

**FIRM BROCHURE**  
(Part 2A of Form ADV)

**El Capitan Advisors, Inc.**

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**AUGUST 30, 2023**

**Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of El Capitan Advisors, Inc. If you have any questions about the contents of this Brochure, please contact us at (833) 463-5227. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**El Capitan Advisors, Inc. is a SEC Registered Investment Advisor; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made. Additional information about El Capitan Advisors, Inc. is also available on the SEC’s website at <https://adviserinfo.sec.gov/firm/summary/290340>.**

## ITEM 2: MATERIAL CHANGES

El Capitan Advisors, Inc. (“ECA,” “the Adviser” or the “Firm”) is a SEC registered investment adviser. Below is a summary of material changes for ECA since the last annual amendment filing on March 31, 2023:

Item 4 – Includes new information relating to Mr. Nash in his capacity as a direct owner of JBH Financial, Inc, which serves as the affiliated broker-dealer of the Adviser.

Item 5 – Discloses the remuneration received by Mr. Nash from JBH Financial, Inc.

Item 11 – Discloses the conflicts that exist due to other compensation received by ECA, including Mr. Nash who serves as a direct owner and majority shareholder of JBH Financial, Inc.

Item 12 – Discloses the direct brokerage relationship with JBH Financial, Inc.

Our clients are strongly encouraged to read this Brochure in its entirety and call us with any questions you may have. Pursuant to federal regulations, ECA will ensure that clients receive a summary of any material changes to this Brochure within 120 days from the close of our fiscal year-end, along with an offer to receive the complete Brochure. Additionally, if the Firm experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover.

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## **ITEM 4: ADVISORY BUSINESS**

### **A. Description of Firm**

Founded in 2017, El Capitan Advisors, Inc. (“ECA” the “Adviser” or the “Firm”) is a California-based SEC registered, investment advisory firm providing investment management supervisory and treasury management services on a discretionary and non-discretionary basis to certain clients described in Item 7 herein (“Clients”). The investment instruments ECA advises its clientele on include, but are not limited to, equity, fixed income securities, bonds, exchange traded funds (“ETFs”), mutual funds, and cash equivalent instruments such as money market accounts.

Please refer to Item 8 for additional information relating to the investment strategies pursued by El Cap and their associated risks.

### **B. Principal Owners**

Andrew Nash (“Mr. Nash”) is the Manager and majority owner of the Firm, and as such, is a control person of ECA.

Mr. Nash is an owner and majority shareholder of JBH Financial, Inc., a FINRA member firm and the affiliated broker-dealer of ECA. Mr. Nash holds his ownership interest through a separate entity, the Camden Financial Group. Unless otherwise stated and instructed by the Client, advisory transactions will be executed by the affiliated broker-dealer.

### **C. Types of Advisory Services Offered**

ECA’s advisory services are designed to assist Clients in meeting their financial goals through the use of financial investments, cash management – treasury management services, and encompasses a thorough financial analysis which is a part of the investment management services for Clients as further described below:

#### **1. Investment Management Services for Separately Managed Accounts**

ECA believes a holistic financial analysis, done prior to the investment of Client’s assets, is essential. Therefore, the first step in our investment management process is to evaluate the Client’s financial, business and investment information, along with their investment objectives and risk tolerance and make recommendations designed with the intention of achieving the Client’s overall goals and objectives. ECA focuses on three primary “drivers” when developing an initial investment plan for each client:

- Timeframe for when a Client’s assets will be spent; and
- The Client’s tolerance for various levels of loss; and
- The Client’s likelihood of staying the course with the chosen investment plan, in both strong and weak market environments.

The foundation of the Firm’s investment philosophy is strategic asset allocation where we design a strategy, in collaboration with each Client, to implement a long-term investment plan. In most cases, ECA will recommend utilizing index funds or ETFs to implement an asset allocation.

Investment recommendations are based on the Client’s overall financial situation at the time the recommendations are provided and are based on the information provided by the Client. In addition, certain assumptions may be made with respect to interest and inflation rates, use of past trends and

performance of the market and economy. Past performance is in no way an indication of future performance. While future portfolio returns cannot be guaranteed, the goal is to set a course to achieve the greatest probability of financial success. For more information on the risks associated with investing, please refer to Item 8, below.

Once an investment plan has been determined, an ECA representative will review the plan with the Client. Should a client decide to implement any recommendations contained in their investment plan, the client may, but is under no obligation to, utilize ECA to implement such recommendations. Importantly, clients should be aware that a conflict exists between the Firm's interests and the interest of the client if the client implements the investment plan through the Adviser. This is due to the fact that the Adviser has an incentive to make certain recommendations in the investment plan or to advise a client to have us implement the plan. Clients are under no obligation to act upon ECA's recommendations or to use us to implement the recommendations.

The Firm does not charge separate fees for its initial financial analysis services. Fees are assessed solely on the client's use of ECA's investment management and cash management services, and are billed based on assets under management, as further described in Item 5 below.

Once the Client agrees to the plan and to having ECA implement the investment recommendations, ECA then will provide discretionary and/or non-discretionary investment management services to the Clients on a continuous basis, and in accordance with the investment plan agreed upon and according to the direction of the Client. Currently, ECA provides cash management - treasury management and traditional investment management services to clients with diverse financial planning needs and objectives.

Additionally, ECA offers a robust cash management – treasury management service to its Clients whereby the Firm is granted limited power-of-attorney with authority to manage cash balances involving the Client's account(s). ECA is given the full power and discretion to hold cash assets in an interest-bearing deposit account at one or more non-affiliated bank(s), financial institutions, or other qualified Custodian(s) selected by the Firm. The Firm's cash management services are designed primarily for Clients who have excess cash with various liquidity terms and are subject to certain limitations imposed by their qualified Custodian (bank and or credit union). The Firm offers a shorter-term service as described in the written agreement with the Firm facilitated through short-term operating accounts. ECA assesses a separate fee for Clients receiving its cash management services as described in Section 5 below.

Each Client enters into an investment advisory and/or treasury management services agreement with ECA, which grants the Firm with a limited power of attorney to act on a discretionary and/or non-discretionary basis with Client assets. The Firm's discretionary authority can be subject to conditions or restrictions imposed by a Client, such as when a Client restricts or prohibits transactions in a particular security and/or cash like product. Please refer to Item 16 for additional information.

ECA will not maintain possession or custody of Client's securities receiving Investment Management Services; however, the Firm does take custody over Client assets who receive cash management – treasury management services. Client funds requiring Investment Management Services will typically be deposited into a brokerage firm(s) with a qualified bank custodian account(s). With Client consent, ECA will typically instruct fees to be deducted from separately managed accounts

with Investment Management and/or Cash Management Services, by the Client's custodian. Currently, a majority of the Advisors' clients are utilizing Business Money Market accounts to hold their excess cash for periods longer than 7 days, with Client's cash type funds held by a qualified custodian (FDIC insured bank(s)). In this arrangement, ECA does take initial custody of Client's funds, with the FDIC insured bank acting as the qualified custodian.

Please refer to Item 5 below for detailed information on fees and compensation for these services.

#### **D. Advisory Agreements**

##### **1. Information Received by Individual Clients**

At the onset of the Client relationship, ECA gathers information on each Client's investment objectives, cash management needs, risk tolerance, time horizons and financial goals. ECA does not assume responsibility for the accuracy of the information provided by the Client and is not obligated to verify any information received from the Client or from any of the Client's other professionals (e.g., attorney, accountant, etc.). Under all circumstances, Clients are responsible for promptly notifying ECA in writing of any material changes to the Client's objectives, risk tolerance, time horizon, and financial goals. In the event that a Client notifies ECA of any changes, ECA will review such changes and implement any necessary revisions to the Client's portfolio.

##### **2. Client Agreements and Disclosures**

Each Client is required to enter into a Client Engagement and/or Investment Management written agreement with ECA setting forth the terms and conditions under which the Firm shall render its services (the "Agreement"). In accordance with applicable laws and regulations, ECA will provide its disclosure brochure (ADV Part 2A), brochure supplement (ADV Part 2B) and Privacy Notice to each Client prior to or contemporaneously with the execution of the Agreement. The Agreement between ECA and the Client will continue in effect until terminated by either party pursuant to the terms of the Agreement. The Client may terminate the agreement within five (5) business days after the agreement's effective date without penalty and shall be entitled to a full refund of any initial fees or payments made.

Neither ECA nor the Client may assign the Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of ECA shall not be considered an assignment.

As further discussed in Item 15 below, Client's assets will be held in custody with a qualified custodian. All custodial and execution fees assessed for Client's assets remain the sole responsibility of Client.

#### **E. Participation in Wrap Programs**

ECA does not currently sponsor wrap programs.

#### **F. Amount of Client Assets Managed**

As of December 31<sup>st</sup>, 2022, the following represents the Advisers' Regulatory Assets Under Management ("RAUM") discretionary and non-discretionary basis.

Type of Account	Regulatory Assets Under Management ("RAUM")
Discretionary	\$1,423,556,898
Non-Discretionary	\$6,001,824,406
<b>Total:</b>	<b>\$7,425,381,304</b>

## ITEM 5: FEES AND COMPENSATION

### **A. Compensation for Advisory Services to Clients**

The specific fees charged by ECA for its investment management and cash management services are set forth in the Client's Agreement. Fees are negotiable under certain circumstances and at the sole discretion of ECA. In addition, ECA has full discretion to waive its advisory fees in their entirety. Although ECA believes its advisory fees are competitive, Clients should be aware that lower fees for comparable services may be available from other sources.

The Firm provides investment management services to clients for a fee based upon a percentage of assets under management (including cash and cash equivalents) as of the close of business on the last business day of the preceding calendar quarter. For separately managed accounts, the Firm's portfolio management fees are calculated and assessed quarterly, in advance. The fee for separately managed investment accounts is 1% per annum.

Should ECA's services be terminated mid-period, fees for the partial period will be assessed at the termination date and will be prorated based on the number of days services were provided during the period. Any fees that have been paid by the Advisor but not yet paid by Client will be immediately due and payable. Any pre-paid, but unearned fees will be immediately refunded to the Client.

For separately managed investment accounts, investment management fees will be automatically deducted from the Client's account by the custodian as soon as practicable following the end of each applicable period. Should a Client open an account during the month, the Firm's management fee will be prorated based on the number of days the account was open during the month and billed at the end of the month.

Fees for cash management services are separate from and in addition to investment management fees and are based upon a percentage of assets under advisement as of the close of business on the last business day of the preceding calendar month. For investment management accounts, the Firm's fees are calculated and assessed monthly, in arrears. For cash management accounts, fees will be automatically deducted from the Client's account by the custodian as soon as practicable following the end of each applicable fee period. Additionally, some Clients may choose to receive an invoice directly to pay the fees from outside the cash management account. Should a Client open an account during a month, the Firm's fee for cash management services will be prorated based on the number of days the account was open during the period.

For cash management accounts, the Firm charges a flat fee of \$250 per account per month, along with basis points annualized for Money Market Accounts. For interest bearing accounts, any excess interest above and beyond the cash management fees will be credited to the client as interest earned.

Money Market account yields and fees charged by ECA are subject to Federal Reserve interest rate increases / decreases. Clients will be notified in writing with 30 days advance notice of the increase / decrease in yield and fees charged by El Capitan Advisors for Client's account(s).

For the purposes of calculating assets under management for investment management and cash management billing purposes, El Cap will consider all accounts which constitute a "household" of the Client's assets. Typically, a Client's household consists of any spouse, parent, child, partner, or sibling who resides at the same mailing address as the Client.

Advisory fees in separately managed accounts and cash management accounts are negotiable and arrangements with any particular Client may differ from those described above. In addition, for family and friends of the Firm, the Firm can, in its sole discretion, reduce or waive management fees in their entirety.

The Firm may amend its standard fee schedule at any time by giving thirty (30) days advanced written notice to Clients. Although ECA believes its fees are competitive, Clients are hereby advised that lower fees for comparable services may be available from other sources.

**B. Additional Information Regarding El Capitan's Fees**

The Agreement for separately managed accounts executed by Clients specifies that payment of ECA's management fees will be made by the qualified custodian directly from Client's custodial account, unless otherwise specified in writing by the Client. Further, the qualified custodian agrees to deliver an account statement to the Client, at least quarterly, showing all disbursements, including ECA's advisory fees, deducted from the account. The Client is encouraged to review all account statements for accuracy. It is the Client's responsibility (and not the custodian's) to ensure the fee and its calculation in relation to the Client's account is correct. Please note that the fees charged by Mutual Funds and Private Funds and the Client's custodian are exclusive of, and in addition to, ECA's investment advisory fee. An agreement for a separately managed account may be cancelled at any time, by either party, for any reason, customarily upon receipt of 30 days written notice. The advance notice requirement for termination may vary by Agreement.

**C. Outside Compensation**

In addition to the compensation Mr. Nash may earn from his role at the Firm, Mr. Nash, as an equity owner of JBH Financial, Inc., is eligible to share in the profits and losses of that Firm. Mr. Nash does provide consulting advisement to family offices and investment Funds; however, these activities are all under the umbrella of ECA.

**ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Firm currently does not charge performance-based fees (i.e., fees calculated based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client) to Clients. Consequently, the Firm does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management).



## ITEM 7: TYPES OF CLIENTS

### A. Description

ECA provides discretionary and/or non-discretionary investment supervisory, cash management, and management services on a continuous basis to high-net-worth individuals, charitable organizations, business owners, businesses, banks, credit unions, Private Equity, family offices, high net worth investors, Investment Funds, Tribal Nations, blockchain, operators, international clients, and institutional clients (the “Client”). ECA also provides discretionary cash management services to clients who are looking to place excess deposits into Money Market accounts.

The Firm generally requires a minimum initial investment of \$500,000 for a Client to open a separately managed or cash management account, which could be negotiable by the Firm in its sole discretion. However, the Firm reserves the right to accept or decline a potential Client for any reason in its sole discretion. Prior to engaging the Firm to provide any of the investment advisory services described in this Brochure, the Client will be required to enter into one or more written Agreements with the Firm setting forth the terms and conditions under which the Firm shall render its services.

There may be times when certain restrictions are placed by a Client, which prevents ECA from accepting or continuing to manage the account. El Cap reserves the right to not accept and/or terminate management of a Client’s account if it believes that the Client imposed restrictions which would limit or prevent it from meeting and/or maintaining its overall investment strategy.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### A. Methods of Analysis

El Cap leverages software and other tools designed to comprehensively assess a Client’s probability of reaching various investment goals. Quantitative analysis, backed by Monte Carlo modeling,<sup>1</sup> enables the Firm to assist Clients with what we feel are the most important investment decisions: asset allocation and asset location. The underlying goal is to deliver the greatest return per unit of accepted risk, as cost-effectively and tax efficiently as possible.

### B. Investment Strategies

ECA will recommend a bespoke investment strategy for each Client. A Client’s asset allocation plan will reflect their unique time horizon, risk tolerance, spending needs in proportion to asset size, tax sensitivity, outside taxable gains and losses, and multi-generational considerations.

Once an overall target allocation is set, ECA will utilize a broadly diversified mix of index funds and ETFs to populate each entity, whether they be high tax-sensitive trust accounts, tax deferred retirement accounts, or specialized estate planning structures.

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<sup>1</sup> Monte Carlo simulations, or probability simulations, are used to model the probability of different outcomes in a process that cannot easily be predicted due to the intervention of random variables. As this is a forecasting model, assumptions must be made, and results represent probabilities - not certainty. There are no guarantees that the Client will experience outcomes forecasted in a given simulation.

ECA will work with clients to adhere to their long-term strategy by avoiding temptations to "market time" their investment decisions. Day-to-day changes in the financial markets should not overly influence a long-term strategy, and often lead to ill-timed buying and selling decisions. Such approaches often lead to inferior investment returns. However, as a client's specific circumstances change, their asset allocation may change to reflect evolving investment needs.

### **C. Risk of Loss**

Investing in securities involves a significant risk of loss which Clients should be prepared to bear. ECA's investment recommendations are subject to various market, currency, economic, political, and business risks, and such investment decisions may not always be profitable. Clients should be aware that there may be a loss or depreciation to the value of the Client's account. There can be no assurance that the Client's investment objectives will be obtained and no inference to the contrary should be made.

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

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

The market value of fixed income securities will fluctuate inversely with interest rates and other market conditions prior to maturity. Fixed income securities are obligations of the issuer to make payments of principal and/or interest on future dates, and include, among other securities: bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, or by a non-U.S. government or one of its agencies or instrumentalities; municipal securities; and mortgage-backed and asset-backed securities. These securities may pay fixed, variable, or floating rates of interest, and may include zero coupon obligations and inflation-linked fixed income securities. The value of longer duration fixed income securities will fluctuate more than shorter duration fixed income securities. There is no assurance that a mutual fund or ETF will achieve its investment objective. Past performance of investments is no guarantee of future results.

There are certain additional risks associated with the securities recommended and strategies utilized by ECA including, among others:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of Client investments. This is also referred to as systemic risk.
- Sector risk – The chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.
- Non-diversification risk – The risk of focusing investments in a small number of issuers, industries, or foreign currencies, including being more susceptible to risks associated with a single economic, political, or regulatory occurrence than a more diversified portfolio might

experience.

- Equity (stock) Market Risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Fixed Income Risk – When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Global Market Exposure. The Firm may invest on a global basis in both developed and emerging markets. In doing so, Client assets are subject to: (i) currency exchange-rate risk; (ii) the possible imposition of withholding, income or excise taxes; (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and little or potentially biased government supervision and regulation; and (iv) economic and political risks, including expropriation, currency exchange control and potential restrictions on non-U.S. investment and repatriation of capital.
- Interest rate risk – The chance that prices of fixed income securities will decline because of rising interest rates. Similarly, the income from fixed income securities may decline because of falling interest rates.
- Reinvestment Risk – The risk that interest and principal payments from a bond will be reinvested at a lower yield than that received on the original bond. During periods of declining interest rates, bond payments may be invested at lower rates; during periods of rising rates, bond payments may be invested at higher rates.
- ETF and Mutual Fund Risk – When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis, and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- Opportunity Cost Risk – The risk that an investor may forego profits or returns from other investments.

#### ITEM 9: DISCIPLINARY INFORMATION

Registered investment advisers such as ECA are required to disclose all material facts regarding any legal or disciplinary events that would be material to a Client's or prospective Client's evaluation of ECA or the integrity of its management. ECA has not experienced any legal or disciplinary events and therefore there is disclosures with respect to this Item.

#### ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

CEO and Founder Andrew Nash has an indirect ownership interest in JBH Financial, Inc, a FINRA member broker-dealer (the "affiliated broker-dealer"). Mr. Nash's ownership interest in JBH Financial, Inc is through the Camden Financial Group, LLC, whereby he controls 100% of the shares

in the affiliated broker-dealer. Mr. Nash does not have any operational duties or day-to-day responsibilities except as the Broker Dealer's sole investor and shareholder.

El Capitan recommends that clients utilize the services of the affiliated broker-dealer, since we believe that they provide quality execution services at competitive prices. El Capitan retains the discretion to negotiate with JBH Financial, Inc. the pricing for services it provides to advisory clients. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by JBH Financial, Inc., including reputation in the marketplace, execution capabilities, commission rates, and responsiveness to our clients and our firm. The Firm will also provide upon request additional options for the Client regarding ways to achieve better services and fees, based upon the Client's business and the availability of services in the marketplace.

Client may direct El Capitan in writing to use a particular broker-dealer to execute some or all transactions for the Client. In that case, the Client will negotiate terms and arrangements for the account with that broker-dealer, and El Capitan will not seek better execution services or prices from other broker-dealers or be able to "block trade" Client transactions for execution through other broker-dealers with orders for other accounts managed by El Capitan. As a result, the Client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the Account than would otherwise be the case. Subject to its duty of best execution, El Capitan may decline a Client's request to direct brokerage if, in El Capitan's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

#### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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

ECA is a fiduciary who owes its Clients undivided loyalty. This fiduciary obligation imposes upon ECA and its associated persons a duty to deal fairly and to act in the best interest of its Clients. In addition, this obligation imposes upon ECA and its associated persons numerous responsibilities, including the duty to render disinterested and impartial advice; to make suitable recommendations within the context of the total portfolio to Clients in light of their needs, financial circumstances and investment objectives; to exercise a high degree of care to ensure that adequate and accurate representations of its business and other information about securities are presented to Clients; and to not engage in fraudulent, deceptive or manipulative practices.

To this end, ECA has adopted a Code of Ethics (the "Code") which establishes standards of conduct for the firm's supervised persons and includes general requirements that such supervised persons comply with their fiduciary obligations to Clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of Client information.

Management persons of ECA may also be management persons of the affiliated broker-dealer. These relationships and any compensation received by El Capitan and the affiliated broker-dealer create a conflict of interest in the event JBH Financial, Inc. acts as the sole broker-dealer for clients of ECA. ECA has established an advisory account with JBH Financial, Inc. through which separate accounts for the benefit of ECA advisory clients have been established to facilitate the execution of their

securities transactions. To address any conflict of interest, ECA has implemented a Code of Ethics and specific policies and procedures to ensure any transaction is in the client's best interest.

Since ECA's investment professionals and associated persons may transact in the same securities for personal accounts as they may buy or sell for Client accounts, it is important to mitigate potential conflicts of interest. As such, ECA has adopted personal securities transaction policies in its Code, which all of ECA's associated persons must follow.

Specifically, the Code requires personnel to report personal trades and holdings and prohibits or requires pre-clearance for certain trades in certain circumstances. The Code also contains procedures for reporting violations and enforcement. The Code is reviewed and distributed to personnel annually. ECA will provide a copy of its Code of Ethics to any Client or prospective Client upon request. Please contact ECA at (415) 971-2250.

#### **B. Participation or Interest in Client Transaction**

It is ECA's policy not to enter into any principal transactions or agency cross transactions on behalf of Client accounts. Principal transactions occur where an adviser, acting as principal for its own account, buys securities from or sells securities to any advisory Client. Agency cross transactions occur where a person acts as an investment adviser in relation to a transaction in which the adviser, or an affiliate of the adviser, acts as broker for both the advisory Client and for another person on the other side of the transaction.

ECA or individuals associated with ECA may buy or sell for their personal account(s) securities or investment products identical to those recommended to or already owned by Clients. Alternatively, ECA may cause Clients to buy a security in which ECA or such individuals have an ownership position. Such recommendations will only be made to the extent that they are believed to be in the best interests of the Client. Nevertheless, such practices present potential conflicts of interest. To mitigate these conflicts, the Code describes the procedures regarding personal trading that must be followed (see details below). ECA and its supervised persons are required to always adhere to the Code of Ethics.

#### **C. Personal Trading**

On occasion employees of ECA may buy securities for their own accounts, which ECA also recommends to or invests in for Clients. It is possible that officers or employees of ECA may buy or sell securities or other instruments that ECA has recommended to or invested in for Clients and may engage in transactions for their own account in a manner that is inconsistent with ECA's recommendations to or invests in for a Client. Personal securities transactions by employees may raise potential conflicts of interest when such person's trade in a security that is owned by or considered for purchase or sale for a Client.

In order to mitigate this conflict of interest and to comply with all applicable laws and regulations, the Code of Ethics sets forth the professional and fiduciary standards that all associated persons must follow. The Firm's intention is to always protect Client interests and to demonstrate its commitment to its fiduciary duties of honesty, good faith, and fair dealing with Clients. All associated persons are expected to adhere strictly to the policy and are required to follow specific procedures regarding personal trading, including:

- Adhere to the fundamental standard that employees should not take inappropriate advantage of their position.

- Conduct all personal securities transactions in a manner consistent with the adopted policy.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities; and
- Comply with applicable provisions of the federal securities laws.

ECA and its Associated Persons may also buy or sell specific securities for their own accounts based on personal investment considerations, which ECA does not deem appropriate to buy or sell for Clients.

#### **D. Trading at the Same Time as Clients**

As referenced above there may be times when an employee buys or sells the same securities that are invested in by Clients, which can create a conflict of interest. ECA's Code of Ethics contains a "blackout" provision that prohibits employees deemed as "access persons" (as that term is defined in the Code) from trading in the same security as Clients (with the exception of open end mutual funds and US Treasuries) with three (3) business days before and one (1) business day after any client transaction in the same security, unless such access person's transaction is included in an aggregated block trade with Clients and receiving the same price.

### **ITEM 12: BROKERAGE PRACTICES**

When the Firm places orders for the execution of portfolio transactions for Client accounts, those transactions are allocated to the JBH Financial, Inc. the affiliated broker-dealer of the Adviser for execution in various markets at prices and commission rates that based upon a good faith judgment that they will be in the best interest of the Client. ECA may at its discretion use brokers as "agents" and pay commissions and may affect transactions in securities directly from or to dealers acting as principal at prices that include markups or markdowns and may purchase from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

#### **A. Selection Criteria**

All separately managed account clients are required to establish custodial accounts with a qualified custodian of record. ECA will only implement its investment management recommendations after the Client has arranged for and furnished the Firm with all information and authorization regarding accounts with appropriate financial institutions to act as custodian.

In addition, in most cases, a Client's broker-dealer also may act as the custodian of the Client's assets for little or no extra cost. Clients should thoroughly consider, however, the differences between having their assets custodied at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, Client reporting and technology.

For separately managed accounts, ECA will usually recommend the broker-dealer and custody services of its trusted and affiliated Broker-Dealer to its Clients. Transactions for advisory clients' separately managed accounts will only be directed by ECA to JBH Financial, Inc., which is owned by Mr. Andrew Nash through the Camden Financial Group, LLC unless the client instructs ECA in writing that they wish to utilize the services of a specific broker-dealer.

Factors which ECA considers in selecting broker-dealers include their respective financial strength, reputation, execution, pricing, research, ability to execute, and services provided. The commissions and/or transaction fees charged by particular brokers selected by ECA may be higher or lower than those charged by other broker-dealers.

Other factors El Cap may consider when evaluating its choice of broker dealer include:

- Ability to trade mutual funds and other investments that El Cap determines suitable for a Client's portfolio; and
- Ability to transact in and custody privately held securities; and
- Any custodial relationship between the Client and the broker-dealer; and
- Excellent customer service; and
- Interaction simplicity with the Adviser; and
- Discount transaction rates; and
- Reliability and financial stability.

For those Clients who request their transactions be placed with a specific broker-dealer (“Directed Brokerage”), Clients should be aware that the Firm may not be able to negotiate specific brokerage commission rates with the broker on the Client’s behalf or seek better execution services or prices from other broker-dealers. As a result, the client may pay higher commissions and/or receive less favorable net prices on transactions for their account than might otherwise be the case and that the Firm will have limited ability to ensure the broker-dealer selected by the client will provide best possible execution.

## **B. Best Execution**

ECA will generally seek “best execution” in light of the circumstances involved in transactions. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including among others, net price, reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security. ECA will not oblige itself to obtain the lowest commission or best net price for an account on any particular transaction. Consistent with the foregoing, while ECA will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for Client transactions.

To ensure that brokerage firms selected by ECA are conducting overall best qualitative execution, ECA will periodically (and no less often than annually) evaluate the trading process and brokers utilized. This evaluation will include, but is not limited to price, commission, timing, research, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers and administrative ability.

### **1. Research and Other Soft Dollar Benefits**

ECA maintains relationships with and recommends the services of various qualified third-party broker-dealer custodians. While ECA does not enter into formal “soft dollar arrangements” with those broker/custodians whom we recommend to clients, ECA may receive certain benefits. As further described below, such benefits may include research reports, services and seminars, computer software and other products and services to assist the Firm in research and other facets of its day-to-day activities. Selecting a broker-dealer in recognition of the provision of services or products other than

transaction execution is known as paying for those services or products with “soft dollars.” The Firm’s receipt of soft dollar services and products benefit ECA since client brokerage fees are used to obtain such benefits and the Firm does not have to produce or pay for the research, products, or services. Consequently, ECA may have an incentive to select or recommend a broker-dealer based on these benefits rather than in the clients' interest in receiving most favorable execution. These practices may also cause clients to pay fees that are higher than those that another qualified broker- dealer might charge to affect the same or similar transaction.

## **2. Directed Brokerage**

ECA is under common control and ownership with JBH Financial, Inc. (the “affiliated broker-dealer”), which is registered as a securities broker-dealer and member of the Financial Industry Regulatory Authority (“FINRA”). Mr. Nash, who is an officer and owner of the Firm, has become an owner and majority shareholder of the affiliated broker-dealer through a separate entity, Camden Financial Group, LLC. Unless otherwise stated and instructed by the Client, advisory transactions will be executed by the affiliated broker-dealer.

## **C. Trade Aggregation and Allocation**

Transactions for each client will be effected independently unless ECA decides to purchase or sell the same securities for several clients at approximately the same time. ECA provides investment management services for various clients, some of which have similar investment objectives. ECA will aggregate sale and purchase orders with other client accounts and proprietary accounts (including employees) that are looking to trade in the same security at the same time, if in ECA's judgment such aggregation is reasonably likely to result in an overall economic benefit to the affected accounts. Such benefits can usually include better transaction prices and lower trade execution costs. ECA may (but is not obligated to) aggregate (the “aggregate orders”) or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among ECA's clients (including proprietary accounts) differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. If all aggregate orders do not “fill” or execute at the same price, transactions will generally be averaged as to price and allocated among participating accounts pro rata to the purchase and sale orders placed for each participating account on any given day. If such orders cannot be fully executed under prevailing market conditions, ECA may allocate the securities traded among participating accounts and each similar order in a manner which it considers equitable, taking into consideration, among other things, the size of the orders placed, the relative cash positions of each account, the investment objectives of the accounts, and liquidity of the security.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **A. Periodic Reviews**

Accounts are monitored on an ongoing basis, which includes detailed periodic reviews. The frequency of reviews is at the discretion of ECA, but accounts are typically reviewed not less than annually. Accounts are reviewed for performance, consistency with the investment strategy and Client objectives, and other account parameters in order to determine if any adjustments need to be made. Reviews are performed by Mr. Andrew Nash, the Firm’s Investment Advisor Representative.

### **B. Other Reviews and Triggering Events**

In addition to the periodic reviews described above, reviews may be triggered by changes in a Client’s personal, tax or financial status. Account/portfolio holdings are also reviewed when changing market



conditions warrant such review. Clients are encouraged to notify the Firm and its advisory representatives of any changes in his/her personal financial situation that might affect his/her investment needs, objectives, or time horizon.

### **C. Regular Reports**

Written account statements are generated no less than quarterly and are sent to each Client directly from the account custodian. These statements list the account positions, activity in the account over the covered period, and other related information, including any fees deducted from the account. Clients are also sent confirmations following each brokerage account transaction unless confirmations have been waived.

In addition, clients may receive other supporting reports from mutual funds, trust companies, broker-dealers or insurance companies based on their involvement with the account and their applicable internal reporting requirements.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Economic Benefits Received**

As discussed under Item 12, ECA has the authority to enter into “soft dollar” arrangements whereby brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist ECA in its investment decision-making process. The receipt of such services may be deemed to be the receipt of an economic benefit by ECA, and although customary, these arrangements give rise to potential conflicts of interest, including the incentive to allocate securities transactional business to broker-dealers based on the receipt of such benefits rather than on a Client’s interest in receiving most favorable execution.

### **B. Compensation for Client Referrals**

#### **1. Incoming Referrals**

ECA has referral arrangements in place whereby the Firm compensates referring parties for client or investor referrals. While the specific terms of each agreement may differ, generally, the compensation will be based upon a varying percentage of the fees paid to the Firm by such referred clients. Any such fee shall be paid solely from the Firm’s investment management fee and shall not result in any additional charge to the Client. Currently, ECA has such agreements with Federally Insured Credit Unions, exempt from registration as Investment Advisers. Pursuant to California Code of Regulation, Section 260.236(c)(2) and Section 260.236.1, any compensated person and/or firm must be properly registered as a Promoter, unless otherwise exempt from registration.

#### **2. Referring Clients to Third Parties**

From time to time, the Firm will refer a Client to unaffiliated, third-party advisors (“TPA”). Should the Client engage such advisors, ECA will be compensated for its services by receipt of a fee to be paid directly by the third-party adviser to El Cap. Such a fee is generally a portion of the investment management fee charged by the designated adviser, which is typically based upon a percentage of the market value of the assets being managed by the designated adviser. Any such fee shall be paid solely from the adviser’s investment management fee and shall not result in any additional charge to the Client.

Prior to making an investment with a TPA, each Client will be furnished with a disclosure brochure

for that TPA. Because ECA and/or its advisory representatives receive compensation from these TPAs for referring Clients and because such compensation may differ depending on the individual agreement with each TPA, a conflict of interest exists in that ECA and/or its advisory representatives have an incentive to recommend certain TPAs over others with less favorable compensation arrangements. As part of our fiduciary duty to Clients, the Firm and our representative's endeavor at all times to put the interests of the Clients first, and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the Client. To further mitigate this conflict, the Firm discloses its existence to Clients at the time of solicitation, mainly through the delivery of this Brochure and the solicitation disclosure document. Client should be aware however that ECA will not provide ongoing reviews of the TPAs selected by the Client.

#### **ITEM 15: CUSTODY**

Under federal regulations, ECA is deemed to have “constructive custody” of Client funds or by reason of the fact that ECA has the authority to debit its fees directly from the Client's account for cash management – treasury management related accounts. Such authority is provided by each Client through the Client Engagement and/or Investment Advisory agreement entered into with ECA. Custody of account assets will be maintained with an independent qualified custodian and/or qualified custodian FDIC insured bank.

Clients in separately managed accounts will receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. Clients are urged to carefully review all custodial statements and compare them with any account reports provided by ECA. ECA reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please refer to Item 12 for additional important disclosure information relating to ECA's practices and relationships with custodians.

Under federal regulations, advisers deemed to have custody of Client funds are required to undergo an independent verification of the assets for which the adviser has custody through an annual surprise examination by an independent certified public accountant. Advisers, such as ECA, which are deemed to have custody as a consequence of the authority to debit fees directly from Client accounts are not required to obtain an independent verification of those Client funds and securities maintained by a qualified custodian so long as certain steps are followed. This includes providing each Client with an invoice or similar statement that includes the adviser's fee and information on how it was calculated. Clients should understand that it is their responsibility to ensure that the fee calculation is correct, and not the custodian.

Pursuant to State of California regulations, ECA is deemed to have custody of the assets for Clients receiving cash management – treasury management services. In accordance with California Code of Regulations Section 260.237, the Firm will obtain an annual “surprise independent verification by an independent certified public accountant relating to the assets over which it has custody. These Surprise Custody Audits are publicly available on the SEC website.

#### **ITEM 16: INVESTMENT DISCRETION**

##### **A. Discretionary Authority; Limitations**

For Clients' accounts, ECA has full investment discretion to determine: (1) which securities are to be bought or sold; (2) the amount of securities to be bought or sold; (3) when transactions are made; (4)

which broker-dealer to direct for trade execution for advisory clients separately managed accounts; and (5) the amount of commissions to be paid to the broker-dealer for a client's securities transactions. This means that ECA does not have to obtain prior consent from the Client when investing Client assets. However, such discretion is to be exercised in a manner consistent with each Client's stated investment objectives, risk tolerance, and time horizon. In addition, ECA's authority to trade securities may be limited in certain circumstances by applicable legal and regulatory requirements. In some instances, ECA's discretionary authority may be limited by conditions imposed by Clients on ECA's discretionary authority, including restrictions on investing in certain securities or types of securities. All such limitations, restrictions, and investment guidelines must be provided to ECA in writing.

**B. Limited Power of Attorney**

By signing ECA's Agreement, Clients authorize ECA to exercise discretionary and/or non-discretionary authority with respect to all investment transactions involving the Client's investment management account. Pursuant to such Agreement, ECA is designated as the Client's attorney-in-fact with discretionary and/or non-discretionary authority to effect investment transactions in the Client's account which authorizes ECA to give instructions to third parties in furtherance of such authority for specific accounts.

**ITEM 17: VOTING CLIENT SECURITIES**

ECA's policy and practice is to not vote proxies on behalf of its Clients and therefore, shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a Client's account, unless the account is an ERISA account, and such authority has not been delegated to another named fiduciary in the plan's written documents. Consequently, the Client retains the responsibility for receiving and voting all proxies for securities held within the Client's account. ECA shall not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a Client.

ECA does not advise or act for Clients with respect to any legal and tax matters, including bankruptcies and class actions, for the securities held in Clients' accounts.

**ITEM 18: FINANCIAL INFORMATION**

ECA does not require or solicit prepayment of more than \$500 in fees per Client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. ECA does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to Clients and has not been the subject of a bankruptcy proceeding.

ECA is currently cash flow positive and is able to sustain the net worth requirements of SEC. ECA is a privately owned company, and its financials are not publicly available.