# RESOURCE CAPITAL MANAGEMENT, LLC

# RESOURCE CAPITAL

**Resource Capital Management, LLC is an asset management and investment advisory company specializing in the development and management of equity security portfolios. The Company utilizes a proprietary financial model employing a unique value approach to stock selection and portfolio construction.**

# OBJECTIVE

**The Resource Capital strategy seeks to achieve capital appreciation and outperform key indices on an annual basis through value investing. Resource Capital's slow and steady investment discipline strives to create both short-term and long-term value.**

# RESOURCE CAPITAL MANAGEMENT, LLC

- ☑ **CORE EQUITY**
- ☑ **GRAHAM & DODD**
- ☑ **DIVERSIFIED**
- ☑ **EQUALLY WEIGHTED**
- ☑ **QUANTITATIVE**
- ☑ **SMART BETA**
- ☑ **TAX EFFICIENT**

# Philosophy:

## *HOW WE PROPOSE TO MAKE MONEY?*

**Our core belief hinges on the notion that improving operating metrics which deliver profitability and balance sheet improvements will ultimately be rewarded by the market over time.**

**The Firm has developed a proprietary investment strategy which is based on selecting companies displaying a quality business model undergoing a persistent steady improvement. Companies undergoing such change:**

- **Are underappreciated by the market.**
- **Have the ability to generate persistent outperformance.**

# INVESTMENT PROCESS

**Define the investment universe**

A total universe comprised of approximately 3500 companies is filtered to eliminate non-qualifying securities.

**Evaluate companies using proprietary model**

An analysis is conducted to identify companies with attractive growth characteristics relative to their valuation levels.

**Select stocks and construct portfolio**

Based upon the ranking of these companies, a security is either included in or excluded from the long portfolio. Sector exposure is broadly diversified and equally weighted. Individual securities are equally weighted as well.

# INVESTMENT PROCESS




Universe of Securities traded on North American Exchanges

Securities remaining after undergoing Resource Capital's universe limitation process

Securities ranked and sorted into 20 GICS sectors by Resource Capital Model

The Resource Capital Long 60 Portfolio is comprised of 55 to 60 stocks which rank as the top 3 securities from each sector

# INVESTMENT PROCESS

**RESOURCE CAPITAL PORTFOLIO**

**CHANGE FACTORS**

**QUALITY FACTORS**

Resource Capital Long Portfolio comprised of the top ranked securities from 20 GICS sectors

# KEY DIFFERENTIATORS

The strategy is unlike other quantitative and fundamental approaches:

**It's Really Simple**

Good companies getting better

**It's Not That Easy**

The universe analysis and subsequent portfolio development and construction processes are deeply rooted in proprietary Cash Flow Analytics

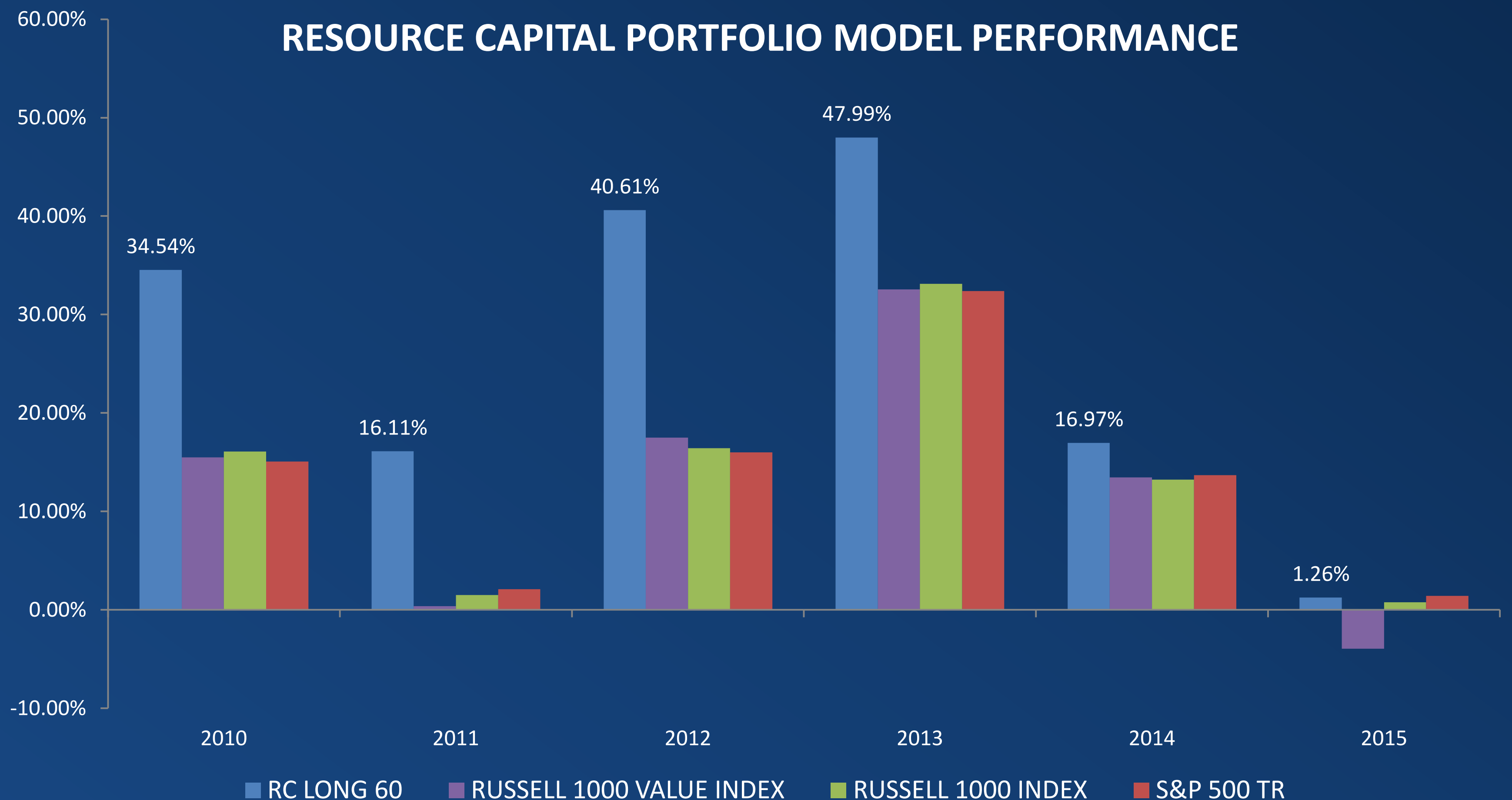
**What It's Not**

- No Reliance on Optimization
- Does not use Regression
- Not another Value Momentum Anomaly

**What It Is**

Identifies persistent change that other market participants are slow to pick up on or perceive

# MODEL PORTFOLIO RETURN PERFORMANCE




Please see Performance Disclosures provided at the end of this document.

# RESOURCE CAPITAL HIGHLIGHTS

- Approved Wells Fargo Money Manager.

- The AlphaBetaWorks Performance Analytics Platform (αβwPAP) analyzed the positions and performance of Resource Capital Model 60 Fund (RC60) from January 2001 through December 2014. Skill analytics indicate very significant statistical evidence of overall security selection skill, mixed statistical evidence of overall market timing skill, and very significant statistical evidence of overall active management skill over the past three years. High skills are significantly predictive of future active returns.

- Model portfolio performance reporting verified by Ashland Partners and Company, LLP.

- Model portfolio return performance verified by Ashland Partners and Company, LLP.

# KEY PERSONNEL

HENRY ROLLING

- Founder of Resource Capital Management, LLC
- Head of Quantitative Research
- Portfolio Manger
- Advisor

- Education
  - Bachelors in Economics
  - Masters of Science in Economics
  - Masters of Business Administration
  - Masters of Science in Finance
- Licenses
  - Series 65

# PERFORMANCE DISCLOSURES

**THE RISK OF LOSS**

When making investments in equity securities, there is a risk that a portion or 100% of your investment funds could be loss. The RESOURCE CAPITAL LONG PORTFOLIO is an investment in equity securities. RESOURCE CAPITAL's management attempts to invest 90% to 95% of a clients managed account into equity securities.

**Disclosure Requirements for Investment Advisers**

Investment advisers provide a wide range of advisory services and play an important role in helping individuals and institutions make significant financial decisions. To allow clients and prospective clients to evaluate the risks associated with a particular investment adviser, its business practices, and its investment strategies, it is essential that clients and prospective clients have clear disclosure that they are likely to read and understand. That is why the Securities and Exchange Commission (SEC) has adopted amendments to Part 2 of Form ADV to require investment advisers to provide new and prospective clients with a brochure and brochure supplements written in plain English. These amendments are designed to provide new and prospective clients with clearly written, meaningful current disclosure of the business practices, conflicts of interest, and background of the investment adviser firm and the firm's employees who provide advice.

**What is Form ADV?**

Form ADV is the uniform form used by investment advisers to register with both the SEC and state securities authorities. The form consists of two parts. Part 1 requires information about the investment adviser's business, ownership, clients, employees, business practices, affiliations, and any disciplinary events of the adviser or its employees. Part 1 is organized in a check-the-box, fill-in-the-blank format. The SEC reviews the information from this part of the form to manage its regulatory and examination programs. Although designed for a regulatory purpose, investment adviser filings of Part 1 are available to the public on the SEC's Investment Adviser Public Disclosure (IAPD) website at www.adviserinfo.sec.gov.

Part 2 requires investment advisers to prepare narrative brochures that include plain English disclosures of the adviser's business practices, fees, conflicts of interest, and disciplinary information. The brochure is the primary disclosure document for investment advisers. Investment advisers are required to deliver to advisory clients their brochures, which will be made available to the public on the IAPD website.

**Amendments to Part 2 of Form ADV**

As amended, Part 2 of Form ADV now includes two sub-parts, Part 2A and Part 2B. Part 2A contains 18 disclosure items to be included in the investment adviser's brochure. In addition, investment advisers will now be required to deliver annually to clients a summary of material changes to the brochure along with either a revised brochure or an offer to deliver a copy of the revised brochure. Part 2B is called the "brochure supplement" and includes information about the specific individuals, acting on behalf of the investment adviser, who actually provide the investment advice and interact with the client.

**Brochure**

Investment advisers must provide their prospective and existing clients with a narrative brochure written in plain English. As amended, Part 2A of Form ADV contains 18 separate items, each covering a separate disclosure topic, to be included in the brochure. To make it easier for investors to compare the brochures of different investment advisers, advisers must respond to each item in Part 2A in the order listed in the form, using the same headings provided by the form. Much of the disclosure required in Part 2A addresses an investment adviser's conflicts of interest with its clients, and is disclosure that an investment adviser, as a fiduciary, must make to clients. The required disclosures include:

> ***Advisory business*** – An investment adviser must describe its advisory business, including the types of advisory services offered, whether it holds itself out as specializing in a particular type of advisory service, and the amount of client assets that it manages.

***Fees and compensation*** – An investment adviser must describe in its brochure how it is compensated for its advisory services, provide a fee schedule, and disclose whether fees are negotiable. The investment adviser must also disclose whether it bills clients or deducts fees directly from clients' accounts, or whether the client may select either method, and how often it assesses fees. In addition, the investment adviser must describe the types of other fees or expenses, such as brokerage, custody fees, and fund expenses that clients may pay in connection with the advisory services provided to them by the investment adviser.

***Performance-based fees and side-by-side management*** – An investment adviser that accepts performance-based fees or that supervises an individual who accepts such fees must disclose this fact. If the investment adviser also manages accounts that are not charged a performance fee, the adviser must explain the conflicts of interest that arise from the simultaneous management of these accounts and must describe how it addresses those conflicts.

***Methods of analysis, investment strategies, and risk of loss*** – Investment advisers must describe their methods of analysis and investment strategies and explain that investing in securities involves risk of loss which clients should be prepared to bear. Investment advisers must also explain the material risks involved for each significant investment strategy or method of analysis they use and for any particular type of security they recommend primarily. Investment advisers must explain those risks in greater detail if the risks are unusual or significant. If the primary strategy involves frequent trading of securities, investment advisers must explain specifically how frequent trading can affect investment performance.

***Disciplinary information*** – An investment adviser must disclose in its brochure material facts about any legal or disciplinary event that is material to a client's evaluation of the advisory business or of the integrity of its management personnel. Certain disciplinary events are presumed to be material if they occurred within the last 10 years. An investment adviser must deliver promptly to clients updated information regarding disciplinary events if it is updating a brochure to add a new event or to change material information about a disciplinary event.

***Code of ethics, participation or interest in client transactions, and personal trading*** – An investment adviser must describe briefly its code of ethics and state that a copy is available upon request. If the investment adviser or a related person recommends to clients, or buys or sells for client accounts, securities in which the adviser or related person has a material financial interest, the adviser must describe this practice and the conflicts of interest presented by such a practice. An investment adviser must also disclose whether it or a related person invests in the same securities that it recommends to clients or in related securities, such as options or other derivatives, and must describe the practice and discuss the conflicts involved and how it addresses those conflicts. In addition, an investment adviser that trades in the recommended securities at or around the same time as the client must describe the practice and discuss the conflicts presented by that practice and how the adviser addresses them.

***Brokerage practices*** – Investment advisers must describe the factors that they consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of brokers' compensation. Investment advisers must also disclose **soft dollar practices** (research or other products or services, other than execution, provided by brokers or a third party to the investment adviser in connection with client transactions); **client referrals** (using client brokerage to compensate brokers for client referrals); **directed brokerage** (asking or permitting clients to send trades to a specific broker for execution); and **trade aggregation** (bundling trades to obtain volume discounts on execution costs). Investment advisers are required to explain how they address the various conflicts of interest associated with these practices.

**Brochure Supplement**

Part 2B of Form ADV is called the "brochure supplement." An investment adviser must give a client a brochure supplement for each individual that it supervises who: (1) formulates investment advice for that client and has direct client contact; or (2) makes discretionary investment decisions for that client's assets, even if the supervised individual has no direct client contact.

The brochure supplements contain information about the educational background, business experience, and any disciplinary history of the specific individuals who provide advisory services to the client. Brochure supplements may be separate documents or incorporated into the firm brochure. An investment adviser must deliver a brochure supplement that provides information about an employee either before or at the time that the employee begins to provide investment advice to a client. The investment adviser must deliver promptly to clients updated information regarding disciplinary events if it is updating a brochure supplement to add a new event or to change material information about a disciplinary event.

**Part 2B of Form ADV consists of six items, including:**

***Educational background and business experience*** – The brochure supplement must describe the supervised individual's formal education after high school and his or her business experience for the past five years.

***Disciplinary information*** – The brochure supplement must disclose any legal or disciplinary event that is material, and include certain disciplinary events that are presumed to be material to such an evaluation if they occurred during the last 10 years.

***Other business activities*** – The brochure supplement must describe the supervised individual's other business activities and any material conflicts of interest that such participation may create. It must also include information about any compensation – bonus or non-cash – that the supervised individual receives based on the sales of securities or other investment products, as well as an explanation of the incentives this type of compensation creates.

***Additional compensation*** – The brochure supplement must describe arrangements in which somebody other than the client provides the supervised individual an economic benefit, such as a sales award or other prize, for providing advisory services.

***Supervision*** – An investment adviser must explain how it supervises the supervised individual, including how it monitors the advice provided to the client by the supervised individual and must include the name, title, and telephone number of the individual's supervisor.

If investment advice is provided by a team comprised of more than five supervised individuals, brochure supplements need only be provided for the five supervised individuals with the most significant responsibility for the day-to-day advice provided to the client.

Brochure supplements are not filed with the SEC. However, the public can obtain information about advisory personnel, including disciplinary information, through the IAPD system at http://www.adviserinfo.sec.gov.

**Performance* Disclosure**

All performance data is reported gross of fees and taxes.

Resource Capital follows GIPS standards when reporting portfolio performance results. The firm out sources the GIPS compliance process to an impartial third party. This ensures that the firm's performance data is verified via an impartial third party. If any section above has an "*" symbol, the firm will provide additional information related to that section upon request.

The firm's investment model and process has been developed via extensive research and extensive programming. The firm's investment model is a static model that utilizes limitation filters to construct unique universes of equity securities which are segmented into specific sectors. The investment model utilizes several fundamental financial factors to calculate a score for each equity security in order to rank the security within a specific sector. If there is a tie score within a sector, the investment model utilizes certain fundamental financial factors as tie breakers. Once the equity securities are ranked, equity portfolios are then constructed by the investment model. The firm's equity portfolio construction method has been back tested using stock exchange data from 1985 to 2009 and implemented on Model Portfolios from January 1, 2010 to December 31, 2015. Throughout the back testing phase utilizing 25 years of data and the 4 years of the Model Portfolio, the equity portfolios constructed by the firm's investment model have outperformed the Russell 1000 Value TR Index annually.

**Supplemental:** Supplemental information is for illustrative purposes only. The supplemental information in this document does not represent the results of actual investment. No assurances can be made as to the actual investment performance which could have been achieved.

**Model Portfolios:** The time period from January 1, 2010 to December 31, 2015 disclosed in this document represent **Model Portfolios ONLY**. No actual investment was made in the Model Portfolios and therefore no assurances can be made as to the actual investment performance which could have been achieved. As such, any financial or performance calculations in this document utilizing data from January 1, 2010 to December 31, 2015 are based solely on Model Portfolios and not Live Money Portfolios.

The Model Portfolios from January 1, 2010 to December 31, 2015 were developed and constructed by the Resource Capital financial model. The Resource Capital financial model is a static model. The model utilizes limitation filters to construct a unique universe of equity securities and segments the securities into specific sectors. The model utilizes fundamental financial factors to rank securities within sectors. The financial factors utilized in the ranking process of the Model Portfolios encompass quantitative as well as qualitative measures of equity securities. Once the equity securities were ranked, the Model portfolios that were constructed were comprised of either, 20, 40, 60 or 100 equity securities.

The Model Portfolio construction process had four distinct phases.

- The first phase was a screening process that filtered and reduced a larger universe of equity securities into a unique and firm relevant universe.

- The second phase generated a score for each equity security.

- The third phase segmented the equity securities into sectors and then distinctly ranked the equity securities within the sector.

- The fourth phase selected the top ranking equity securities within each sector for inclusion into the Model Portfolios.

## •The Model Portfolio Simulated Purchase

- The equity securities for the Model Portfolios were selected on December 31, 2009, December 31, 2010, December 31, 2011, December 31, 2012, December 31, 2013 and December 31, 2014 respectively.

- The Model Portfolio equity securities were selected and recorded at the close price of the last trading day of the current year or at the open price of the first trading day of the next year.

- The Model Portfolios were not actually purchased. The December 31 close prices of a respective year or the January 1 opening prices of a respective year were utilized as the Model Portfolios stock prices. The prices were utilized in order to make simulated purchases of the Model Portfolio. The simulated purchase of the Model Portfolio was made by taking the total dollar amount of the investment and making equal dollar amount investments in each of the Model Portfolio's equity security regardless of the security's price. Therefore there was an equal weighting across all stocks and sectors that comprised the Model Portfolios.

- All of the Model Portfolio equity securities were held in the portfolio for one year.

- No equity securities were added or removed from the Model Portfolio during the one year holding period.

- At the end of the year, the Model Portfolios were rebalanced on December 31 and a new portfolio was established for the next year.

## •Back-Tested Portfolios

- Each back-tested Resource Capital long portfolio from January 1, 1985 to December 31, 2009 was constructed by the Resource Capital financial model utilizing the same fundamental factors, portfolio construction and execution processes.

- The performance history is compiled by looking back in time and applying a pre-specified strategy trading discipline to derive strategy performance. Back tested performance was derived from the retroactive application of a model with the benefit of hindsight.

- Modeled results may differ materially from actual results as they do not represent actual trading and may not fully account for commissions and other expenses a client would have paid. Modeled results may not reflect the impact that material economic and market factors might have had on the adviser's decision making if the adviser were actually managing the client's money.

- The performance results shown include the reinvestment of dividends and other earnings. The U.S. Dollar is the currency used to express performance. Additional information regarding the calculation methodology is available upon request.

- Actual performance would be reduced by investment advisory fees and other expenses that may be incurred in the management of the client's portfolio. The collection of fees produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) quarterly fee assessment, (b) $1,000,000 investment, (c) portfolio return of 8% a year, and (d) 1.00% annual investment advisory fee would be $10,416 in the first year, and cumulative effects of $59,816 over five years and $143,430 over ten years. Actual investment advisory fees incurred by clients may vary.

- It should not be assumed that all clients follow the Model. Actual client investments are made with the client's investment objective, risk tolerance and income needs in mind.

Additional Model Portfolio Disclosures

- Each Model Portfolio from December 31, 2009 to December 31, 2015 was constructed by the Resource Capital financial model utilizing the same fundamental factors, portfolio construction and execution processes that were utilized to construct each back-tested portfolio from January 1, 1985 to December 31, 2009.

From January 1, 2010 to December 31, 2015 the Resource Capital Long 60 portfolios were either forwarded to parties, notarized and or mail stamped for verification, purchased by the company, by other companies or by individuals who received the December 31, or March 30 of 2014 Resource Capital Long 60 stock selections. There can be no assurances that any individual and or entity actually purchased the Resource Capital Long 60 Portfolio stock selections.  Only return performances for 2016 can be verified via actual trades made by the firm and or its personnel via Folio Investing, Inc.  **When making investments in equity securities, there is a risk that a portion or all of your investment funds could be lost.  The Resource Capital Long Portfolio is an investment in equity securities.**