commodity pool operator or a commodity trading advisor.

#### **C. Financial Industry Affiliations**

William N. Hudson, III, the President and principal owner of Hudson Capital, is also an investment adviser representative with, and minority shareholder of, Hudson Advisor Services, Inc., an SEC-registered investment adviser (“Hudson Advisor Services”). Therefore, certain clients of Hudson Capital may also be clients of Hudson Advisor Service which presents a conflict of interest. In order to mitigate this conflict, Hudson Capital will ensure that under no circumstances will a client account be charged a fee by more than one advisory firm. However, clients may have an account for which Hudson Capital receives a fee and have other accounts for which Hudson Advisor Services receives a fee. Hudson Capital has a conflict when Hudson Advisor Services clients invest in Hudson Capital portfolio strategies that have or may have higher fees than Hudson Advisor Services fees. In addition, Hudson Capital has a conflict when a client becomes a direct client of Hudson Capital as the firm receives a direct management fee from the client.

Hudson Capital serves as a sub-advisor to other registered investment advisory firms and this creates a conflict as the advisor resources are applied to these services in addition to direct Hudson Capital clients.

William N. Hudson III serves as trustee to the Master Trust for the CB Capital Tax Lien program. He is not compensated but does have added duties to this role.

Hudson Capital does not have any other financial industry affiliations to disclose.

#### **D. Selection of Other Advisers**

Hudson Capital does not receive, directly or indirectly, compensation from other investment advisers that it recommends or selects for its clients.

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

#### **A. Code of Ethics**

Hudson Capital has adopted a Code of Ethics to prevent violations of the securities laws. The Code of Ethics is predicated on the principle that Hudson Capital owes a fiduciary duty to its clients. Accordingly, Hudson Capital expects all firm personnel to act with honesty, integrity and professionalism and to adhere to federal securities laws. All firm personnel are required to adhere to the Code of Ethics. At all times, Hudson Capital and its personnel must (i) place client interests ahead of the firm's; (ii) engage in personal investing that is in full compliance with the firm's Code of Ethics; and (iii) avoid taking advantage of their position.

Clients and prospective clients may request a copy of the firm's Code of Ethics by contacting Hudson Capital at 617-820-4014.

#### **B. Recommendations Involving Material Financial Interests**

Hudson Capital does not recommend to clients securities in which the firm or any related person has a material financial interest.

#### **C. Investing in Same Securities as Clients**

From time to time, representatives of Hudson Capital may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of Hudson Capital to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. However, the size of personal trades and the types of investments (ETFs or Open-End Mutual Funds) that are likely to be transacted in would not have a practical impact on prices in those securities. Hudson Capital will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

#### **D. Participation or Interest in Client Transactions**

From time to time, representatives of Hudson Capital may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of Hudson Capital to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. However, the size of personal trades and the types of investments (ETFs or Open-End Mutual Funds) that are

likely to be transacted in would not have a practical impact on prices in those securities. Hudson Capital will always document any transactions that could be construed as conflicts of interest and will always transact client's transactions before its own when similar securities are being bought or sold. No person associated with Hudson Capital shall prefer his or her own interest to that of any client.

## **Item 12 - Brokerage Practices**

### **A. Brokerage Selection**

Hudson Capital recommends that clients utilize the brokerage and clearing services of one or more of the following broker-dealers: TD Ameritrade, Inc. ("TD Ameritrade"), JP Morgan Securities, LLC ("JP Morgan") and/or Fidelity Brokerage Services LLC ("Fidelity"), each a FINRA-registered broker-dealer. TD Ameritrade, JP Morgan and Fidelity are collectively referred to as the "broker-dealers."

#### Best Execution

Best execution has been defined as the "execution of securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances." The best execution responsibility applies to the circumstances of each particular transaction and an investment adviser must consider the full range and quality of a broker-dealer's services, including, among other things, execution capability, commission rates, the value of any research, financial responsibility and responsiveness.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while Hudson Capital will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

If the client requests Hudson Capital to arrange for the execution of securities brokerage transactions for the client's account, Hudson Capital shall direct such transactions through broker-dealers that it reasonably believes will provide best execution. Hudson Capital shall periodically and systematically review its policies and procedures regarding recommending broker-dealers to its clients in light of its duty to obtain best execution.

#### Broker Analysis

Hudson Capital evaluates a wide range of criteria in seeking the most favorable price and market for the execution of transactions. These include the broker-dealer's trading costs, efficiency of execution and error resolution, financial strength and stability, capability, positioning and distribution capabilities, information in regard to the availability of securities, trading patterns, statistical or factual information, opinion pertaining to trading and prior performance in serving Hudson Capital.

Hudson Capital is responsible for continuously monitoring and evaluation the performance and execution capabilities of brokers that transact orders for client accounts to ensure consistent quality executions. In addition, Hudson Capital periodically reviews its transaction costs in light of current market circumstances and other relevant information.

### Research/Soft Dollar Benefits

Hudson Capital uses the broker-dealers listed above. There is no direct link between Hudson Capital's use of the broker-dealers and the investment advice it gives to its clients, although Hudson Capital receives economic benefits through its participation in the institutional programs of the broker-dealers that are typically not available to the broker-dealers' retail investors.

As a user of these broker-dealers and as a participant in the broker-dealers' institutional programs, Hudson Capital receives other products and services that benefit Hudson Capital, but may not benefit its clients' accounts. Some of these other products and services assist the firm in managing and administering clients' accounts, including:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk serving the broker-dealers' institutional participants exclusively;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts;
- Ability to have investment advisory fees deducted directly from client account;
- Receipt of compliance publications; and
- Access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors.

The broker-dealers also make available to Hudson Capital other services intended to help Hudson Capital manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, the broker-dealers may make available, arrange and/or pay for these types of services rendered to Hudson Capital by independent third parties.

Additional benefits received because of Hudson Capital's use of the broker-dealers and participation in the broker-dealers' institutional programs may depend upon the amount of transactions directed to, or amount of assets custodied by, the broker-dealers. While as a fiduciary Hudson Capital endeavors to act in its clients' best interests, Hudson Capital's recommendation that clients maintain their assets in accounts at one or more of the broker-dealers may be based in part on the benefit to Hudson Capital of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage provided by the broker-dealers which may create a conflict of interest.

### Directed Brokerage

#### *Company Directed Brokerage*

Hudson Capital does not have the discretionary authority to determine the broker-dealer to be used. As stated above, clients in need of brokerage will have one or more of the broker-dealers recommended to them. While there is no direct linkage between the investment advice given and usage of the broker-dealers or participation in the broker-dealers' institutional programs, economic benefits are received which would not be received if Hudson Capital did not give investment advice to clients (please see additional disclosures in the "Research/Soft Dollars Benefits" section directly above). Hudson Capital does not participate in any transaction fees or commissions paid to the broker dealer or custodian and does not

receive any fees or commissions for the opening or maintenance of client accounts at the broker-dealers.

Not all investment advisers require their clients to direct brokerage. Hudson Capital is required to disclose that by directing brokerage, Hudson Capital may not be able to achieve most favorable execution of client transactions and this practice may cost clients more money.

#### *Client Directed Brokerage*

Certain clients may direct Hudson Capital to use particular brokers-dealers for executing transactions in their accounts. With regard to client directed brokerage, Hudson Capital is required to disclose that Hudson Capital may be unable to negotiate commissions, block or batch orders or otherwise achieve the benefits described above, including best execution. Directed brokerage commission rates may be higher than the rates Hudson Capital might pay for transactions in non-directed accounts. Therefore, directing brokerage may cost clients more money. Hudson Capital reserves the right to decline acceptance of any client account that directs the use of a broker-dealer if Hudson Capital believes that the broker-dealer would adversely affect Hudson Capital's fiduciary duty to the client and/or ability to effectively service the client portfolio. As a general rule, Hudson Capital encourages each client to compare the possible costs or disadvantages of directed brokerage against the value of custodial or other services provided by the broker-dealer to the client in exchange for the directed brokerage designation.

### **B. Trade Aggregation and Allocation**

Transactions for each client generally will be made independently, unless Hudson Capital decides to purchase or sell the same securities for several clients at approximately the same time. Hudson Capital may (but is not obligated to) combine or "batch" such orders to:

- obtain best execution;
- negotiate more favorable commission rates; or
- allocate equitably among Hudson Capital's clients, differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently.

Under this procedure, transactions will generally be averaged as to price and allocated among Hudson Capital's clients pro rata. When aggregating client trade orders, Hudson Capital will not receive any additional compensation or remuneration as a result of the aggregation. In the event that Hudson Capital determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include:

- 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;
- 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;

- 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);
- With respect to sale allocations, allocations may be given to accounts low in cash;
- In cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, Hudson Capital may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or
- 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.

### **C. Trade Errors**

Trade errors are promptly reported to the custodian and will be rectified by the custodian with no adverse financial effect on the client.

## **Item 13 - Review Of Accounts**

### **A. Periodic Reviews**

#### Investment Management Services

While the underlying securities within Investment Management Services accounts are continuously monitored, these accounts are reviewed no less frequently than annually. Accounts are reviewed in the context of each client's stated investment objectives and guidelines, ensuring that the structure of the portfolio is coordinated with these objectives. In addition, investment returns will be measured against the appropriate benchmarks in each asset class.

#### Financial Planning Services

While reviews may occur at different stages of the financial planning process depending on the nature and terms of the specific engagement, typically, no formal reviews will be conducted for Financial Planning Services clients unless otherwise contracted for at the inception of the advisory relationship.

#### Consulting Services

These client accounts will be reviewed as contracted for at the inception of the advisory relationship.

### **B. Other Reviews**

Reviews may be triggered by material market, economic or political events, cash inflow or outflow to/from the portfolio or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

## **C. Regular Reports**

### Investment Management Services

Clients will receive statements from their custodian at least quarterly. Additionally, monthly statements will be generated as a result of investment activity by the client's custodian. Confirmation statements will be issued for all trading activity. Monthly and/or quarterly statements will include portfolio holdings, dates and amounts of transactions, cost basis and current and prior statement values. In addition to reports issued by the client's custodian, Hudson provides quarterly client reports summarizing account performance, balances, and holdings managed by Hudson.

### Financial Planning Services

Financial Planning Services clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for at the inception of the advisory relationship.

### Consulting Services

Consulting Services clients will receive reports as contracted for at the inception of the advisory relationship.

### Sub-Advisory Services

Sub-Advisory Services clients will receive reports as contracted for at the inception of the advisory relationship.

## **Item 14 - Client Referrals And Other Compensation**

### **A. Economic Benefits**

Hudson Capital does not receive any economic benefits such as sales awards or other prizes from any non-client for providing investment advisory services to the firm's clients.

As stated in Item 12 - Brokerage Practices - Hudson Capital uses TD Ameritrade's Institutional services (TD Institutional), JP Morgan Securities, LLC ("JP Morgan") and/or Fidelity Brokerage Services LLC ("Fidelity"). While there is no direct link between Hudson Capital's use of these broker-dealers and the investment advice it gives to its clients, Hudson Capital does receive economic benefits through its participation in the institutional programs that are run by these broker-dealers that are typically not available to retail investors.

### **B. Client Referrals**

Neither Hudson Capital nor any related person directly or indirectly compensates any person for client referrals.

## **Item 15 - Custody**

Hudson Capital is deemed to have custody because (i) an associated person of Hudson Capital serves as a trustee on certain client accounts; (ii) Hudson Capital itself may have full power of attorney over certain client accounts; (iii) Hudson has the authority to transfer

funds from client accounts pursuant to Standing Letters of Authorization and (iv) in certain circumstance, Hudson has the authority to obtain possession of client assets.

Custody of client assets will be maintained with the independent custodian selected by the client. Hudson Capital will not have physical custody of any assets in clients' accounts except as permitted for payment of advisory fees. Clients will be solely responsible for paying all fees or charges of the custodian. Clients will authorize Hudson Capital to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the client's account.

Clients will receive directly from the custodian at least quarterly a statement showing all transactions occurring in the client's account during the period covered by the account statement, and the funds, securities and other property in their account at the end of the period. Clients are urged to carefully review statements received from the custodian to ensure the accurate reporting of such information.

Clients will also receive quarterly account statements directly from Hudson summarizing account allocations, balances and holdings. Clients are urged to carefully review the account statement sent by the broker-dealer/custodian and to compare the account statement provided by the broker-dealer/custodian with any statements provided by Hudson. Hudson's account statements may vary from those sent by the broker-dealer/custodian based on accounting procedures, reporting dates and valuation methodologies of certain securities.

#### **Item 16 - Investment Discretion**

For those client accounts over which Hudson Capital has discretion, Hudson Capital requests that it be provided with written authority (e.g., limited power of attorney contained in firm's advisory agreement) to determine the types and amounts of securities that are bought or sold. Hudson Capital's authority in making investment related decisions may be limited by account guidelines, investment objectives and trading restrictions, as agreed between Hudson Capital and the client. Any limitations on Hudson Capital's discretionary authority shall be included in this written authority statement. Clients may change or amend these limitations as required. All such amendments are required to be submitted in writing.

#### **Item 17 - Voting Client Securities**

##### **Proxy Voting**

The act of managing assets of clients may include the voting of proxies related to such managed assets. Where the power to vote in person or by proxy has been delegated, directly or indirectly, to the investment adviser, the investment adviser has the fiduciary responsibility for (a) voting in a manner that is in the best interests of the client and (b) properly dealing with potential conflicts of interest arising from proxy proposals being voted upon. Accordingly, Hudson Capital has instituted proxy voting policies and procedures that are designed to (i) ensure that proxies are voting in an appropriate manner and (ii) complement Hudson Capital's investment policies and procedures regarding its general responsibility to monitor the performance and/or corporate events of companies which are issuers of securities held in managed accounts.

Hudson Capital's general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities (collectively, "proxies"), in a manner that serves the best interests of the client as Hudson Capital determines in its sole discretion, taking into account the following factors: (i) the impact on the value of the securities; (ii) the costs and

benefits associated with the proposal; and (iii) the customary industry and business practices.

Clients may obtain a copy of Hudson Capital's proxy voting policies and information about how Hudson Capital voted their securities by contacting Hudson Capital at 617-820-4014.

### **Class Action Settlements**

Hudson Capital may have discretion over client accounts, it will not be responsible for handling client claims in class action lawsuits or similar settlements involving securities owned by the client. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly.

## **Item 18 - Financial Information**

### **A. Prepayment of Fees**

Because Hudson Capital does not require or accept prepayment of more than \$500 in fees six months or more in advance, Hudson Capital is not required to include a balance sheet with this disclosure brochure.

### **B. Financial Condition**

Hudson Capital does not have any adverse financial conditions to disclose.

### **C. Bankruptcy**

Hudson Capital has never been the subject of a bankruptcy petition.

## **Item 19 – Additional Information**

### **A. Privacy Notice**

Hudson Capital views protecting its clients' private information as a top priority and has instituted policies and procedures to ensure that client information is private and secure. Hudson Capital does not disclose any nonpublic personal information about its clients or former clients to any nonaffiliated third parties, except as permitted or required by law. In the course of servicing a client's account, Hudson Capital may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers, etc. Hudson Capital restricts internal access to nonpublic personal information about the client to those persons who need access to that information in order to provide services to the client and to perform administrative functions for Hudson Capital. As emphasized above, it has always been and will always be Hudson Capital's policy never to sell information about current or former clients or their accounts to anyone. It is also Hudson Capital's policy not to share information unless required to process a transaction, at the request of a client, or as required by law. For the full text of the Hudson Capital's Privacy Policy please contact Hudson Capital at 617-820-4014.

**B. Requests for Additional Information**

Clients may contact Hudson Capital at 617-820-4014 to request additional information or to submit a complaint. Written complaints should be sent to Hudson Capital Advisory, Inc. 237 Main Street, Suite 600, Buffalo, NY 14203.