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March 29, 2019

This Brochure provides information about the qualifications and business practices of CAPRIN ASSET MANAGEMENT, LLC [“Caprin”]. If you have any questions about the contents of this Brochure, please contact us at 804-648-3333 or by email at [compliance@caprinbonds.com](mailto:compliance@caprinbonds.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.

Caprin is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Caprin also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 2 – Material Changes

Caprin has clarified its procedure for executing ETF related transactions for client accounts. For custodians that allow Caprin to execute ETF transactions with an independent third party, in exactly the same way that Caprin executes block transactions for bonds, Caprin has decided to execute all ETF transactions with a third party. This decision is further described on page 6 of this brochure.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge either via electronic means (email) or in hard copy. We also make a current copy available on our website at the following address under Regulatory Information: <http://caprinbonds.com/contact/>

Currently, you may request our Brochure by contacting Adam S. Plotkin, Chief Compliance Officer at 804-648-3333 ext. 309 or [compliance@caprinbonds.com](mailto:compliance@caprinbonds.com). Our Brochure is also available on our web site [www.caprinbonds.com](http://www.caprinbonds.com) and is free of charge.

Additional information about Caprin is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Caprin who are registered, or who are required to be registered, as investment adviser representatives of Caprin.

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#### **Item 4 – Advisory Business**

Caprin, which is 100% employee owned, was founded in 1996 and is engaged primarily in the business of providing portfolio management services to individuals, high net worth individuals, corporations, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, municipalities, and other U.S. institutions. Services include the building and ongoing management of fixed income securities portfolios including municipal bond portfolios and taxable bond portfolios all on a separate account basis; Caprin manages no pooled investments like common trust funds or mutual funds. Caprin generally provides its portfolio management services on a fee for service basis. Such fees are agreed to in advance and explained in each client agreement (Additional information on Caprin's fees is discussed in **Item 5** below.) Caprin manages client accounts on both a direct basis, where the client hires Caprin individually and without the partnership of an independent financial advisor, and Caprin also manages client accounts when recommended by an unrelated investment advisor, where the client's independent financial advisor has recommended hiring Caprin. As of December 31, 2018, Caprin managed approximately \$1.3 billion in client assets, all of which are discretionary, meaning that Caprin Portfolio Management Teams may make purchase and sale transactions without first consulting clients or their designated financial advisors. Clients grant Caprin such investment discretion in each Investment Advisory Agreement signed by both the Client and Caprin's designee, or via a sub-advisory relationship or Wrap Program discussed below. Additional information about Discretion is detailed in **Item 16** below.

In keeping with our philosophy of capital preservation and income, Caprin manages both intermediate and short maturity portfolios. Caprin's intermediate municipal bond portfolios generally but not always will have an average maturity of six to nine years, while Caprin's intermediate taxable bond portfolios generally but not always will have an average maturity of four to six years; in both intermediate portfolios Caprin may use traditional mutual funds and exchange traded funds whose goals are consistent with those of Caprin's strategies. Mutual Funds and Exchange Traded Funds may be used to help gain exposure to the desired market more quickly when building new accounts or to more easily adjust a portfolio's positioning along the maturity curve. In addition to the Intermediate Maturity portfolios described above, Caprin offers both short maturity municipal bond and low duration taxable bond strategies. The short maturity municipal bond and low duration taxable bond portfolios generally but not always will have an average maturity of one to three years. Caprin also has a cash management short maturity strategy that invests portfolios to average maturities of generally four months to one year. Laddered municipal bond portfolios will generally own securities with

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maturities up to 12 years but can be individualized within other agreed upon parameters. Within the short maturity municipal bond and low duration taxable bond strategies, Caprin may use traditional ETFs in these portfolios to gain market exposure while building new accounts. Traditional ETFs are not a part of cash management or laddered municipal bond portfolios.

In addition to the individual bond strategies described above, Caprin manages separate account strategies using only exchange traded funds (ETFs). Caprin may also serve as “model provider” for these ETF strategies where they are available through select turnkey asset management programs (TAMPs). Registered investment advisors and broker dealers utilize TAMPs as a way to make available many investment solutions to their clients. In the model format, Caprin’s all ETF strategies are available as a subscription, and all transactions are executed by an unaffiliated third party, typically the TAMP itself.

These all-ETF strategies, one that focuses on the municipal bond market, another which seeks exposure to the taxable bond market, and one that combines municipal and taxable fixed income sectors, may have an equivalent average maturity ranging from roughly zero to 10 years based on the weighted average of the characteristics of the ETFs held in each portfolio. It is important to recognize that the maturity characteristics of these all-ETF strategies primarily are provided to help investors compare portfolio features as the majority of traditional fixed income ETFs do not mature like an individual bond.

In addition to the portfolio management services described above, Caprin may occasionally serve as sub-adviser to other duly registered investment adviser firms for the purpose of managing their clients’ fixed income portfolios using some or all of the strategies just described. In such circumstances, the agreement between Caprin and the firm(s) for whom Caprin serves as sub-adviser authorizes Caprin, without prior consultation, to buy or sell securities according to the investment guidelines agreed to between Caprin and the primary advisory firm subject to client parameters established between the primary advisory firm and the client. Caprin generally has the flexibility to accept or reject client specific parameters on a case-by-case basis.

Caprin makes itself available to clients of financial advisors via dual contract arrangements, where clients sign both custodial agreements and Caprin’s investment advisory agreement, but Caprin prefers whenever possible to participate as a manager available in certain Wrap Fee programs. As a Wrap Program Participant, the custodian charges clients only one fee, and a previously agreed to portion of that fee is then paid to Caprin as portfolio manager. When managing portfolios, Caprin treats its Wrap Fee

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clients exactly the same as it treats its direct clients and other clients referred by independent advisors. Generally, the investment parameters of a Wrap Fee client relationship are similar to those discussed in the previous paragraph on sub-advisory relationships.

### **Item 5 – Fees and Compensation**

Though Caprin strives for consistency wherever possible, Caprin recognizes that not all client arrangements are identical and therefore reserves the right to negotiate fees.

The specific manner in which fees are charged by Caprin is established in each client's written agreement with Caprin or within each respective agreement governing the managed account program provided by a third party program sponsor, which may be Sub-Advisory, Wrap, or Dual Contract. Caprin maintains two distinct fee schedules for separately managed accounts that differ primarily based on the nature of the relationship between Caprin and its clients. When Caprin and its representatives bear primary responsibility, including assisting with the selection of the appropriate investment strategy and reporting, the relationship is direct ('DIRECT'). When a third party investment adviser or financial adviser makes the recommendation or decision to engage Caprin as an asset manager for the client using a managed account program available to the adviser through their broker/dealer, Caprin's responsibilities are reduced to that of portfolio management only for the Caprin investment strategy as the adviser bears the primary responsibility for all aspects of the client's investment program.

Where Caprin and the client have a specific written agreement, fees will generally be billed on a quarterly basis in advance, and bills will be submitted directly to each client's custodian of record. In these arrangements, management fees will be prorated for each capital contribution made during the applicable calendar quarter (with the exception of inconsequential contributions). Furthermore, accounts opened or closed during a calendar quarter will be charged a prorated fee reflecting the accounts' actual time under management. Upon termination of any account and after a corresponding 30 day grace period during which Caprin assists in any final actions needed to complete any final requests, any prepaid, unearned fees will be refunded, and any earned, unpaid fees will be due and payable as prescribed by the client's written agreement with Caprin.

If a Caprin account is governed by Sub-Advisory or Wrap program agreement, Caprin's fees, along with the fees of the program sponsor, and all corresponding rules are the sole responsibility of the program sponsor and are governed by the client agreement with the program sponsor. For this reason, the fee schedules provided below are only

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for Caprin separately managed accounts that are DIRECT as described above or DUAL CONTRACT where an adviser supervises investment strategies under a managed account program and the client has an agreement with Caprin and a separate agreement with the adviser's firm.

Caprin's fees do not include brokerage commissions, transaction fees, and other related costs and expenses that may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties like fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, commissions and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange-traded funds, which may be incorporated into a client account depending on the strategy selected, also charge internal management fees that are disclosed in a fund's prospectus. Caprin encourages all clients and prospective clients to consult with their financial adviser or custodial relationship on the fees and services provided by the respective managed account program or custodial relationship through which Caprin has been accessed.

Caprin's fee schedule for Intermediate Maturity Municipal Bond and Taxable Bond accounts managed on a DIRECT basis is as follows: 0.50% on account assets up to \$5 million; 0.40% on the next \$10 million in account assets; Fees are subject to review on assets above \$15 million. All new DIRECT Intermediate Maturity Municipal Bond and Taxable Bond accounts generally require a \$2 million minimum investment.

Caprin's fee schedule for Intermediate Maturity Municipal Bond and Taxable Bond accounts managed on a DUAL CONTRACT basis is as follows: 0.35% on account assets up to \$5 million; and 0.25% on the next \$10 million of account assets; Fees are subject to review on account assets above \$15 million. New Intermediate Maturity accounts on a DUAL CONTRACT basis generally require a minimum investment of \$250,000. Fees for Caprin managed Sub-Advisory or Wrap accounts are governed by the program sponsor's agreement and may differ from sponsor to sponsor.

Caprin's fee schedule for Short Maturity Municipal Bond and Low Duration Taxable Bond accounts, whether managed on a DIRECT basis or DUAL CONTRACT basis is as follows: 0.30% on account assets up to \$5 million; 0.20% on the next \$10 million in account assets; Fees are subject to review on assets above \$15 million. All new DIRECT Short Maturity Municipal Bond accounts generally require a \$2 million minimum investment. New Short Maturity Municipal Bond accounts on a DUAL CONTRACT basis generally require a minimum investment of \$250,000. New Low Duration Taxable Bond accounts, whether DIRECT or DUAL CONTRACT, generally

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require a minimum investment of \$2 million. However, as a condition for participating in certain Wrap programs, Caprin has agreed to make the Low Duration Taxable Bond strategy available within those programs for a minimum investment of \$250,000. Fees for Caprin managed Sub-Advisory or Wrap accounts are governed by the program sponsor's agreement and may differ from sponsor to sponsor.

Caprin charges a flat 0.20% fee on account assets on select platforms for new Laddered Municipal Bond portfolios and only on a DUAL CONTRACT basis with a required minimum investment of \$250,000. Caprin may agree to a reduced fee rate for Laddered Municipal Bond Portfolios on a Dual Contract Basis based on pre-existing relationships with program sponsors, and such fees will be fully described in each client contract. If a program sponsor has requested Caprin act as Sub-Advisor or Wrap Program Portfolio Manager, the portfolios are governed by that program sponsor's agreement, fees and minimums.

Caprin's fee schedule for Taxable Cash Management accounts is as follows: 0.20% on account assets up to \$5 million; .15% on the next \$10 million in account assets; Fees are subject to review on assets above \$15 million. New Taxable Cash Management accounts, whether DIRECT or DUAL CONTRACT, generally require a minimum investment of \$2 million.

Caprin created and began marketing in late 2010 strategies that utilize various Exchange Traded Funds (ETF's) and maintains two distinct fee schedules for these strategies that are based on the nature of the relationship between Caprin and the client. Caprin makes its Managed ETF strategies available as separately managed accounts on a DIRECT and DUAL CONTRACT basis and as model selections available through platforms like Unified Managed Accounts Platforms (UMA) and TAMPs administered by overlay managers through Sponsor Firms. When Caprin's Managed ETF strategies are utilized as separate accounts, Caprin's fee is 0.25% on all assets. When Caprin's Managed ETF strategies are selected as a Model through an overlay manager, Caprin's fee is set by the Sponsor Firm and overlay manager, and this fee may vary between Sponsor Firms. All clients are encouraged to consult with their advisor for a full description and explanation of fees for each account and participating program. As of January 2019 Caprin makes its Managed ETF strategies available as Model solutions through Adhesion Wealth Advisors, Envestnet, Folio Dynamix, and Axxcess Wealth, each of which can be accessed through a variety of brokerage firms, independent custodians, and other independent registered investment advisors. In addition, Caprin made available Intermediate Maturity Municipal Bond and Taxable



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Bond strategies beginning in 2013 which utilize ETFs for a portion of each separately managed account in the strategy.

Caprin, in pursuit of best execution for separately managed accounts, generally executes ETF transactions with a third party trading firm and away from the account's custodian of record ("stepped out"). When Caprin executes ETF transactions this way, the executing third party trading firm typically charges a transaction fee that is a fixed amount per share established by contract, and that is subsequently reflected in the net price of the transaction (a mark-up or mark-down). Third party ETF transaction fees are currently up to \$.01 per share, and that amount is subject to change without notice. There are no additional mark-ups or mark-downs when transactions occur in this way. Caprin executes ETF transactions in this fashion because each client receives the same price in much the same way as when they participate in block trades for bond positions as described on pages 12 and 13 of this brochure. The risk of trade executions at different prices and at different times can be, in Caprin's view, reduced by block trading ETFs with a third party and that procedure outweighs the approximate \$0.01 per share commission cost for executing with a third party.

Charges, fees and commissions for securities transactions in separately managed accounts discussed in [Item 12](#) and this [Item 5](#) are exclusive of and in addition to Caprin's fee and any "program fee" the client may pay when accessing Caprin's strategies through a managed account program, which may be Wrap, Sub-Advisory or Dual Contract. Caprin does not receive any portion of commissions, fees, and costs associated with securities transactions in its investment strategies. [Item 12](#) further describes the reasons that Caprin considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

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

Caprin does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **Item 7 – Types of Clients**

Caprin provides portfolio management services to individuals, high net worth individuals, corporations, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, municipalities, and other U.S. institutions.

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Caprin generally requires a minimum account size of \$2 million for accounts of clients hiring Caprin directly for individual bond portfolios, but when other independent investment advisers or financial advisers introduce clients to Caprin, Caprin generally has agreed to lower its minimum account size to \$250,000 for all strategies except the taxable cash management strategy, for which the minimum size generally remains \$2 million. Caprin requires a minimum account size of \$100,000 for accounts of clients hiring Caprin to manage an all ETF account. When clients select all ETF accounts through a UMA or TAMP, minimum investments may vary.

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

Investing in securities involves risk of loss that clients should be prepared to bear. Specific to fixed income securities, these risks include: credit risk (the risk that the bond issuer may experience financial problems that make it difficult or impossible to pay interest or principal in full), inflation risk (due to rising prices, this is the risk of potential loss of buying power over time and possibly lower prices for existing fixed income holdings as a result of potentially higher interest rates), interest rate risk (because most bonds have a fixed coupon and a fixed maturity and mature at face value, this is the risk of loss that investors bear when selling a fixed-coupon bond before it matures and at a time when interest rates have risen above the level when the bond was originally purchased), and liquidity risk (the risk that investors won't find an active market for a bond, potentially preventing them from buying or selling when they want and making valuation more difficult). Additional risks include: management risk (the risk that the investment techniques and analyses applied by Caprin will not produce the desired results and that legislative, regulatory, or tax developments may affect the techniques available to Caprin in connection with managing the account), and concentration and regulatory risk (because a strategy concentrating in a single sector or group of similar issuers can become subject to greater risks of adverse economic conditions or regulatory changes).

Caprin's Investment Strategies are founded on the principle that Knowledge Preserves Wealth and are guided by our firm's philosophy: Capital Preservation and Income, which serves as the foundation of our name. Caprin takes a conservative and measured approach to the incremental risks of investing in fixed income securities. Opportunities to enhance yield are carefully measured against potential risks as Caprin strives to minimize overall volatility through investment cycles.

Accordingly, Caprin employs the following "top-down" investment process, as overseen by Caprin's Investment Committee for each strategy offered:

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Caprin's Investment Team presents the current outlook and recommended parameters to the Investment Committee on a schedule that reflects the Federal Open Market Committee meetings. The Investment Committee reviews and approves the broad parameters within which the Investment Team operates. These parameters include average duration boundaries and sector/asset class targets. Caprin's Investment Team meets every Monday morning to review the current week's outlook, and any desirable account activity. Caprin's Investment Team also discusses market activity on an intraday basis, working within the Investment Committee's established parameters.

Step 1. Interest rate risk management – Caprin assesses the level of interest rate risk prevalent in the market and positions portfolios accordingly. The following key considerations are used to develop the interest rate outlook:

- Fed Policy – Caprin analyzes current Federal Reserve interest rate targets, policies and language in determining an outlook for interest rates within a Fed-driven cycle. We scrutinize policies in terms of their longevity and potential impact on dynamics in interest rate markets and their potential impact on investor behavior. Caprin reviews Fed statements and targets relative to broader economic conditions.
- Interest Rate Momentum – Caprin uses quantitative tools to evaluate interest rate trends and volatility.
- Economic Analysis – Caprin evaluates additional economic metrics and indicators to assess interest rate trends within the broader economic cycle. These include measures of various indicators such as inflation, employment, and commodity and equity price momentum, and interest rate comparisons. Caprin also considers current macro-driving events and their potential impact on interest rate trends.

These three analysis sets combine to develop Caprin's outlook for Interest Rate Risk. When interest rate risk is perceived low, Caprin will tend to position portfolios with a mix of bonds and ETFs seeking a longer-than-benchmark duration and maturity profile. When interest rate risk is perceived high, Caprin will strive for portfolios with duration and maturity profiles shorter than benchmarks using either short maturity ETFs or bonds, cash, or any combination thereof.

Step 2. Sector Positioning – Caprin incorporates quantitative analytics in the investment process where sector positioning is appropriate such as ETF based SMAs and models.

We assess sector variables with relative value and trend analyses versus historical standards. We also measure price metrics (spread, dollar price, or index value) for

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certain variables. Caprin's Investment team reviews the quantitative output when assessing investment allocations.

Step 3. Security Selection and Execution – In positioning portfolios with the desired exposures, Caprin looks to build portfolios using individual bonds and ETFs that represent the desired value and performance characteristics within each opportunity set. Caprin's Intermediate Strategies generally target a 75%/25% mix of individual bonds and ETFs, respectively. Caprin's shorter duration/maturity strategies will generally have a target of 100% in individual bonds, while the firm's ETF strategies will seek 100% in ETFs.

Bond Allocations: Desired purchases and sales in specific portfolios are identified by duration and preferred sector, coupon, quality, state of issuance, and call features. Traders strive for the ideal and work closely with the portfolio team to capture opportunities that arise. Traders and portfolio managers work together in evaluating each opportunity incorporating both third party research and internal analysis. We compare financial metrics, demographic trends and outlooks to alternative investment opportunities. Caprin has developed research models that compare financial strength and risks across issuers. Appropriate securities with favorable value relative to risk are selected for purchase.

When appropriate, we favor block transactions to secure the best price and to ensure implementation of our best ideas across the maximum number of accounts. Recognizing the market is dynamic, traders and portfolio managers are poised to respond to changing conditions that warrant a reevaluation of desired transactions. As such, ongoing communication ensures our team and our process is responsive, and that all client portfolios benefit from our current best thinking.

ETF Allocations: When ETFs are a component of a strategy, the objective of the ETF allocation is to refine the interest rate characteristics of portfolios subject to the Investment Committee's approved strategy. In determining the allocation, Caprin considers sector and security relative value and premiums and discounts among similar ETFs and may rotate holdings without notably altering strategic positioning. Caprin also considers any relevant concentrations within each ETF when choosing between otherwise similar vehicles. In assessing ETFs and their underlying characteristics, Caprin evaluates information from fund providers, Morningstar Direct, and internal analytics and those generated through the Bloomberg system.

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### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Caprin or the integrity of Caprin’s management. Caprin has no information applicable to this Item.

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

Registered investment advisers are required to disclose all material facts regarding any activities or industry affiliations that would be material to your evaluation of Caprin or the integrity of Caprin’s management. Such activities or affiliations might include having management persons registered as a commodity pool operator, having an affiliated broker-dealer or investment company (including mutual funds, unit investment trusts, etc), or referral arrangements through which Caprin might receive additional compensation; these items are generally considered “conflicts of interest.” Caprin has no relationships or arrangements applicable to this Item.

### **Item 11 – Code of Ethics**

Caprin has adopted a Code of Ethics for all employees of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All employees at Caprin must acknowledge the terms of the Code of Ethics annually, or as amended.

Caprin anticipates that, in appropriate circumstances, consistent with clients’ investment objectives, it will cause accounts over which Caprin has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Caprin, its affiliates and/or clients, directly or indirectly, have a position of interest. Caprin’s employees and persons associated with Caprin are required to follow Caprin’s Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Caprin and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Caprin’s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the Access Persons of Caprin will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as

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exempt transactions, based upon a determination that these would materially not interfere with the best interest of Caprin's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit Access Persons to invest in the same securities as clients, there is a possibility that they might benefit from market activity by a client in a security held by an employee. Access Person trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Caprin and its clients. All Caprin employees are considered Access Persons.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Caprin's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at the same total average price. Caprin will retain records of the transaction order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial transaction order. Partially filled ETF orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order. Partially filled Bond orders will be allocated according to Caprin's Execution and Allocation procedures.

Caprin's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Adam S. Plotkin, Caprin's Chief Compliance Officer, at 804-648-3333 ext. 309 or by email at [compliance@caprinbonds.com](mailto:compliance@caprinbonds.com).

It is Caprin's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

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## Item 12 – Brokerage Practices

When providing our services, Caprin will execute transactions through securities broker-dealers. When selecting broker-dealers for execution, we will consider a variety of factors. In most cases, executing brokers will be selected based on availability of product and/or the best net price bid or offer to the client; availability of product generally requires Caprin to purchase and sell bonds away from a client's designated custodian because of the nuances of trading fixed income securities. Unlike stocks and other exchange traded securities where markets of sufficient size are readily accessible, Fixed Income Securities are always issued in limited size and trade over the counter in a negotiated manner. In cases where commissions are negotiated, executing brokers will be selected first on suitability of investment selection, quality and breadth of service, and then lowest commissions; Caprin also considers its past experience with such firms and the quality of service provided to us (and our clients by extension), the liquidity of the security being traded, the speed and attention we receive from the trading desk of the firm selected, market conditions at the time, and other factors. Based on these factors, Caprin may trade with executing brokers that may charge fees that are higher than the lowest available fees. However, in no scenario will higher commissions be paid to an executing broker as compensation for providing research services for Caprin – Caprin does not enter into or utilize "Soft Dollar" arrangements.

Caprin may cross bonds between client accounts when in our judgment it is in the best interests of participating clients and no conflicts of interest are identified. Further, cross transactions will be executed at "arm's length," meaning that the purchase and sale prices are set by an independent broker-dealer. Caprin tracks all cross transactions executed in this fashion using its portfolio management system.

Additionally, in connection with accounts where the client has accessed Caprin via a managed account program sponsored by a broker/dealer or related firm and where the client pays a program fee to the program's sponsor for the respective program, Caprin will in most instances not trade securities with that program sponsor when a conflict of interest or a commission payment for securities transactions to the program sponsor would arise. We may implement this restriction at our discretion, while some program sponsors may impose this restriction. This restriction could result in execution prices that are not always at the best possible levels.

When Caprin determines based on its duty to seek best execution that the most appropriate method of execution is that of a Step Out transaction, client(s) may be subject to commissions and other charges in addition to the fee they are already paying to their custodian/program sponsor. For instance, as discussed earlier in [Item 5](#), clients

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may incur in the case of ETF related transactions an additional commission of up to \$0.01 per share, and such commission will be included in the net price of the transaction as reported to the client's custodian and/or Wrap Program Sponsor. In the case of Fixed Income Security transactions stepped out, the executing broker dealer may in some cases impose on the transaction a markup or markdown, which will be reflected in the net price of the transaction to the client. These fees are in addition to any "program fee" the client may pay when utilizing a Caprin strategy through a managed account program.

Caprin prefers whenever possible to execute transactions in "blocks," meaning that orders for more than one client, frequently from more than one custodian/program sponsor, are grouped together to increase the size of the transaction. "Block trading" may enable Caprin to obtain more favorable execution, including better pricing and enhanced investment opportunities than were Caprin to trade solely with each client's designated custodian/program sponsor, particularly because Caprin predominantly trades fixed income securities, which trade in an over the counter, negotiated market. Blocking transactions in this manner may also help Caprin avoid a potentially adverse effect on the price of a security that could result from simultaneously placing a number of separate, successive or competing client orders (particularly for clients at many different custodians).

Because Caprin trades predominantly in Fixed Income Securities, and because of Caprin's duty to find, to the best of its abilities, securities most appropriate for each client account given portfolio strategy and the then prevailing market conditions, Caprin places nearly all fixed income transactions for clients with firms other than the client's designated custodian/program sponsor (and even in some cases is prohibited from trading with a client's designated custodian or broker dealer firm where the transaction may create a conflict of interest); further, it is increasingly rare that any given broker dealer maintains a sufficient inventory of suitable fixed income securities, a factor Caprin must contend with when seeking to build and manage client portfolios according to their designated strategy. Because of the nuances of trading Fixed Income Securities, Caprin encourages all current and prospective clients to evaluate the total costs of any investment program or strategy before making their selection and periodically thereafter.

### **Item 13 – Review of Accounts**

Client accounts are managed according to targets consistent with the client's investment guidelines and established by Caprin's Investment and Credit Committees.



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Caprin Portfolio Managers regularly review portfolios for compliance. Where differences from approved strategy ranges are noted, recommendations are developed and changes made as market conditions permit. In addition to the ongoing review of portfolios by Portfolio Managers, each client account receives a supervisory review no less than annually by Caprin's Chief Compliance Officer. This supervisory review encompasses criteria established by the Investment and Credit Committees regarding sector and position sizes as well as overall portfolio conformity with parameters established by each committee and in each client's investment guidelines. Reviews may be conducted more frequently as dictated by strategy changes or market action; such changes can be initiated by Peyton M. Studebaker, Portfolio Management Team Leader, Michael L. Hoover, CFA and Investment Committee Chairman, H. Barrow Turner III, Credit Committee Chairman, or Adam S. Plotkin, Chief Compliance Officer.

In addition to reviewing all client accounts, Caprin may provide upon request reports to help clients better understand their investment account and Caprin's management of it and also to supplement those prepared and distributed by each client's independent, qualified custodian. Caprin reports generally include a detailed list of positions including market value. Certain client reports include a realized gain and loss report, a purchase report, and a performance report comparing each account to a comparable industry benchmark. Caprin provides reports to DIRECT clients on at least a quarterly basis, and Caprin may provide reports for REFERRED or THIRD PARTY clients upon request of their primary financial advisor. These reports may be distributed in hard copy or electronic form. You are encouraged to compare Caprin's prepared reports with those provided by your independent, qualified custodian. Caprin reminds its clients that reports generated by their custodian of record are the official statistics from an accounting and tax perspective. Please refer to **Item 15** below for additional information about Statements and Reports provided by your custodian.

#### **Item 14 – Client Referrals and Other Compensation**

Caprin may offer referral fees to non-affiliated investment advisors who refer clients to Caprin for fixed income, portfolio management services. In exchange for such referrals, Caprin may compensate the referring advisor with a percentage of Caprin's management fee charged to the client who was referred by the non-affiliated advisor. In no instance will this fee sharing arrangement increase the fee paid by the client relative to a direct relationship between Caprin and the client. Furthermore, in all such circumstances, the referred client is provided a letter of full disclosure describing the relationship between Caprin and the referring advisor and the form of compensation that exists between them. The client must acknowledge this relationship in writing with his

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signature for any sharing of management fees or any other form of direct or indirect payment to occur.

Caprin currently has no such marketing relationships.

### **Item 15 – Custody**

Caprin is authorized only to enter purchase and sale orders and to request the payment of management fees from Caprin managed accounts held at qualified custodians, and it is for this latter reason alone that Caprin may be considered to have custody of client accounts; however, Caprin may not open accounts on clients' behalves and will not serve as trustee of client accounts, nor will Caprin accept the authority to transfer money. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Caprin encourages you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you in the manner described in Item 14 above. Caprin statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

Caprin receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold; such authority is described in each Advisory Agreement executed by Caprin clients. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. An investment account will not be opened until Caprin has received a fully executed Investment Advisory agreement and, should an account be funded partially or entirely with currently owned securities, has completed an Initial Position Review to determine those securities that will be sold and those that may be acceptable relative to Caprin's strategies and guidelines. Upon completion of an Initial Position Review, Caprin will notify the designated account contact (either the direct client or the referring financial advisor) to review the scope of required security sales. Should a security be identified as a required sale, and Caprin is not able to affect a sale in accordance with its procedures, the security must be removed from the account managed by Caprin.

When selecting securities and determining amounts, Caprin observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Caprin in writing. Caprin reserves the

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right to accept or reject client-provided investment guidelines and restrictions if and when, in Caprin's opinion, they vary meaningfully from the investment guidelines specific to the client's selected investment strategy.

#### **Item 17 – Voting *Client* Securities**

Caprin accepts, though not in the traditional sense, authority to vote proxies on behalf of its clients but understands that some clients may prefer to retain such authority. Proxy votes are exceedingly rare with fixed income securities as they pertain primarily to equity investments, and for fixed income securities they are more likely to be in the form of covenant change requests, which Caprin considers analogous to proxy items and for which this procedure exists. Caprin shall vote covenant requests for clients except in cases where clients, including ERISA clients, explicitly reserve in writing their right to vote. Accordingly, Caprin has adopted and implemented voting policies and procedures for clients that we believe are reasonably designed to ensure votes are in the best interest of clients. Caprin votes solely with the goal of maximizing the value of clients' investments. Caprin's Proxy Manager and/or Chief Compliance Officer reviews all issues. Caprin acknowledges that it may have a conflict of interest in voting on behalf of clients, and, in such circumstances, the Chief Compliance Officer will be sensitive to such issues. Clients may obtain a copy of Caprin's complete proxy voting policies and procedures upon request, and clients may also obtain information from Caprin about how Caprin voted any proxies on behalf of their account(s) by submitting written notice to the following: Proxy Department, Caprin Asset Management, LLC, 1802 Bayberry Court, Suite 202, Henrico, VA 23226.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Caprin's financial condition. Caprin has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. Caprin has engaged an independent accounting firm to conduct an annual audit of its financial records and to prepare a financial statement reflecting its conclusions. Requests for financial information may be made in writing to: Michael L. Hoover, President, Caprin Asset Management, LLC, 1802 Bayberry Court, Suite 202, Henrico, VA 23226.

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Michael L. Hoover, CFA®  
Caprin Asset Management, LLC

1802 Bayberry Court, Suite 202

Henrico, VA 23226

804-648-3333

January 2019

**This Brochure Supplement provides information about Michael L. Hoover that supplements the Caprin Asset Management, LLC Brochure. You should have received a copy of that Brochure. Please contact Adam S. Plotkin, Caprin's Chief Compliance Officer if you did not receive Caprin Asset Management, LLC's Brochure or if you have any questions about the contents of this supplement.**

### **Educational Background and Business Experience**

Michael L. Hoover, CFA®

Date of Birth: November 30, 1958

2007 – Present, President, Caprin Asset Management, LLC

2006 – 2007, Chief Operating Officer, Caprin Asset Management, LLC

2004 – 2006, Taxable Bond Portfolio Manager, Caprin Asset Management, LLC

1998, Obtained Chartered Financial Analyst® (CFA®) Designation from the CFA Institute

To obtain the CFA® Designation individuals must have a minimum of an undergraduate degree and four years of professional experience involving investment decision-making or four years of full time, qualified work experience. Individuals must successfully complete a three level self-study program, with each level requiring approximately 250 hours of study, passing final examinations at each level.

1986, MBA, Virginia Commonwealth University

1980, BS, University of Virginia

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## **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

## **Other Business Activities**

Registered investment advisers are required to disclose all material facts regarding any outside business activities that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

## **Additional Compensation**

Registered investment advisers are required to disclose all material facts regarding any additional economic benefits provided by external individuals or organizations and received that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

## **Supervision**

All Caprin portfolio managers and traders take direction from the Investment and Credit Committees, which set guidelines for overall portfolio strategy and portfolio credit exposure. Implementation of portfolio strategy in client accounts is monitored via application-based tools that provide Caprin's Chief Compliance Officer with a quarterly assessment of individual portfolio holdings relative to established guidelines. The Chief Compliance Officer works with individual portfolio managers to establish and execute plans necessary to achieve and maintain compliance for all portfolios. In addition, the Credit Committee undertakes a quarterly review of all issuer names owned in Caprin portfolios to ensure that only acceptable names are held in client accounts. This procedure highlights issuers that require further assessment and provides an effective means to identify credit trends. In addition to this regular review and as a member of Caprin's Executive Committee, Mr. Hoover is supervised by Caprin's Executive Committee. Committee members include Edwin B. Horner, III, and Adam S. Plotkin. Mr. Horner and Mr. Plotkin can be reached via phone at 804-648-3333.

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Cheryl L. Page, CFA®, CFP®  
Caprin Asset Management, LLC

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January 2019

**This Brochure Supplement provides information about Cheryl L. Page that supplements the Caprin Asset Management, LLC Brochure. You should have received a copy of that Brochure. Please contact Adam S. Plotkin, Caprin's Chief Compliance Officer if you did not receive Caprin Asset Management, LLC's Brochure or if you have any questions about the contents of this supplement.**

### **Educational Background and Business Experience**

Cheryl L. Page, CFA®, CFP®

Date of Birth: February 15, 1966

2000 – Present, Managing Director – Portfolio Management, Caprin Asset Management, LLC

2000, Obtained Certified Financial Planner (CFP®) Designation from the Certified Financial Planner Board of Standards. To obtain the CFP® Designation, individuals must have a Bachelor's or higher degree from an accredited university or college and have completed three years of full-time financial planning. In addition individuals must complete a CFP-board registered educational program or hold one of the following designations: CPA, ChFC, CLU, CFA, Ph.D. in business or economics, Doctor of Business Administration or an Attorney's License.

1992, Obtained Chartered Financial Analyst® (CFA®) Designation from the CFA Institute

To obtain the CFA® Designation individuals must have a minimum of an undergraduate degree and four years of professional experience involving investment decision-making or four years of full time, qualified work experience. Individuals must successfully complete a three level self-study program, with each level requiring approximately 250 hours of study, passing final examinations at each level.

1987, BS, State University of New York – Albany

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## **Disciplinary Information**

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## **Other Business Activities**

Registered investment advisers are required to disclose all material facts regarding any outside business activities that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

## **Additional Compensation**

Registered investment advisers are required to disclose all material facts regarding any additional economic benefits provided by external individuals or organizations and received that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

## **Supervision**

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**Edwin B. Horner, III**  
**Caprin Asset Management, LLC**

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January 2019

**This Brochure Supplement provides information about Edwin B. Horner, III that supplements the Caprin Asset Management, LLC Brochure. You should have received a copy of that Brochure. Please contact Adam S. Plotkin, Caprin’s Chief Compliance Officer if you did not receive Caprin Asset Management, LLC’s Brochure or if you have any questions about the contents of this supplement.**

### **Educational Background and Business Experience**

Edwin B. Horner, III

Date of Birth: November 13, 1953

2002 – Present, Managing Director -Marketing and Client Service, and Credit Committee Member, Caprin Asset Management, LLC

1976, BA, Hampden Sydney College

### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### **Other Business Activities**

Registered investment advisers are required to disclose all material facts regarding any outside business activities that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.



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## **Additional Compensation**

Registered investment advisers are required to disclose all material facts regarding any additional economic benefits provided by external individuals or organizations and received that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

## **Supervision**

All Caprin portfolio managers and traders take direction from the Investment and Credit Committees, which set guidelines for overall portfolio strategy and portfolio credit exposure. Implementation of portfolio strategy in client accounts is monitored via application-based tools that provide Caprin's Chief Compliance Officer with a quarterly assessment of individual portfolio holdings relative to established guidelines. The Chief Compliance Officer works with individual portfolio managers to establish and execute plans necessary to achieve and maintain compliance for all portfolios. In addition, the Credit Committee undertakes a quarterly review of all issuer names owned in Caprin portfolios to ensure that only acceptable names are held in client accounts. This procedure highlights issuers that require further assessment and provides an effective means to identify credit trends. In addition to this regular review, Mr. Horner is supervised by Caprin's President, Michael L. Hoover. Mr. Hoover can be reached via phone at 804-648-3333 extension 308 or email at [mhoover@caprinbonds.com](mailto:mhoover@caprinbonds.com).

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Peyton M. Studebaker  
Caprin Asset Management, LLC

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January 2019

**This Brochure Supplement provides information about Peyton M. Studebaker that supplements the Caprin Asset Management, LLC Brochure. You should have received a copy of that Brochure. Please contact Adam S. Plotkin, Caprin's Chief Compliance Officer if you did not receive Caprin Asset Management, LLC's Brochure or if you have any questions about the contents of this supplement.**

### **Educational Background and Business Experience**

Peyton M. Studebaker

Date of Birth: August 6, 1980

9/2014 – Present, Managing Director - Portfolio Management, Caprin Asset Management, LLC

2012 – 9/2014, Vice President, Director of Trading, Caprin Asset Management, LLC

2010 – 2011, Vice President, Fixed Income Trading, Caprin Asset Management, LLC

2007 – 2009, Municipal and Taxable Trader, Caprin Asset Management, LLC

2003 – 2007, Operations and Marketing Assistant, Caprin Asset Management, LLC

2003, BA, University of Virginia

### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### **Other Business Activities**

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Registered investment advisers are required to disclose all material facts regarding any outside business activities that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### **Additional Compensation**

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### **Supervision**

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H. Barrow Turner, III  
Caprin Asset Management, LLC

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January 2019

**This Brochure Supplement provides information about Barrow Turner that supplements the Caprin Asset Management, LLC Brochure. You should have received a copy of that Brochure. Please contact Adam S. Plotkin, Caprin's Chief Compliance Officer if you did not receive Caprin Asset Management, LLC's Brochure or if you have any questions about the contents of this supplement.**

#### **Educational Background and Business Experience**

H. Barrow Turner, III

Date of Birth: November 12, 1982

2018 -Present, Vice President, Portfolio Manager, Credit Committee Chairman, Caprin Asset Management, LLC

2016-2018, Vice President, Portfolio Manager, Co-Chair Credit Committee, Caprin Asset Management,

2015-2016, Vice President, Trader, Caprin Asset Management, LLC

2011 – 12/2014, Vice President – Public Finance Investment Banking, Raymond James & Associates

2009 - 2011, Associate Vice President – Public Finance Investment Banking, Raymond James & Associates, Inc.

2006 - 2009, Analyst – Public Finance Investment Banking, Raymond James & Associates, Inc.

2005, BBA Finance, James Madison University

#### **Disciplinary Information**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### **Other Business Activities**

Registered investment advisers are required to disclose all material facts regarding any outside business activities that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### **Additional Compensation**

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### **Supervision**

All Caprin portfolio managers and traders take direction from the Investment and Credit Committees, which set guidelines for overall portfolio strategy and portfolio credit exposure. Implementation of portfolio strategy in client accounts is monitored via application-based tools that provide Caprin's Chief Compliance Officer with a quarterly assessment of individual portfolio holdings relative to established guidelines. The Chief Compliance Officer works with individual portfolio managers to establish and execute plans necessary to achieve and maintain compliance for all portfolios. In addition, the Credit Committee undertakes a quarterly review of all issuer names owned in Caprin portfolios to ensure that only acceptable names are held in client accounts. This procedure highlights issuers that require further assessment and provides an effective means to identify credit trends. In addition to this regular review, Mr. Turner is supervised by Caprin's Portfolio Management Team Leader, Peyton M. Studebaker. Mr. Studebaker can be reached via phone at 804-648-3333 extension 303 or email at [pstudebaker@caprinbonds.com](mailto:pstudebaker@caprinbonds.com).