

# Touchstone Capital, Inc.

## Wrap Fee Program Brochure

*This wrap fee program brochure provides information about the qualifications and business practices of Touchstone Capital, Inc. If you have any questions about the contents of this brochure, please contact us at (724) 933-8388 or by email at: [info@touchstonecapital.com](mailto:info@touchstonecapital.com). 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.*

*Additional information about Touchstone Capital, Inc. is also available on the SEC's website at <https://www.touchstonecapital.com>. Touchstone Capital, Inc.'s CRD number is:282537.*

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*Registration as an investment adviser does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

We have made no material changes to this brochure since our last annual brochure update on March 30, 2022.

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## Item 4: Advisory Business

### A. Services, Fees, and Compensation

#### *Investment Management Services*

Touchstone Capital, Inc. ("TCI") offers ongoing investment management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. TCI creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan to aid in the selection of a portfolio that matches each client's specific situation. Investment management services include, but are not limited to, the following:

Investment strategy	Personal investment policy
Asset allocation	Asset selection
Risk tolerance	Regular portfolio monitoring
Variable Annuity Insurance Products	Qualified Tuition Plans

TCI evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. TCI will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction; however, TCI will also accept non-discretionary accounts for which TCI will secure client permission prior to proceeding with any transactions. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

Investment decisions are made in accordance with the fiduciary duties owed to its clients and without consideration of TCI's economic, investment or other financial interests. To meet its fiduciary obligations, TCI attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, TCI's policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is TCI's policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent among its clients on a fair and equitable basis over time. The account is monitored by your advisor on a regular basis, and your advisor will meet with you no less than annually to review the account's holdings and performance.

#### **General Fee Information**

Touchstone Capital charges a wrap fee based on a percentage of the assets in a Client's account. A wrap fee is a bundled fee for services such as investment advice, portfolio management, research, custodial services, reporting and trading and execution. A wrap fee is not based directly on the amount of transactions in a Client's account but rather the fee is calculated based on the asset value of the Client's account. Accordingly, if there is little or no trading activity in the account, it is possible that a Client may pay more in advisory fees than he or she would have in commission charges if the account was a brokerage account or may pay more than they would in trading and execution costs within a non-wrap fee program, depending upon the number of trades that occur in an account from year to year. Each account generally includes investment management, custody, reporting, performance-monitoring and

trade execution services, although not all accounts receive all of these services.

### Fee Schedule

All Client Accounts	Maximum Fee
Fl at Pricing	2.50%

### Other Fee Information

With respect to each account, Touchstone Capital may provide a discount to the Maximum Fee based on several factors, including, but not limited to, the size of the Client's account, other related accounts with Touchstone Capital, the extent of services to be provided by Touchstone Capital to the Client, the types of assets in the Client's account and the projected nature of trading in the Client's account.

Touchstone Capital charges differing management fees based on the types of securities held in your account. For example, the firm will charge a higher management fee on an individual bond holding than the firm would charge on a bond mutual fund holding. While Annual Fees will never exceed the firm's maximum fee as stated above, Touchstone has a conflict of interest in recommending and/or purchasing certain securities over other available securities in your account because the firm will earn additional revenue to the extent that your account holds a type of security on which we charge a higher management fee. To mitigate this conflict, clients have the right to place reasonable restrictions on their account(s) as to the types of assets that may be purchased in their account.

Assets that are not traded on a public exchange may be held for the convenience of our clients in accounts for which we have custody of other assets. These assets will not be charged an annual fee. These non-traded assets may include non-traded real estate investment trusts, private equity limited partnerships, and real estate limited partnerships. Other assets may be considered

Fees are negotiable. TCI may waive all or a portion of an advisory program fee, whether on an ongoing or a one-time basis, in its sole discretion.

Asset-based investment management fees are withdrawn directly from the client's accounts with client's written authorization on a quarterly basis, or may be invoiced and billed directly to the client on a quarterly basis. Clients may select the method in which they are billed.

The final fee schedule will be memorialized in the client's advisory agreement.

Portfolio management fees are withdrawn directly from the client's accounts with client's written authorization on a quarterly basis or may be invoiced and billed directly to the client on a quarterly, clients may select the method in which they are billed.

Fees are paid in advance. The advisory fee is calculated using the value of the assets on the last business day of the prior billing period. Refunds for any fees paid in advance but not yet earned will be refunded on a prorated basis and returned within fourteen days to the client via check or return deposit back into the client's account. For all asset-based fees paid in advance, the fee refunded will be equal to the balance of the fees collected in advance minus the daily rate\* times the number of days elapsed in the

billing period up to and including the day of termination. (\*The daily rate is calculated by dividing the annual asset-based fee rate by 365.)

Clients may terminate the agreement without penalty, for full refund of TCI's fees, within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract generally with 5 days written notice.

## **B. Contribution Cost Factors**

The program may cost the client more or less than purchasing similar services separately. There are several factors that bear upon the relative cost of the program, including the trading activity in the client's account, the adviser's ability to aggregate trades, and the cost of the services if provided separately (which in turn depends on the prices and specific services offered by different providers).

## **C. Additional Fees**

TCI will incorporate certain third-party fees (e.g., custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.) for wrap fee portfolio management accounts. TCI will charge clients one fee and pay all trading and execution fees using the fee collected from the client.

Certain other fees are not included in the wrap fee and are paid for separately by the client. These include, but are not limited to, margin costs, charges imposed directly by a mutual fund or exchange traded fund, fees associated with "step out" transactions if the account uses different custodians or broker-dealers, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

## **D. Compensation of Client Participation**

TCI receives compensation should you choose to participate in the firm's wrap fee program. The compensation received may be more than what would have been received if client paid separately for investment advice, brokerage, and other services. TCI has a financial incentive to recommend its wrap fee program to clients.

# **Item 5: Types of Clients**

TCI generally offers advisory services to the following types of clients:

- Individuals
- High-Net-Worth Individuals
- Corporations or other businesses
- Pension and Profit-Sharing plans (other than plan participants)

TCI has a \$1 million minimum per household, but TCI may waive this minimum at its discretion.

## Item 6: Portfolio Manager Selection and Evaluation

### A. Selecting/Reviewing Portfolio Managers

TCI will not select outside portfolio managers for management of this wrap fee program.

TCI will be the sole portfolio manager for this wrap fee program.

If TCI publishes performance information, it will use industry standards to calculate portfolio manager performance.

If TCI publishes performance information, then TCI will review the performance information for our wrap fee program quarterly to verify its accuracy and compliance with presentation standards.

### B. Related Persons

TCI and its personnel serve as the portfolio managers for all wrap fee program accounts. This is a conflict of interest in that no outside adviser assesses TCI's management of the wrap fee program. However, TCI addresses this conflict by acting in its clients' best interest consistent with its fiduciary duty as sponsor and portfolio manager of the wrap fee program.

### C. Advisory Business

#### *Investment Management Services*

Touchstone Capital, Inc. ("TCI")'s wrap fee program offers ongoing investment management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. TCI creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan to aid in the selection of a portfolio that matches each client's specific situation. Investment management services include, but are not limited to, the following:

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Portfolio management accounts participating in the wrap fee program will not have to pay for transaction or trading fees. TCI will charge clients one fee, and pay transaction fees using the advisory fee collected from the client. Certain other fees are not included in the wrap fee and are paid for separately by the client. These include, but are not limited to, margin costs, charges imposed directly by a mutual fund or exchange traded fund, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

### ***Services Limited to Specific Types of Investments***

TCI generally limits its investment advice to mutual funds, equities, fixed income securities, ETFs, REITs, non-U.S. securities, and insurance products including annuities. TCI may use other securities as well to help diversify a portfolio when applicable.

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

TCI will tailor a program for each individual client. This will include an interview session to get to know the client's specific needs and requirements as well as a plan that will be executed by TCI on behalf of the client. TCI may use model allocations together with a specific set of recommendations for each client based on their personal restrictions, needs, and targets. Clients are not permitted to impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

Each client is evaluated based on a number of factors including, but not limited to, age, net worth, income, savings rate, tax rates, upcoming extraordinary expenses, job reliability (if working), time horizon to major financial goals, past investment experience, and knowledge related to investing. TCI uses various data collection tools throughout our formal interview process to evaluate each client based on the above criteria.

### ***Wrap Fee Programs***

As discussed herein, TCI sponsors and acts as portfolio manager for this wrap fee program. TCI manages the investments in the wrap fee program, and will manage wrap fee accounts differently than non-wrap fee accounts in that non-wrap fee accounts are typically held directly at mutual fund companies or annuity companies that offer investment management, custodial, trading and reporting services. The fees paid to the wrap account program will be given to TCI as a management fee.



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

TCI does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

Clients paying a performance-based fee should be aware that investment advisers have an incentive to invest in riskier investments when paid a performance-based fee due to the higher risk/higher reward attributes.

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

### **Methods of Analysis**

TCI's methods of analysis is fundamental analysis

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

### **Investment Strategies**

TCI uses long term trading, short term trading, and margin transactions.

*Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.*

## ***Material Risks Involved***

### **Methods of Analysis**

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

### **Investment Strategies**

TCI's use of margin transactions generally holds greater risk, and clients should be aware that there is a material risk of loss using any of those strategies.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short term trading** risks include liquidity, economic stability, and inflation, in addition to the long-term investing risks listed above. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

**Margin transactions** use leverage that is borrowed from a brokerage firm as collateral. When losses occur, the value of the margin account may fall below the brokerage firm's threshold thereby triggering a margin call. This may force the account holder to either allocate more funds to the account or sell assets on a shorter time frame than desired.

### ***Risks of Specific Securities Utilized***

TCI's use of margin transactions generally holds greater risk of capital loss. Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond "fixed income" nature (lower risk) or stock "equity" nature.

**Annuities** are retirement products for those who may have the ability to pay a premium now and want to guarantee they receive certain payments or a return on investment in the future. Annuities are contracts issued by a life insurance company designed to meet requirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long-term investments,

to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early. Variable annuities also involve investment risks, just as mutual funds do.

**Non-U.S. securities** present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

Investments may also be affected by currency controls; different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices; expropriation (occurs when governments take away a private business from its owners); changes in tax policy; greater market volatility; different securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends. These risks may be heightened in connection with investments in developing countries. Investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

Any of the common risks described above could adversely affect the value of your portfolio and account performance, and you can lose money. Even though these risks exist, TCI and your advisor will still earn the fees and other compensation described in this Brochure. Clients should carefully consider the risks of investing and the potential that they may lose principal while TCI and your advisor continue to earn fees and other forms of compensation.

Your investments are not bank deposits and are not insured or guaranteed by the FDIC or any other governmental agency, entity, or person, unless otherwise noted and explicitly disclosed as such, and as such may lose value. Past performance is not indicative of future results.

### ***Voting Client Securities (Proxy Voting)***

TCI will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

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

All client information material to managing the portfolio (including basic information, risk tolerance, sophistication level, and income level) is provided to the portfolio manager. The portfolio manager will also have access to that information as it changes and is updated.

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

TCI does not restrict clients from contacting portfolio managers. TCI's representatives can be contacted during regular business hours using the information on the Form ADV Part 2A cover page.

## **Item 9: Additional Information**

## **A. Disciplinary Action and Other Financial Industry Activities**

### ***Criminal or Civil Actions***

There are no criminal or civil actions to report.

### ***Administrative Proceedings***

There are no administrative proceedings to report.

### ***Self-Regulatory Organization (SRO) Proceedings***

There are no self-regulatory organization proceedings to report.

### ***Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor***

Neither TCI nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

### ***Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests***

David Simeone is an independent licensed insurance agent and from time to time may offer clients advice or products from those activities. Clients should be aware that these services may involve a conflict of interest; however, TCI always acts in the best interest of the client. Clients are free to obtain these services or products through another provider and always have the right to utilize or decline the services of any TCI representative in such individual's outside capacity.

Theodore Kerr is an independent licensed insurance agent and from time to time may offer clients advice or products from those activities. Clients should be aware that these services may involve a conflict of interest; however, TCI always acts in the best interest of the client. Clients are free to obtain these services or products through another provider and always have the right to utilize or decline the services of any TCI representative in such individual's outside capacity.

### ***Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections***

TCI does not select third-party investment advisers.

## **B. Code of Ethics, Client Referrals, and Financial Information**

### ***Code of Ethics***

TCI has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. TCI's Code of Ethics is available free upon request to any client or prospective client.

### ***Recommendations Involving Material Financial Interests***

TCI does not recommend that clients buy or sell any security in which TCI or a related person has a material financial interest.

### ***Investing Personal Money in the Same Securities as Clients***

From time to time, representatives of TCI may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of TCI 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. TCI will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### ***Frequency and Nature of Periodic Reviews***

Accounts are reviewed at least quarterly by Theodore S Kerr, Chief Compliance Officer, with regard to clients' respective investment policies and risk tolerance levels.

### ***Factors That Will Trigger a Non-Periodic Review of Client Accounts***

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### ***Content and Frequency of Regular Reports Provided to Clients***

Each client will receive a quarterly account statement from the custodian.

### ***Economic Benefits Provided by Third Parties for Advice Rendered to Clients***

TCI does not receive any economic benefit, directly or indirectly from any third party for advice rendered to TCI clients.

### ***Compensation to Non – Advisory Personnel for Client Referrals***

TCI does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

### ***Balance Sheet***

TCI neither requires nor solicits prepayment of more than \$1,200 more than 6 months in advance of providing services.

### ***Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients***

TCI does not have any financial condition that would impair its ability to meet contractual commitments to clients.

### ***Bankruptcy Petitions in Previous Ten Years***

TCI has not been the subject of a bankruptcy petition.