

# Highland Capital Advisors, LLC

## Investment Consulting

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*Updated: January 5, 2022*

This Brochure provides information about the qualifications and business practices of Highland Capital Advisors, LLC (“HCA”). If you have any questions about the contents of this Brochure, please contact us at [compliance@hcadv.com](mailto:compliance@hcadv.com).

While the United States Securities and Exchange Commission (SEC) and state securities authorities require the preparation and submittal of this Brochure, they do not approve or verify the contents. HCA is a Registered Investment Advisor. Registration of an Investment Advisor does not imply any level of skill or training.

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

## Item 2 – Material Changes

Since our last annual amendment filing in February 2020, we have updated the language for clarity and readability but have no material changes to this disclosure brochure.

To reflect the diverse profile of institutional clients we serve, the services in this ADV Part II were formally referred to as “Retirement Consulting” and effective 2/1/2021 will now be referred to as “Investment Consulting” and will be reflected as such in any newly executed Service Agreements or other formal documentation.

Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting [compliance@hcadv.com](mailto:compliance@hcadv.com) .

Additional information about HCA is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **Item 4 – Advisory Business**

HCA is an investment advisory firm registered with the SEC. Our primary business is to provide non-discretionary consulting services (“Investment Consulting”) to retirement plan sponsors and other investors. This Form ADV Part II is offered to potential and existing clients to provide an understanding of this service. In certain cases, HCA will accept limited discretion to assist certain clients with the implementation of their investment plans. That service is the subject of a separate Form ADV Part 2A titled “Implemented Solutions”.

HCA was formed in 2005. HCA’s founding Principals are William S. Small and Richard C. Wyman.

#### **Investment Consulting Services**

HCA helps facilitate a prudent investment process by consulting with clients about their investment decisions and makes recommendations based on client objectives. Available services include:

- Meeting with clients to understand needs, investment objectives and risk tolerances
- Assisting with the drafting of investment guidelines or an investment policy statement (IPS)
- Assisting with the design of an investment menu or strategic asset allocation
- Assisting with the selection and retention of 3<sup>rd</sup> party funds / managers
- Assisting with the periodic monitoring of investment performance
- Assisting with cash flow forecasts and other plan analyses

HCA adapts its service to fit every unique client situation and specific services are identified in each client's service agreement. These services will be provided until either party terminates the agreement or, if applicable, when the project is complete.

HCA’s advice is restricted to open end funds, collective trust funds, variable annuities, money market funds, 3<sup>rd</sup> party separate account managers and other “non-covered” securities as defined in our Code of Ethics. HCA does not provide personalized advice with respect to individual stocks, bonds, derivatives or other “covered securities” under our Code of Ethics. In every case, clients have the ultimate authority over all investment decisions and HCA accepts no discretion over client portfolios.

HCA does not manage or continually supervise client portfolios or the underlying individual security transactions that occur in client portfolios through funds or 3<sup>rd</sup> party managers. Assets in client portfolios are not considered regulatory “assets under management”. As of December 31, 2021 HCA does not have any reportable assets under management.

#### **Fiduciary Status**

For all clients, HCA acts in a fiduciary capacity under the Investment Advisors Act of 1940 (“’40 Act”). Additionally, for retirement plans covered by the Employee Retirement Income Security Act (“ERISA”), we act as a fiduciary under ERISA Section 3(21) unless the terms of the service agreement specifically indicate that we are operating in an ERISA 3(38) capacity. In either situation, we are always acting under the authority of the top-level Plan fiduciary, typically the Plan Sponsor. We do not act in the capacity of Sponsor, Trustee, or Plan Administrator. HCA’s services are provided at the direction of the Sponsor who, in every case, retains the ultimate authority delegate and monitor as they see fit.

## Item 5 – Fees and Compensation

Fees for investment advisory services are structured as an ongoing retainer typically expressed either as a fixed fee or as a percentage of assets under advisement. Clients can pay these fees directly, direct their custodian to pay the fee from the portfolios or authorize HCA to deduct the fee from your custodial account(s). The source of payment has no bearing on the level of fees.

Fees for non-advisory work (see item 10) may be on some other basis such as hourly charges or flat project fees. Specific client fees are memorialized in a written Service Agreement.

Fees are typically expressed as a fully annualized rate. One-fourth of these annual fee rates are charged each calendar quarter in arrears (after the services are performed). Thus, there is no pre-payment of fees, and if services are ever terminated, there is no fee rebate due. Rather, the final fee would be based upon a pro-rata charge of the normal quarterly fee based upon the length of time services were provided during the quarter and the most recently available asset values prior to the cessation of services or transfer of account(s) to another custodian. Some additional details about your fees are summarized below:

- All percentage fees are based on the fair market value of assets (“MVA”) of the account(s) as of the last business day of each calendar quarter.
- For nondiscretionary accounts or accounts with difficult to ascertain values, MVA will be based upon data you provide directly or as reported by your 3<sup>rd</sup> party custodian or recordkeeper. HCA relies on you and your custodian to keep this data reasonably current. HCA will use the most recent data available at the time fees are processed, even if you have failed to keep that data current.
- In cases where fees are deducted from your investment accounts by your custodian, these deductions are shown as explicit line-item payments on your custodial statements. This provides you a transparent way to see the deduction of our fees. Clients can request that HCA and/or your custodian provide additional supporting details about how the fee was calculated at any time.

Separate from HCAs fees, additional fees, and transaction costs will be incurred. These primarily consist of internal operating expenses with a mutual fund or ETF and transaction costs or commissions charged by your custodian for buying or selling funds on their platform. HCA does not participate in these fees.

All fees are subject to customization considering the size and complexity of the portfolios and the specific scope of services. We typically pass-through travel and other direct expenses without markup. Specific fee terms are established in each clients written Service Agreement with HCA.

You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

## Item 6 – Performance-Based Fees

HCA 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

HCA provides services to institutions (Corporations, Taft Hartley Trusts and Non-profit organizations), Plan Sponsors (defined contribution, defined benefit, nonqualified), foundations, endowments and retail investors (individuals, families and households).

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

In support of a prudent investment process, HCA provides analysis and advice with respect to pooled investment funds (Mutual Funds, Exchange Traded Funds, Collective Trust Funds, Variable Annuities, etc.) and 3<sup>rd</sup> party Separate Account Managers. We evaluate portfolio strategies using a variety of risk frameworks based upon client needs. These include mean variance optimization, asset / liability management, monte-carlo simulation, value-at-risk, cash flow forecasting, horizon alignment and other techniques.

In performing our work, we rely on 3<sup>rd</sup> party data services, fund prospectuses or offering documents, institutional investment analytic systems and proprietary analysis. The work HCA provides is meant to supplement, not replace the critical disclosure documents associated with pooled investment products. These documents provide important additional disclosures that each client should consider.

Investment performance is a unique function of each client's Plan environment, asset allocation and underlying fund / manager selections. HCA does not have a performance record that can be shared, advertised or otherwise used to promote our business. Each client's performance is uniquely their own.

In all cases, investing in securities involves risk of loss that clients should be prepared to bear.

## **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 HCA or the integrity of HCA's management.

HCA has no information applicable to this Item.

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

The services described above are the primary business of HCA. However, we may also work with clients on a variety of related employee benefit consulting topics, including: plan design, competitive practices, adequacy, compliance, vendor selection other related aspects of their employee benefit programs that do not include giving specific investment advice. Such services (broadly referred to as "Benefit Consulting") vary widely by client and are not covered by this ADV. Across the firm, these services vary significantly year to year and are often of a project nature. We typically expect that between 10% and 30% of our time is spent on such activities in a given year.

## **Item 11 – Code of Ethics**

HCA has adopted a Code of Ethics for all supervised persons 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, 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 HCA's supervise employees are required to acknowledge and follow HCA's Code of Ethics. Below are selected highlights from the Code of Ethics which any client or prospect can request at any time by contacting: [compliance@hcadv.com](mailto:compliance@hcadv.com).

### **Personal Security Trading**

When an advisor recommends the purchase or sale of securities to a client in which they (or their other clients) have a position of interest, a potential conflict exists which needs to be carefully monitored, managed and disclosed. In doing so, certain classes of securities ("non-covered securities") or transactions ("excludable transactions") are deemed to be excludable under the law and under our Code of Ethics.

HCA does not make client recommendations regarding the purchase or sale of individual stocks, bonds, Initial Public Offerings (IPOs), private offerings or other "covered securities" (open end funds and money market funds and other "non-covered securities" are the only types of securities we recommend for clients). Thus, we anticipate

little opportunity for overlap between client recommendations and a personal transaction of covered securities that a Supervised Employee of HCA might make. Nevertheless, HCA monitors Supervised Employee investment activity to assure no unanticipated client conflicts of interest arise.

Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. HCA is not dually registered and does not have an affiliated broker-dealer. Further, HCA does not maintain a proprietary trading account of any kinds – all firm assets are invested in cash equivalents.

### **Vendor Sponsored Activity**

Retirement plan clients are typically served by other 3rd party “vendors” such as fund managers, record-keepers, accountants, etc. HCA receives no direct compensation of any kind from these vendors. HCA will occasionally attend educational meetings, seminars or conferences sponsored and paid for by one or more of these vendors that may or may not share a business relationship with a HCA Client. The sponsorship of these events can be secondary (e.g., vendor sponsorship of an industry conference such as CIMA or ASPAA) or primary (e.g., a lunch meeting for HCA personnel). The cost and value of these sponsored activities is not assignable to any particular HCA client or Plan.

### **Item 12 – Brokerage Practices**

HCA clients are free to work with investment custodians, broker dealers, fund companies and service providers of their choice. HCA imposes no requirements, assumes no discretion and accepts no compensation or soft dollar benefits from such providers. Further, the client’s underlying 3rd party portfolio (fund) managers assume all responsibility with respect to all underlying portfolio transactions and related requirements, including best execution. HCA maintains no authority and is not a party to the execution or monitoring of those transactions.

### **Item 13 – Review of Accounts**

HCA periodically reviews client investment holdings at a frequency level of the client’s choosing. These reviews typically take the form of a written performance review delivered to the investment committee or other authorized body.

HCA does not monitor client security transactions, whether made directly by the client or by a 3<sup>rd</sup> party manager, in between these periodic reviews.

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

HCA does not compensate 3<sup>rd</sup> party, non-supervised persons for client referrals.

### **Item 15 – Custody**

HCA does not take custody of client assets under any circumstances, nor does it take discretion over the selection of a 3<sup>rd</sup> party custodian or recommend any specific custodian.

At least quarterly, clients should receive statements directly from the broker dealer, bank or other qualified custodian that holds and maintains their investment assets. As an important safeguard, HCA urges you to carefully review such statements and compare such official custodial records to the account statements that we or other providers may provide to you, noting that our reports may vary from custodial statements based on accounting procedures, reporting dates, or the valuation methodologies of certain securities.

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

Under our Investment Consulting service, HCA does not accept discretion with respect to the selection of securities, brokers, custodians, managers, advisors, record-keepers and other providers. Clients may retain this responsibility or pass them through to a 3<sup>rd</sup> party (managers, custodians, plan participants, trustees, etc.).

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

HCA does not accept discretion with respect to the exercise of client voting rights. Clients may retain this responsibility or pass them through to a 3<sup>rd</sup> party (managers, custodians, plan participants, trustees, etc.).

**Item 18 – Financial Information**

Registered investment advisers are required to provide you with certain financial information or disclosures about HCA's financial condition. HCA 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.