



# GYROSCOPE CAPITAL

## — MANAGEMENT GROUP —

### **Gyroscope Capital Management Group, LLC**

Firm Brochure

(Part 2A of Form ADV)

Dated January 27, 2020

Item 1 – Cover Page

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This brochure provides information about the qualifications and business practices of Gyroscope Capital Management Group, LLC. If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer, Kristin Wilson, by telephone at (513) 977-8678 or by email at [Kristin.wilson@dinsmorecomplianceservices.com](mailto:Kristin.wilson@dinsmorecomplianceservices.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.

Gyroscope Capital Management LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.

Additional information about Gyroscope Capital Management Group, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2            Material Changes**

Form ADV Part 2A requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If an adviser is filing an annual updating amendment and there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

The last annual update of our Firm Brochure occurred on March 22, 2019. The following is a summary of material changes since that last annual update:

- Item 4 - Revised to include reference to our serving as a portfolio manager in wrap fee programs sponsored by Envestnet Asset Management, Inc. and Janney Montgomery Scott
- Item 4 - Revised to include The Global Investment Performance Standards ("GIPS")
- Item 4- Revised to remove Moors & Cabot as a broker/dealer affiliate
- Item 4 – Revised to include Educational Seminars/Workshops
- Item 5 - Revised to include Michael J. Egan and Robert Carr as licensed insurance professionals
- Item 5- Revised to remove Moors & Cabot as a broker/dealer affiliate
- Item 10 - Revised to include Michael J. Egan and Robert Carr as licensed insurance professionals
- Item 10 - Revised to remove Michael J. Egan as a participant in a group of advisors at Moors & Cabot who share revenue
- Item 12 - Revised to remove Investment Adviser Representatives as being Registered Representatives of Moors & Cabot
- Item 12 - Revised to include Charles Schwab & Co., Inc. as a utilized custodian
- Item 14 - Revised to include GCMG as a solicitor
- Item 14 – Revised to include Education Seminars/Workshops
- Item 17 - Revised to include GCMG voting proxies for clients

Clients are strongly encouraged to read this brochure in its entirety prior to engaging Gyroscope Capital Management Group for investment advisory services.

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## **Item 4            Advisory Business**

### **Firm Description and Principal Owner**

Gyroscope Capital Management Group, LLC (“GCMG”, “we”, “our”, etc.) offers various Portfolio Advisory Services. As an SEC registered investment adviser, GCMG specializes in Covered Call Transition Strategies, Optimized Listed Options™ (OLO™), and Large Capitalization equity and ETF portfolios with an option overlay. GCMG is located in Naples, Florida and began conducting business in 2006. Mr. Michael J. Egan is the company’s principal owner.

GCMG has partnerships with various independent broker/dealers to provide their services and investing strategies to clients. Clients are provided an investment team with over 50 years of experience in the investment industry. The team meets weekly to review portfolios and discuss market strategies. Our approach to investing is to provide clients with quality investment advice and utilize our knowledge of the option market in seeking to enhance returns.

Clients may impose restrictions regarding investing in certain securities or types of securities. Clients can inform the investment advisor by email, letter or verbal instruction.

### **Participation in Wrap Fee Programs**

GCMG also participates as a portfolio manager in certain wrap fee programs sponsored by Envestnet Asset Management, Inc. and Janney Montgomery Scott. Please refer to the Form ADV Part 2A, Appendix 1 maintained and provided by the sponsors to these wrap program for additional information.

### **Types of Advisory Services**

#### **Financial Plan Based Investing**

With an intuitive investing approach, GCMG uses a comprehensive Financial Plan Based methodology to construct a fully diversified portfolio that seeks to meet the strategic life goals of clients. Each client’s strategic components work in collaboration of each other to provide a framework for making suitable financial decisions. In addition, our customized process also helps to assure clients of personal attentiveness as they strive for financial stability.

Comprehending the uniqueness of each client’s financial concerns (retirement goals, children’s education, estate planning, and survivorship needs etc.) and working to abate inappropriate risks through proper diversification is a cornerstone of GCMG’s Financial Plan Based Investing.

Assets under the direct management of GCMG are held by independent custodians.

#### **Concentrated Stock Strategies**

- Covered Call Transition Strategy

- The Covered Call Transition Strategy provides a systematic way for clients with concentrated stock positions to diversify their holdings while setting time and price limits for the disposition of their stock. These limits allow the client to participate in stock gains and accrue up-front proceeds from the sale of call options.
- GCMG establishes with client a customized plan for each client to deliver stock on a regular, disciplined basis using a ladder of covered calls at various strike prices and expirations.
- Optimized Listed Option™ Strategy (OLO™)
  - The Optimized Listed Option™ Strategy is customized strategy for high net worth investors who are seeking to hedge exposure to a concentrated stock or risk such as the S&P 500.
  - Possible strategies include the purchase of puts, stock collars (zero-premium, credit or debit), option spreads, etc.
  - GCMG drafts an account-specific Investment Policy Statement based on the client's needs and specific strategy desired. This proposal will determine how GCMG will proceed at settlement and maintain the strategy.

## **Portfolio Strategies**

Gyroscope maintains seven specialized separate account strategies available to clients for investment as follows:

- Large Cap Dividend Income Strategy with Covered Call Overlay
  - Our Dividend Income portfolio invests in the common stock of large capitalization U.S. based companies or ADRs of a non-U.S. companies with a historical dividend above the average of the S&P 500 index component companies. We analyze a company's historical earnings growth, stock price and dividend performance over a five to ten-year period to evaluate the likelihood of a stock outperforming the S&P 500 over the next six to twelve months. The client receives added value from a Covered Call Option Overlay which works to enhance account income and provide limited downside price protection. Call options are sold on stocks, when available, for two to six-months starting at 5% above the current price. Our proprietary evaluation method of options helps determines which call options are used within our strategy.
- Large Cap Growth & Income Strategy with Covered Call Overlay
  - Our Growth portfolio invests in the common stock of large capitalization U.S. based companies or ADRs of a non-U.S. companies that we believe have higher than average growth potential as determined by an analysis of a company's earnings growth, stock price performance over a five to ten-year period and the stock's historical volatility. The client receives added value from a Covered Call Option Overlay which works to enhance account income and provides limited downside price protection. Call options are sold on stocks, when available, for two to six-

months starting at 5% above the current price. Our proprietary evaluation method of options helps determines which call options are used within our strategy.

- S&P 500 Optimal Sector Weight Strategy with Covered Call Overlay
  - Our Optimal Weight portfolio invests in the 11 GICS sectors of the S&P 500 using ETFs. Using historical analysis, the strategy seeks to overweight/underweight each sector to provide outperformance to the S&P 500. In addition, we opportunistically sell covered calls on the underlying ETFs to in seeking to generate additional income, provide limited downside protection and reduce portfolio volatility.
- Large Cap Low Volatility Strategy
  - Our Large Cap Low Volatility portfolio invest in the common stock of large capitalization U.S. based companies or ADRs of a non-U.S. companies that display minimal 12-month volatility and a beta less than the market. Reduced volatility may limit the portfolio's upside potential but we believe that the low down-capture ratio provides the opportunity for the portfolio to outperform over a long-term horizon. The Low Volatility portfolio is a buy and hold strategy that is reviewed and rebalanced quarterly.
- Dynamic Beta Strategy – Qualified Accounts
  - The Dynamic Beta Strategy uses the Large Cap Low Volatility strategy holdings and weighting scheme as a basis. The strategy also uses margin to manipulate the portfolio beta to 1 versus the S&P 500 Total Return. The margin balance is re-evaluated on a monthly basis using the 3 year Portfolio Beta for the prior three years. This strategy contains a performance based element that is only available to qualified clients.
- SMID Cap Low Volatility Strategy
  - Our SMID Cap Low Volatility portfolio invest in the common stock of U.S. based companies or ADR of a non-U.S. companies with market capitalizations between \$1 and \$7 billion that display minimal 12-month volatility and a beta less than the market. Reduced volatility may limit the portfolio's upside potential but the low down-capture ratio should enable the portfolio to outperform over a long-term horizon. The Low Volatility portfolio is a buy and hold strategy that is reviewed and rebalanced quarterly.
- Optimal Portfolio Allocation Strategy
  - Optimal Portfolio strategies invest in one of five Portfolio Allocations based on a client's risk tolerance. The client underlying investments are ETF's invested to form an allocation with a specific estimated return and risk which the investments seek to outperform on a risk-adjusted basis.

### **Separately Managed / Sub-Adviser Accounts**

GCMG's Concentrated Stock Strategies and Portfolio Strategies can also be accessed through separately managed account/sub-adviser programs. Under these programs, an adviser has a

contract with its client to perform services as an investment manager and possibly custodian services. The adviser, in turn, establishes a contract with GCMG to provide advisory services to the adviser's client. GCMG establishes a contract with the adviser on the client's behalf. GCMG may from time-to-time establish other such relationships. The advisers that have contracted with GCMG include:

- Mount Yale Investment Advisors, LLC, separate account program & model manager program
- Brinker Capital Inc., separate account program
- Schwab Managed Account Marketplace separate account program
- Envestnet Asset Management, Inc, separate account program,
- Janney Montgomery Scott, LLC, sub-advisory agreement & dual contract program
- Global Financial Private Capital, LLC, sub-advisory agreement
- Moors & Cabot, Inc, sub-advisory agreement
- Kayne Anderson, sub-advisory agreement
- Sawtooth Solutions, LLC, a model manager
- SmartX Advisory Services LLC, a model manager
- LPL Financial Services, dual contract program
- RBC Wealth Management, dual contract program

Gyroscope acts as sub-advisor on these accounts and transactions are executed by GCMG as authorized by the program provider at their chosen custodian.

### **Financial Planning Services**

We offer fee-based financial planning services. The service may include the following (which are selected by a client receiving the service):

- Written evaluation and analysis of information provided related to investment goals objectives and current financial circumstances; and
- Analysis / recommendations related to tax planning, estate planning, investment planning, educational funding, retirement planning, and risk management (insurance).

In providing these services, we do not provide legal or tax or accounting advice. Please seek out your other professionals for that advice (attorney, CPA). We may, but are not obligated to, engage the services of outside consultants in the determination of or the delivery of your financial planning services, or the engagement.

Planning services generally are provided by those of our employees (investment adviser representatives) who are expected to possess additional specialized training and experience. However, no representations are made as to the qualifications or experience of our employees or the consultants we may use on your behalf.

In providing financial planning services we gather information by asking you to provide a complete personal, family and financial picture for us to work with. We do this by conducting in-depth personal interviews. Information gathered include your current financial status, tax status, future goals, return objectives and attitudes towards risk. Our financial plan recommendations are not limited to any specific product or service offered by or through GCMG or any of our representatives.

### **Independent GIPS Verification**

GCMG is a GIPS®-compliant firm. What this means is that our clients can be assured that the performance record advertised by GCMG is calculated and presented in adherence with comprehensive and rigorous rules designed to promote integrity, credibility, and transparency in performance reporting. GIPS® or “Global Investment Performance Standards” are a set of performance measurement standards recognized globally in the investment management industry. Not all firms are GIPS®-compliant, obtaining this distinction is undertaken voluntarily. GIPS® policies and procedures must be established and adhered to, which includes independent verification of compliance. ACA Performance Services, LLC, a division of the ACA Compliance Group, a global provider of performance services, headquartered in New York, NY, provides verification services to GCMG.

### **Educational Seminars and Workshops**

GCMG may provide educational seminars and workshops for other financial professionals. Topics may include, but not limited to, financial advisor strategies, daily operations, and client management. GCMG’s seminars and workshops are educational in nature and do not involve the sale of insurance or investment products.

### **Assets Under Management**

As of December 31, 2019, Gyroscope had \$286,955,486.71 in customer assets under management, all of which are managed on a discretionary basis. Gyroscope Capital also has \$9,782,364.32 in assets under advisement.

## **Item 5 Fees and Compensation**

### **Direct Clients**

GCMG generally charges management fees according to the following schedules: Managed Accounts – Annual management fee of 2.00% for the first \$5,000,000 account value under management, and 1.50% for amounts in excess of \$5,000,000 account value under management. GCMG may negotiate its fee arrangements, and some clients may be charged fees lower than those reflected above.



Fees charged for our asset management services are negotiable based on the type of client, the complexity of the client's situation, the composition of the client's account (i.e., equities versus mutual funds), the potential for additional account deposits, the relationship of the client with the investment adviser representative, and the total amount of assets under management for the client. Therefore, some clients may be charged fees lower than those reflected above.

Financial planning services are included with the management fee of client accounts. GCMG does not charge additional expenses for financial planning. Lower fees for comparable services may be available from other sources.

### **Additional Fees and Expenses**

In connection with GCMG's management of a client account, a client will incur fees and/or expenses separate from and in addition to GCMG's advisory fee. The additional fees may include transaction charges and the fees/expenses charged by any custodian, subadvisor, mutual fund, ETF, separate account manager (and the manager's platform manager, if any), limited partnership, or other advisor, transfer taxes, odd lot differentials, exchange fees, interest charges, ADR processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law, retirement plan account fees (where applicable), margin interest, brokerage commissions, mark-ups or mark-downs and other transaction-related costs, electronic fund and wire fees, and any other fees that reasonably may be borne by a brokerage account. The client is responsible for all such fees and expenses. Please also refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

### **Fee Payment Schedule and Termination**

Management fees are billed on a quarterly basis in advance. When an account is opened, the management fee is billed for the remainder of the quarter and is based on the month end value of the account in the month it is funded. Thereafter, the quarterly fee is based on the market value of the account on the last business day at the end of the previous quarter and becomes due the first day of the new quarter. Unless otherwise agreed to by GCMG and the client, an Investment Advisory Agreement will provide that the Company's management fee be deducted directly from the client's account.

Either party may terminate the Investment Advisory Agreement at any time without penalty. Upon termination, the client will receive a refund for a pro-rated portion of the prepaid management fee. If a client chooses to terminate the agreement within 5 business days of signing, the client will be entitled to a full refund.

### **Separately Managed Accounts**

GCMG charges an investment manager fee of 75 bps for Separately Managed Accounts unless negotiated differently with the platform manager or specific client. Investment manager fees are paid to GCMG when it acts as sub-advisor or Separate Account Manager to an adviser.

Under these programs, an adviser has a contract with its client to perform services as an investment manager and possibly custodian services. The adviser, in turn, establishes a contract with GCMG to provide advisory to the adviser's client. GCMG establishes a contract with the adviser on the client's behalf. GCMG may from time-to-time establish other such relationships. The advisers that have contracted with GCMG include:

- Mount Yale Investment Advisors, LLC, separate account program & model manager program
- Brinker Capital Inc., separate account program
- Schwab Managed Account Marketplace separate account program
- Envestnet Asset Management, Inc, separate account program,
- Janney Montgomery Scott, LLC, sub-advisory agreement & dual contract program
- Global Financial Private Capital, LLC, sub-advisory agreement
- Moors & Cabot, Inc, sub-advisory agreement
- Sawtooth Solutions, LLC, a model manager
- Kayne Anderson, sub-advisory agreement
- SmartX Advisory Services, model manager program
- LPL Financial Advisors, dual contract program
- RBC Wealth Management, dual contract program

For the Portfolio Strategies, and Covered Call Strategy, GCMG shall receive, on a quarterly basis in advance, an amount equal to a percentage of the fair market value as determined by the adviser. GCMG charges an investment manager fee of 75 bps for Separately Managed Accounts unless negotiated differently with the platform manager or specific client.

For the Optimized Listed Option strategy, GCMG shall receive, on a quarterly basis in advance, an amount equal to a percentage of the sum of the fair market value (as determined by the adviser) of the assets in the Managed Accounts managed by GCMG, plus the value of assets in accounts custodied at other broker-dealers managed by GCMG ("Outside Assets") as designated by the client (the "Total Account Value"). GCMG charges an investment manager fee of 75 bps for Separately Managed Accounts unless negotiated differently with the platform manager or specific client.

Total Account Value shall be calculated as the value of the Outside Assets as reflected on the account statements of the broker-dealer holding such assets, as applicable, plus the fair market value of the assets in the Separately Managed Account which includes the net value of option contracts, minus any margin debit incurred in the Separately Managed Accounts. For purposes of calculating the Total Account Value, the value of any assets serving as collateral in the Separately Managed Account will be disregarded.

For example, if on the billing date the client's assets in the Separately Managed Account(s) and the Outside Assets consist of a call and put option on 10,000 shares of ABC stock at \$100, 2,000 shares of ABC and an additional \$300,000 in additional collateral (a mixture of stocks and mutual funds),

the client would be charged as follows:

	Value
Notional Value of Option Contracts (10,000 X \$100)	\$1,000,000
Call Option Value	-\$50,000
Put Option Value	\$40,000
Margin Debit	\$0
Total Notional Value	\$990,000

For all Separately Managed Accounts, the fee shall be charged to each Separately Managed Account on a prorated basis upon inception of the Separately Managed Account and at the beginning of each calendar quarter thereafter, based on the portfolio value as determined by the adviser as of the last business day of the previous calendar quarter.

### **Performance Based Fees**

Under certain situations, GCMG charges performance based fees to investors who meet the definition of “qualified client”. Under these arrangements, you will be charged a fee based on the assets under management within your account and in accordance with the fee schedule and parameters detailed below. As a result, GCMG has developed two basic fee schedules. The first fee schedule illustrated above is applied to non-qualified clients and the second fee schedule is applied to qualified clients. To be considered a qualified client, the client must have at least \$1 million under management with GCMG immediately after entering into an advisory contract or GCMG must have a reasonable belief that the client has a net worth of more than \$2 million at the time the investment advisory agreement is executed. Qualified clients are typically charged an annual fee of 1.00% of the client's assets under management. In addition to the annual fee based on the value of the client's assets under management, GCMG is compensated for its asset management services through a performance based fee. Under this arrangement, the client will be charged a fee contingent upon the performance within the client's account(s). The performance based fee will be tied to the capital appreciation (i.e. capital gains) within the account as evaluated at the end of each calendar quarter. The performance based fee will be payable quarterly, in arrears. The performance based fee will generally not exceed 10.00% of the capital appreciation attained within the client's account. In order for GCMG to receive a performance based fee, GCMG must achieve capital appreciation within the account above the high-water mark. The high water-mark will be established at the end of each quarter by the either the previous high-water mark or the current account value (assuming there is a gain).

The exact fee and fee arrangements may vary or be different than that described above based on the complexity of client's situation, number of accounts managed, total assets under management and other factors specific to the client. The exact fee arrangements for each client will be specified in that client's advisory services agreement with GCMG.

Michael J. Egan and Robert Carr are licensed as insurance professionals. Such persons earn commission-based compensation for selling insurance products to clients. Insurance commissions earned by advisory persons who are insurance professionals are separate from and in addition to GCMG's advisory fee. This practice presents a conflict of interest as an advisory person who is an insurance professional has an incentive to recommend insurance products for the purpose of generating commissions rather than solely based on client needs. GCMG addresses this conflict through disclosure and strives to make recommendations which are in the best interests of its clients. Clients are under no obligation to purchase insurance products through any person affiliated with GCMG.

### **Wrap Fee Program and Management Fees**

As referenced above, GCMG provides portfolio management services to various wrap fee programs sponsored by other financial services providers. GCMG receives a portion of the wrap fee for its investment advisory services. Clients participating in wrap fee programs may be charged various program fees in addition to the advisory fee charged by GCMG. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the sponsor, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients. In addition, GCMG does not manage wrap fee program portfolios in a manner differently from other client types/platforms for which GCMG provides investment advisory services.

### **Item 6- Performance Based Fees and Side-by-Side Management**

As described above in *Item 5 – Fees and Compensation*, GCMG charges certain clients a performance fee, which is based upon a share of capital gains or capital appreciation of the assets of such client. GCMG also provides services and is compensated on asset based fees, which are based on the total amount of assets owned by the client.

There are conflicts of interest GCMG faces by managing performance based accounts at the same time as managing asset based, non-performance based accounts. For example, the nature of a performance fee poses an opportunity for GCMG to earn more compensation than under a stand-alone asset based fee.

Consequently, GCMG may favor performance fee accounts over those accounts where it receives only an asset based fee. One way GCMG may favor performance fee accounts is that it may devote more time and attention to performance fee accounts than to accounts under an asset based fee

arrangement.

There are other conflicts associated with performance fees that are not as common under an asset based fee arrangement. The nature of performance fees can encourage unnecessary speculation with client assets in order to earn or increase the amount of the fee. The result of riskier investments can have a positive effect in that results could equal higher returns when compared to an asset based fee account. On the other hand, riskier investments historically have a higher chance of losing value. Also, since in a performance fee arrangement an adviser is compensated based on capital gains or capital appreciation, these arrangements could give an investment adviser an incentive to time transactions in a client's account on the basis of fee considerations rather than on what is in the best interest of the client.

Performance fees can potentially cause an investment adviser to engage in transactions or strategies which will increase the amount of the performance fees, but which may not increase the overall performance of the client's account. For example, an account may lose value during a year and no performance fee will be earned. In the following year, GCMG may receive a performance fee for simply recouping losses from the previous year. GCMG controls for this potential conflict of interest by using the high-water mark fee calculation method described in Item 5 – Performance Based Fees. A performance fee may also encourage GCMG to make riskier and more speculative investments. GCMG does not represent that the amount of the performance fees or the manner of calculating the performance fees is consistent with other performance related fees charged by other investment advisers under the same or similar circumstances. The performance fees charged by GCMG may be higher than the performance fees charged by other investment advisers for the same or similar services.

GCMG has established policies and procedures to address the various conflicts of interest associated with charging a performance fee:

- GCMG devotes equal time to the management of performance fee accounts and asset based fee accounts.
- Only clients that are able to assume additional risk are solicited to engage in a performance fee arrangement. GCMG provides such clients full disclosure of the additional risks associated with a performance fee arrangement.

Performance based fee arrangements of GCMG will comply with Section 205(e) of the Investment Advisers Act of 1940. According to Section 205(e) (see Rule 205-3 thereunder), only natural individual clients meeting the SEC's definition of "qualified clients" may enter into agreements providing for performance based compensation to GCMG. A natural person or company must meet the following conditions to be considered a qualified client:

- Have at least \$1,000,000 under management with GCMG at the time the client enters into an agreement with GCMG; **or**
- Provide documentation to GCMG so that GCMG will reasonably believe the client has

either a net worth of \$2,000,000 or is a qualified purchaser under Section 2(a)(51)(A) of the Investment Company Act.

## **Item 7            Types of Clients**

GCMG provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Charitable Organizations
- Corporations or other businesses

GCMG establishes relationships with clients in different manners such as direct, sub-advisor, dual contract, etc. Account minimums may also differ based on the strategy chosen. The table below provides a summary of the minimums:

	<b>Account Minimum</b>	
<b>Strategy</b>	<b>Direct</b>	<b>Sub-Advisor/Dual Contract</b>
Dividend Income w/ Covered Call Strategy	\$250,000	\$250,000
Large Cap Growth & Income w/ Covered Call Strategy	\$250,000	\$250,000
S&P 500 Optimal Sector Weight Strategy	\$150,000	\$150,000
Large Cap Low Volatility Strategy	\$50,000	\$50,000
SMID Cap Low Volatility	\$50,000	\$50,000
Optimal Portfolio Strategies	\$25,000	\$25,000
Covered Call Transition Strategy	\$250,000	\$250,000
Optimized Listed Option Strategy	\$500,000	\$500,000

To reach this account minimum, clients can aggregate all household accounts. GCMG reserves the right to waive these minimums or accept or decline a potential client for any reason in its sole discretion.

In addition GCMG has established a minimum of \$1,000,000 in order to open an account in our performance fee based investment strategy. To reach this account minimum, clients can aggregate all household accounts. Exceptions to the minimum requirements are not available under this strategy.

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

## Methods of Analysis

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

Fundamental Analysis: We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Technical Analysis: We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

## Investment Strategies

Investing in securities involves risk of loss that clients should be prepared to bear. We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

Long-term purchases: we purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases: when utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we

purchase. This may also result in higher commission fees and taxes.

Option writing: we may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We may buy a call if it is our belief that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We may buy a put if it is our belief that the price of the stock will fall before the option expires.

We use "covered calls", in which we sell an option on a security owned by a client. In this strategy, the client account receives a fee for making the option available, and the person purchasing the option has the right to buy the security from the client account at an agreed-upon price.

We may also purchase "protective puts", in which the client pays a premium for the ability to sell the underlying security at a specific price if the security loses market value.

Short sales: a market transaction in which an investor sells borrowed securities in anticipation of a price decline and is required to return an equal number of shares at some point in the future. The payoff to selling short is the opposite of a long position. A short seller will make money if the stock goes down in price, while a long position makes money when the stock goes up. The profit that the investor receives is equal to the value of the sold borrowed shares less the cost of repurchasing the borrowed shares.

Margin transactions: or 'buying on margin' is borrowed money that is used to purchase securities. Buying on margin refers to the initial or down payment made to the broker for the asset being purchased. The collateral for the funds being borrowed is the marginable securities in the investor's account. Before buying on margin, an investor needs to open a margin account with the broker. In the U.S., the amount of margin that must be paid for a security is regulated by the Federal Reserve Board.

## **Risks of Loss**

Generally, the market value of equity stocks will fluctuate with market conditions, and small- stock prices generally will fluctuate more than large-stock prices. The market value of fixed income securities will generally fluctuate inversely with interest rates and other market conditions prior to maturity. Fixed income securities are obligations of the issuer to make payments of principal and/or interest on future dates, and include, among other securities: bonds, notes and debentures issued by



corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, or by a non-U.S. government or one of its agencies or instrumentalities; municipal securities; and mortgage-backed and asset-backed securities. These securities may pay fixed, variable, or floating rates of interest, and may include zero coupon obligations and inflation-linked fixed income securities. The value of longer duration fixed income securities will generally fluctuate more than shorter duration fixed income securities. Investments in overseas markets also pose special risks, including currency fluctuation and political risks, and it may be more volatile than that of a U.S. only investment. Such risks are generally intensified for investments in emerging markets. In addition, there is no assurance that a mutual fund or ETF will achieve its investment objective. Past performance of investments is no guarantee of future results.

Additional risks involved in the securities recommended by GCMG include, among others:

- *Stock market risk*, which is the chance that stock prices overall will decline. The market value of equity securities will generally fluctuate with market conditions. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Prices of equity securities tend to fluctuate over the short term as a result of factors affecting the individual companies, industries or the securities market as a whole. Equity securities generally have greater price volatility than fixed income securities.
- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.
- *Issuer risk*, which is the risk that the value of a security will decline for reasons directly related to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods or services.
- *Non-diversification risk*, which is the risk of focusing investments in a small number of issuers, industries or foreign currencies, including being more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.
- *Value investing risk*, which is the risk that value stocks not increase in price, not issue the anticipated stock dividends, or decline in price, either because the market fails to recognize the stock's intrinsic value, or because the expected value was misgauged. If the market does not recognize that the securities are undervalued, the prices of those securities might not appreciate as anticipated. They also may decline in price even though in theory they are already undervalued. Value stocks are typically less volatile than growth stocks, but may lag behind growth stocks in an up market.
- *Smaller company risk*, which is the risk that the value of securities issued by a smaller company will go up or down, sometimes rapidly and unpredictably as compared to more widely held securities. Investments in smaller companies are subject to greater levels of credit, market and issuer risk.

- *Foreign (non-U.S.) investment risk*, which is the risk that investing in foreign securities result in the portfolio experiencing more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. companies. Risks associated with investing in foreign securities include fluctuations in the exchange rates of foreign currencies that may affect the U.S. dollar value of a security, the possibility of substantial price volatility as a result of political and economic instability in the foreign country, less public information about issuers of securities, different securities regulation, different accounting, auditing and financial reporting standards and less liquidity than in the U.S. markets.
- *Interest rate risk*, which is the chance that prices of fixed income securities decline because of rising interest rates. Similarly, the income from fixed income securities may decline because of falling interest rates.
- *Credit risk*, which is the chance that an issuer of a fixed income security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that fixed income security to decline.
- *Exchange Traded Fund (ETF) risk*, which is the risk of an investment in an ETF, including the possible loss of principal. ETFs typically trade on a securities exchange and the prices of their shares fluctuate throughout the day based on supply and demand, which may not correlate to their net asset values. Although ETF shares will be listed on an exchange, there can be no guarantee that an active trading market will develop or continue. Owning an ETF generally reflects the risks of owning the underlying securities it is designed to track. ETFs are also subject to secondary market trading risks. In addition, an ETF may not replicate exactly the performance of the index it seeks to track for a number of reasons, including transaction costs incurred by the ETF, the temporary unavailability of certain securities in the secondary market, or discrepancies between the ETF and the index with respect to weighting of securities or number of securities held.
- *Management risk*, which is the risk that the investment techniques and risk analyses applied by GCMG may not produce the desired results and that legislative, regulatory, or tax developments, affect the investment techniques available to GCMG. There is no guarantee that a client's investment objectives will be achieved.
- *Real Estate risk*, which is the risk that an investor's investments in Real Estate Investment Trusts ("REITs") or real estate-linked derivative instruments will subject the investor to risks similar to those associated with direct ownership of real estate, including losses from casualty or condemnation, and changes in local and general economic conditions, supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes and operating expenses. An investment in REITs or real estate-linked derivative instruments subject the investor to management and tax risks.
- *Investment Companies ("Mutual Funds") risk*, when an investor invests in mutual funds, the investor will bear additional expenses based on his/her pro rata share of the mutual fund's operating

expenses, including the management fees. The risk of owning a mutual fund generally reflects the risks of owning the underlying investments the mutual fund holds.

- *Commodity risk*, generally commodity prices fluctuate for many reasons, including changes in market and economic conditions or political circumstances (especially of key energy-producing and consuming countries), the impact of weather on demand, levels of domestic production and imported commodities, energy conservation, domestic and foreign governmental regulation (agricultural, trade, fiscal, monetary and exchange control), international politics, policies of OPEC, taxation and the availability of local, intrastate and interstate transportation systems and the emotions of the marketplace. The risk of loss in trading commodities can be substantial.
- *Cybersecurity risk*, which is the risk related to unauthorized access to the systems and networks of GCMG and its service providers. The computer systems, networks and devices used by GCMG and service providers to us and our clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks or devices potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality. Cybersecurity breaches cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or other compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issues of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers and other financial institutions; and other parties. In addition, substantial costs may be incurred by those entities in order to prevent any cybersecurity breaches in the future.
- *Alternative Investments / Private Funds risk*, investing in alternative investments is speculative, not suitable for all clients, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include:
  - loss of all or a substantial portion of the investment due to leveraging, short-selling or other speculative investment practices;
  - lack of liquidity in that there may be no secondary market for the investment and none expected to develop;
  - volatility of returns;
  - restrictions on transferring interests in the investment;
  - potential lack of diversification and resulting higher risk due to concentration of trading

- authority when a single adviser is utilized;
  - absence of information regarding valuations and pricing;
  - delays in tax reporting;
  - less regulation and higher fees than mutual funds;
  - risks associated with the operations, personnel, and processes of the manager of the funds investing in alternative investments.
- *Closed-End Funds risk*, Closed-end funds typically use a high degree of leverage. They may be diversified or non-diversified. Risks associated with closed-end fund investments include liquidity risk, credit risk, volatility and the risk of magnified losses resulting from the use of leverage. Additionally, closed-end funds may trade below their net asset value.
- Structured Notes risk -
  - *Complexity*. Structured notes are complex financial instruments. Clients should understand the reference asset(s) or index(es) and determine how the note's payoff structure incorporates such reference asset(s) or index(es) in calculating the note's performance. This payoff calculation may include leverage multiplied on the performance of the reference asset or index, protection from losses should the reference asset or index produce negative returns, and fees. Structured notes may have complicated payoff structures that can make it difficult for clients to accurately assess their value, risk and potential for growth through the term of the structured note. Determining the performance of each note can be complex and this calculation can vary significantly from note to note depending on the structure. Notes can be structured in a wide variety of ways. Payoff structures can be leveraged, inverse, or inverse-leveraged, which may result in larger returns or losses. Clients should carefully read the prospectus for a structured note to fully understand how the payoff on a note will be calculated and discuss these issues with GCMG.
  - *Market risk*. Some structured notes provide for the repayment of principal at maturity, which is often referred to as "principal protection." This principal protection is subject to the credit risk of the issuing financial institution. Many structured notes do not offer this feature. For structured notes that do not offer principal protection, the performance of the linked asset or index may cause clients to lose some, or all, of their principal. Depending on the nature of the linked asset or index, the market risk of the structured note may include changes in equity or commodity prices, changes in interest rates or foreign exchange rates, and/or market volatility.
  - *Issuance price and note value*. The price of a structured note at issuance will likely be higher than the fair value of the structured note on the date of issuance. Issuers now generally disclose an estimated value of the structured note on the cover page of the offering prospectus, allowing investors to gauge the difference between the issuer's estimated value of the note and the issuance price. The estimated value of the notes is likely lower than the issuance price of the note to investors because issuers include the costs for

selling, structuring and/or hedging the exposure on the note in the initial price of their notes. After issuance, structured notes may not be re-sold on a daily basis and thus may be difficult to value given their complexity.

- *Liquidity.* The ability to trade or sell structured notes in a secondary market is often very limited, as structured notes (other than exchange-traded notes known as ETNs) are not listed for trading on securities exchanges. As a result, the only potential buyer for a structured note may be the issuing financial institution's broker-dealer affiliate or the broker-dealer distributor of the structured note. In addition, issuers often specifically disclaim their intention to repurchase or make markets in the notes they issue. Clients should, therefore, be prepared to hold a structured note to its maturity date, or risk selling the note at a discount to its value at the time of sale.
- *Credit risk.* Structured notes are unsecured debt obligations of the issuer, meaning that the issuer is obligated to make payments on the notes as promised. These promises, including any principal protection, are only as good as the financial health of the structured note issuer. If the structured note issuer defaults on these obligations, investors may lose some, or all, of the principal amount they invested in the structured notes as well as any other payments that may be due on the structured notes.

There also are risks surrounding various insurance products that are recommended to GCMG clients from time to time. Such risks include, but are not limited to loss of premiums. Prior to purchasing any insurance product, clients should carefully read the policy and applicable disclosure documents.

Clients are advised that they should only commit assets for management that can be invested for the long term, that volatility from investing can occur, and that all investing is subject to risk. Further, depending on the different types of investments there may be varying degrees of risk. GCMG does not guarantee the future performance of a client's portfolio, as investing in securities involves the risk of loss that clients should be prepared to bear, including loss of original principal.

## **Item 9           Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

GCMG and its management personnel have no reportable disciplinary events to disclose.

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

GCMG is not registered as a securities broker-dealer, futures commission merchant, commodity

pool operator or commodity trading advisor.

### **Licensed Insurance Professionals**

Michael J. Egan and Robert Carr are licensed insurance professionals. They may earn commission-based compensation for selling insurance products to clients. Insurance commissions earned by advisory persons who are insurance professionals are separate from and in addition to GCMG's advisory fee. This practice presents a conflict of interest as an advisory person who is an insurance professional has an incentive to recommend insurance products for the purpose of generating commissions rather than solely based on client needs. GCMG addresses this conflict through disclosure and strives to make recommendations which are in the best interests of its clients. Clients are under no obligation to purchase insurance products through any person affiliated with GCMG.

### **Item 11            Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

GCMG's Code of Ethics ("Code") has been adopted and is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 ("Advisers Act").

The Code establishes rules of conduct for all employees ("supervised persons") of GCMG and is designed to, among other things, govern personal securities trading activities in the accounts of supervised persons. The Code is based upon the principle that GCMG and its supervised persons owe a fiduciary duty to GCMG's clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with GCMG and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

Personal securities transactions of supervised persons present potential conflicts of interest with the price obtained in client securities transactions or the investment opportunity available to clients. The Code addresses these potential conflicts by prohibiting securities trades that would breach a fiduciary duty to a client and requiring, with certain exceptions, supervised persons to report their personal securities holdings and transactions to GCMG's Chief Compliance Officer.

A full copy of GCMG's Code of Ethics will be provided to any client or prospective client upon request.

### **Item 12            Brokerage Practices**

#### **Selecting Brokerage Firms**

We may recommend that clients establish brokerage accounts with the Institutional Division of

Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. We are independently owned and operated and not affiliated with Schwab.

GCMG generally recommends custodians and brokerage firms known to them for the client's consideration but also base recommendations upon such factors as the custodian and brokerage firm's general reputation and proven integrity, the quality of prior service provided to clients or others known to GCMG, the custodian and brokerage firm's financial strength and conservatism, the estimated cost and convenience to the client, and any special expertise the custodian or brokerage firm may possess.

We endeavor to recommend brokerage firms that we believe are in a position to offer our clients the best array of services appropriate for the client situation at a reasonable and competitive cost.

Although the commissions and/or transaction fees paid by GCMG's clients shall comply with GCMG's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where GCMG determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although GCMG will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, GCMG's investment management fee.

GCMG will periodically review its arrangements with the broker-dealer/custodians and other broker-dealers against other possible arrangements in the marketplace as GCMG strives to achieve the best execution on behalf of its clients. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services.

## **Research and Other**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, GCMG may receive without cost (and/or at a discount) support services and/or products, certain of which assist GCMG to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by GCMG may be:

- access to client accounts, statements, confirmations and tax reports;

- facilitating execution of client-authorized transactions;
- recordkeeping and reporting;
- providing quotes, pricing and other market data;
- access to back office support personnel exclusively for investment adviser clients;
- facilitating payment of GCMG's fees from client accounts, subject to client authorization.

In addition, GCMG may receive various other services intended to help GCMG manage and further develop its business. These services include:

- regulatory compliance, legal and business consulting, and,
- publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing.

Some of these products and services made available by the broker-dealer/custodian may benefit GCMG, but may not benefit its client accounts.

The trade execution and other services and benefits listed above are made available by Schwab and other custodians to similarly situated investment advisers whose clients custody their assets with such custodians. Access to these services is not predicated on the execution of client securities transactions (e.g., not "soft dollars.") GCMG has not entered into any formal "soft dollar" arrangements with broker-dealers.

### **Trade Aggregation (Block Trades)**

GCMG may determine, in its discretion, to block trades where possible and when determined by GCMG to be advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts. Block trading may allow for execution of equity trades in a timelier, more equitable manner, at an average share price. GCMG's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with GCMG, or our order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable GCMG to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct



in the light of a "20-20 hindsight" perspective. 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.

5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.

6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order.

7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

8) GCMG's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

9) Funds and securities for aggregated orders are clearly identified on GCMG's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

10) No client or account will be favored over another.

Employees participating in the block trade will never get a higher price, when selling, or a lower price, when buying, than the client. All trades are cross-checked the following day to ensure proper execution. If a client did receive a different price than another client, the problem is corrected to give each client the average price.

### **Directed Brokerage**

GCMG does not direct trades or client transactions to specific broker-dealers/custodians. Rather, clients choose their own broker-dealer/custodian, and are free to direct their investment transactions to the broker-dealer/custodian of their choice.

## **Item 13          Review of Accounts**

The GCMG's investment advisory representatives ("IARs") are responsible for the review of managed accounts on an ongoing basis. Primary responsibility for the supervision of these accounts

lies with the President of GCMG and the IARs. The President and/or IARs will strive to conduct a telephone or in person review of clients account with client on at least an annual basis.

GCMG may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections, cash flows into and out of an account, and client request.

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

We pay third parties who introduce investment adviser clients to GCMG. These third parties may be employees of GCMG or individuals or business entities not associated in any way with GCMG. Compensation payable may be direct or indirect by payments to the broker dealer or investment adviser (or other entity) with whom the individual solicitors are employed.

As a result, due to these various arrangements, fees paid by clients may differ from the prevailing rates as disclosed under Item 5. This means that we have a conflict of interest in negotiating fees with you, or we may raise fees to include the compensation that we pay to the firm or person (or both) who introduce to us as a client.

Solicitation fees will be paid as negotiated:

- Initially, as a one-time payment (either a fixed fee or percentage of initial deposit / fee;
- On a continual basis for as long as the client stays a client of GCMG; and
- A percentage of the first 12 months of advisory fees we charge and are paid among others.

Cash referral fees are paid in compliance with the Cash Solicitation Rule under the Investment Advisers Act of 1940, under this Rule:

There is a written agreement between each solicitor and GCMG; in this agreement are numerous representations, including:

- That neither party is a disqualified entity (through certain limitations on disciplinary events);
- The states the solicitor can solicit in and their requirement to be appropriately registered as an investment adviser or investment adviser representative of a registered investment adviser;
- The requirement that each solicitor needs to deliver GCMG's Form ADV Part 2 A & 2B to each solicited client at the time of solicitation;
- The solicitor's disclosure brochure (originally signed) which contains specific disclosures under the Rule (including the fee paid by GCMG to the Solicitor (and whether we raise our fees for clients introduce by a solicitor); and
- For solicitors who are employees of GCMG (as IARs / RRs), we require the written agreement, however, the disclosure brochure is not required (verbal disclosure is adequate).

GCMG may enter into a solicitation agreement with sub-advisers who have contracted with GCMG, whereby GCMG is the solicitor in the arrangement. GCMG's will seek to secure the participation of potential clients for that sub-adviser, and provide certain ongoing administrative services.

GCMG will provide potential clients with the following documents at or before the time it seeks to secure their participation with the sub-adviser:

- Current copy of Part 2A of the sub-adviser's Form ADV;
- Copy of the client advisory agreement, including an annual fee schedule, together with all exhibits, attachments and related documents provided by advisor from time to time;
- The adviser client profile questionnaire; and
- Separate written solicitor fee disclosure.

GCMG may receive a solicitor fee for the referral of prospective clients who sign an agreement with the sub-adviser. The solicitor's fee shall be mutually agreed between a client and GCMG and shall be reflected in the client advisory agreement's schedule of fees with the sub-adviser and in the applicable solicitor fee disclosure statements before a client executes such documents. The client will not pay any additional cost as a result of the solicitation.

### **Educational Seminars and Workshops**

GCMG may provide educational seminars and workshops for other financial professionals. Topics may include, but not limited to, financial advisor strategies, daily operations, and client management. GCMG's seminars and workshops are educational in nature and do not involve the sale of insurance or investment products. GCMG may receive a fee from individuals attending the seminar/workshop.

## **Item 15 Custody**

All clients must utilize a qualified custodian as detailed in Item 12. Clients are required to engage the custodian to retain their funds and securities and direct GCMG to utilize the custodian for the client's securities transactions. GCMG's agreement with clients and/or the clients' separate agreements with the broker/dealer-custodian may authorize GCMG through such broker/dealer-custodian to debit the clients' accounts for the amount of GCMG's fee and to directly remit that fee to GCMG in accordance with applicable custody rules.

The broker/dealer-custodian sends a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to GCMG. GCMG encourages clients to review the official statements provided by the broker/dealer-custodian, and to compare such statements with any reports or other statements received from

GCMG. For more information about custodians and brokerage practices, see “Item 12 - Brokerage Practices.”

## **Item 16            Investment Discretion**

For discretionary clients, GCMG requests that it be provided with written authority to determine the securities and amount of securities to be purchased in client accounts as part of the advisory agreement. The executed advisory agreement grants limited power of attorney to GCMG. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations as required. Such amendments shall be submitted in writing.

GCMG’s authority to purchase or sell securities for a discretionary account may be limited in accordance with any agreements entered between GCMG and the individual clients. Such limitations may by their very nature adversely impact the risk- reward level of a portfolio in order to gain a tax advantage or for the achievement of some other personal objective. It is the policy of GCMG to honor such limitations absent extraordinary circumstances. The inclusion of such assets in a managed account may cause the client to incur management fees for a portion of their portfolio which is, in effect, not subject to the portfolio manager's discretion. The decision by a client to retain certain assets may have an adverse impact on the amount of risk assumed by the client and may hinder GCMG’s ability to manage the portfolio according to the stated objectives of the client.

Clients may impose limits in writing to GCMG regarding any amounts or concentration limits of the securities to be bought or sold for their account. These limitations must be included in the written authority provided by the client to GCMG.

## **Item 17            Voting Client Securities**

GCMG votes proxies on behalf of our clients who have provided us with written authorization to do so. Clients may, however, choose to retain proxy voting responsibility and will receive proxies from their custodian.

GCMG has adopted proxy voting policies, procedures and guidelines designed to vote proxies efficiently and in the best interest of its clients. GCMG seeks to identify any material conflicts of interest and to ensure that any such conflicts do not interfere with voting in clients’ best interests. GCMG generally votes along with management but in certain instances, GCMG may choose to vote

contrary to management. GCMG has retained a third-party service provider, Institutional Shareholder Services (“ISS”) to assist with the voting and record-keeping of clients’ proxy ballots. Clients may obtain a copy of GCMG’s proxy voting policies and information about how GCMG voted a client’s proxies by contacting GCMG’s Chief Compliance Officer, Kristin Wilson.

## **Item 18            Financial Information**

As an advisory firm that maintains discretionary authority for client accounts, we are required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations.

GCMG does not require or solicit the prepayment of fees in excess of \$1,200 per client more than six months in advance of services rendered.

GCMG is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

GCMG has not been the subject of a bankruptcy petition at any time during the past ten years.



**Brochure Supplement**  
(Part 2B of Form ADV)

January 27, 2020

**Michael J. Egan**

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This brochure supplement provides information about Michael J. Egan that supplements the Gyroscope Capital Management, LLC brochure (Form ADV Part 2A). You should have received a copy of that brochure. Please contact our Chief Compliance Officer, Kristin Wilson, at (513) 977-8678 or [Kristin.Wilson@dinsmorecomplianceservices.com](mailto:Kristin.Wilson@dinsmorecomplianceservices.com) if you did not receive the Gyroscope Capital Management Group, LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about Michael Joseph Egan is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 1          Cover Page**

Please see previous page

**Item 2          Educational Background and Business Experience**

**Michael J. Egan, CFP<sup>®</sup>, CIMA<sup>®</sup>**  
**Year of Birth: 1967**

**Education:**

BA, Economics, The College of William & Mary, June 1989

MA, Economics, New York University, June 1992

MBA, Duke University, June 1994

**Business Background:**

10/2006 – Present; President, Gyroscope Capital Management Group, LLC

12/2005 – 12/2019; Registered Representative & Investment Advisor Representative, Moors & Cabot, Inc.

**Professional Designations**

***Certified Financial Planner<sup>TM</sup> (CFP<sup>®</sup>)***

Date Earned: 06/2006

The CFP<sup>®</sup> certification is a voluntary certification; no federal or state law or regulation requires financial planners or advisors to hold CFP<sup>®</sup> certification. To attain the right to use the CFP<sup>®</sup> marks, an individual must satisfactorily fulfill the following requirement:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that the CFP Board has determined is necessary for the competent and professional delivery of financial planning services, and attain a Bachelor's Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board's financial planning subject areas include insurance planning and risk management, employee benefit planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP<sup>®</sup> Certification Exam. This examination is administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;

- Experience – Complete at least three years of full-time financial planning- related experience (or equivalent measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must also complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks;

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the Code of Ethics and other parts of the Standards of Professional Conduct, to maintain competence and keep up with the developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the Standards of Professional Conduct. The Standards prominently require the CFP® professionals to provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

### ***Certified Investment Management Analyst (CIMA®)***

Date Earned: 8/1999

The CIMA® is administered by the Investment Management Consultants Association. The CIMA® certification is a voluntary certification; no federal or state law or regulation requires financial planners or advisors to hold CIMA® certification. To attain the right to use the CIMA® marks, an individual must satisfactorily fulfill the following requirement:

- Experience – Document a minimum of three years of verified work experience in financial services.
- Requirements – Submission of application and fee, and pass an initial and second background check.
- Education – Complete an executive education program through one of the Institute’s registered education providers.
- Examination – Pass the comprehensive CIMA® Certification Exam. The certification exam is a 5 hour, computer-based examination administered at local Pearson VUE testing centers.
- Ethics – Agree to adhere to the Investments & Wealth Institute’s *Code of Professional Responsibility* and the appropriate use of the certification marks.



Individuals who become certified must pay a certification renewal fee and complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CIMA® mark;

- Continuing Education – Complete and report a minimum of 40 hours of continuing education (CE) credit per two year period, including two ethics hours.
- Ethics – Indicate continued adherence to the Code of Professional Responsibility and Rules and Guidelines for Use of the Marks, as well as disclose any federal/state regulatory actions or complaints.

### **Item 3          Disciplinary Information**

Gyroscope Capital is 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. Michael Egan has no material disciplinary events to disclose.

### **Item 4          Other Business Activities**

Michael Egan is a licensed insurance agent, appointed by various insurance companies. In such a capacity, Michael Egan may offer insurance products to clients of Gyroscope Capital and receive a normal and customary commission as a result of such a purchase.

### **Item 5          Additional Compensation**

As a licensed insurance agent, Michael Egan receives normal and customary commissions for the sale of insurance products.

To the extent that Michael Egan recommends the purchase of insurance products where he may receive commissions for doing so, a conflict of interest exists because Michael Egan receives remuneration should a client elect to follow his recommendations, even if such recommendation is based on the best interest of the client and their needs. To address such conflicts, Gyroscope Capital provides disclosure, in both brochure supplements and the brochure of Gyroscope Capital, and additionally Gyroscope Capital does not charge advisory fees on assets where the Firm's advisory personnel, acting in their capacity as insurance agents, receive commission compensation. Clients are not obligated to buy any insurance products or implement any recommended transactions through Michael Egan, any Gyroscope Capital representative, or any particular insurance carrier.

### **Item 6          Supervision**

Michael Egan is President of Gyroscope Capital and is subject to compliance policies and procedures. Mr. Egan is supervised by the Chief Compliance Officer.

Kristin Wilson  
(513) 977-8678  
Chief Compliance Officer



# **GYROSCOPE CAPITAL**

## **— MANAGEMENT GROUP —**

### **Brochure Supplement** (Part 2B of Form ADV)

**January 27, 2020**

**Robert M. Carr**

**Gyroscope Capital Management Group, LLC**

4851 Tamiami Trail N., Suite 200

Naples, FL 34103

Telephone (239) 219-0555

Fax (239) 219-0545

Email: [RCarr@gyroscopicapital.com](mailto:RCarr@gyroscopicapital.com)

Website: [www.gyroscopicapital.com](http://www.gyroscopicapital.com)

This brochure supplement provides information about Robert M. Carr that supplements the Gyroscope Capital Management, LLC brochure (Form ADV Part 2A). You should have received a copy of that brochure. Please contact our Chief Compliance Officer, Kristin Wilson, at (513) 977-8678 or [Kristin.wilson@dinsmorecomplianceservices.com](mailto:Kristin.wilson@dinsmorecomplianceservices.com) if you did not receive the Gyroscope Capital Management Group, LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about Robert M. Carr is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 1      Cover Page**

Please see previous page

**Item 2      Educational Background and Business Experience**

**Robert M. Carr, CIPM<sup>®</sup>**  
**Year of Birth: 1980**

**Education:**

BS, Chemical Engineering, The University of Florida, June 2002  
MBA, Florida Gulf Coast University, June 2007

**Business Background:**

08/2008 – Present; Vice President and Portfolio Manager, Gyroscope Capital Management, LLC

08/2008 – 12/2019; Sales Associate, Moors & Cabot, Inc.

**Professional Designations**

***Certificate in Investment Performance Measurement (CIPM<sup>®</sup>)***

Date Earned: 11/2018

The CIPM<sup>®</sup> certification is a voluntary certification; no federal or state law or regulation requires financial planners or advisors to hold CIPM<sup>®</sup> certification. To attain the right to use the CIPM<sup>®</sup> marks, an individual must satisfactorily fulfill the following requirement:

- Experience – Complete at least two years of professional experience in one or more positions entailing performance related activities:
  - Calculating, analyzing, evaluating, or presenting investment results
  - Providing consulting, technological, legal/regulatory or accounting services directly in support of such activities
  - Verifying compliance with the GIPS standards
  - Supervising, directly or indirectly, persons who practice such activities
  - Teaching such activities

or

Four years of professional experience in the investment industry primarily consisting of:

- Evaluating or applying financial, economic, and/or statistical data as part of the investment decision-making process
  - Marketing investment management services
  - Monitoring an investment firm's compliance with applicable laws, regulations, and standards
  - Evaluating or recommending investment managers
  - Supervising, directly or indirectly, persons who practice the activities set forth above
  - Teaching such activities
- 
- Examination – Sequentially pass two (Level I and Level II) 180-minute examinations.
  - Ethics – Agree to abide by the CIPM Association Code of Ethics and Standards of Professional Conduct.

Individuals who become certified must also complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CIPM® marks;

- Continuing Education – Annually complete 15 credit hours of continuing professional development.
- Ethics – Continue to abide by the CIPM Association Code of Ethics and Standards of Professional Conduct.

### **Item 3          Disciplinary Information**

Gyroscope Capital is 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. Robert Carr has no material disciplinary events to disclose.

### **Item 4          Other Business Activities**

Robert Carr is a licensed insurance agent, appointed by various insurance companies. In such a capacity, Robert Carr may offer insurance products to clients of Gyroscope Capital and receive a normal and customary commission as a result of such a purchase.

### **Item 5          Additional Compensation**

As a licensed insurance agent, Robert Carr receives normal and customary commissions for the sale of insurance products.

To the extent that Robert Carr recommends the purchase of insurance products where he may receive commissions for doing so, a conflict of interest exists because Robert Carr receives

remuneration should a client elect to follow his recommendations, even if such recommendation is based on the best interest of the client and their needs. To address such conflicts, Gyroscope Capital provides disclosure, in both brochure supplements and the brochure of Gyroscope Capital, and additionally Gyroscope Capital does not charge advisory fees on assets where the Firm's advisory personnel, acting in their capacity as insurance agents, receive commission compensation. Clients are not obligated to buy any insurance products or implement any recommended transactions through Robert Carr, any Gyroscope Capital representative, or any particular insurance.

#### **Item 6          Supervision**

Michael J. Egan is President of Gyroscope Capital and supervises all Gyroscope Capital personnel. Robert Carr is supervised by Michael J. Egan.



# GYROSCOPE CAPITAL

## — MANAGEMENT GROUP —

### **Brochure Supplement** (Part 2B of Form ADV)

January 27, 2020

**Anthony Cirillo**

Gyroscope Capital Management Group, LLC

4851 Tamiami Trail N., Suite 200

Naples, FL 34103

Telephone (239) 219-0555

Fax (239) 219-0545

Email: [ACirillo@gyroscopicapital.com](mailto:ACirillo@gyroscopicapital.com)

Website: [www.gyroscopicapital.com](http://www.gyroscopicapital.com)

This brochure supplement provides information about Anthony Cirillo that supplements the Gyroscope Capital Management, LLC brochure (Form ADV Part 2A). You should have received a copy of that brochure. Please contact our Chief Compliance Officer, Kristin Wilson, at (513) 977-8678 or [Kristin.wilson@dinsmorecomplianceservices.com](mailto:Kristin.wilson@dinsmorecomplianceservices.com) if you did not receive the Gyroscope Capital Management Group, LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about Anthony Cirillo is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 1      Cover Page**

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**Item 2      Educational Background and Business Experience**

**Anthony Cirillo, CFA<sup>®</sup>**  
**Year of Birth: 1984**

**Education:**

BS, Finance and Economics, Florida Gulf Coast University, June 2015

**Business Background:**

09/2017 – Present; Portfolio Manager, Gyroscope Capital Management, LLC

02/2016 – 12/2019; Client Associate, Moors & Cabot, Inc.

02/2016 – 09/2017; Assistant Portfolio Manager, Gyroscope Capital Management, LLC

03/2013 – 12/2015; Investment Analyst, SK2 Capital, LLC

**Professional Designations**

***Chartered Financial Analyst (CFA<sup>®</sup>)***

Date Earned: 04/2018

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. The CFA<sup>®</sup> certification is a voluntary certification; no federal or state law or regulation requires financial planners or advisors to hold CFA<sup>®</sup> certification. To attain the right to use the CFA<sup>®</sup> marks, an individual must satisfactorily fulfill the following requirement:

- Experience – Complete at least four years of qualified professional experience, be in the final year of a bachelor's degree program, or have a combination of professional work and university experience that totals at least four years.



- Examination – Pass three sequential, six-hour examinations and four years of professional work experience in the investment decision-making process (accrued before, during, or after participation in the CFA program).
- Ethics – Commit to abide by their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.
- Membership – Join the CFA Institute as members.

Individuals who become certified must also complete the following ongoing ethics requirements in order to maintain the right to continue to use the CFA® marks;

- Ethics – Annually reaffirm their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

### **Item 3      Disciplinary Information**

Gyroscope Capital is 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. Anthony Cirillo has no material disciplinary events to disclose.

### **Item 4      Other Business Activities**

Anthony Cirillo does not have any other business activities to disclose.

### **Item 5      Additional Compensation**

Anthony Cirillo does not receive any additional compensation.

### **Item 6      Supervision**

Michael J. Egan is President of Gyroscope Capital and supervises all Gyroscope Capital personnel. Anthony Cirillo is supervised by Michael J. Egan.



# GYROSCOPE CAPITAL

## — MANAGEMENT GROUP —

### **Brochure Supplement** (Part 2B of Form ADV)

**January 27, 2020**

**Sarah H. Wolf**

**Gyroscope Capital Management Group, LLC**

4851 Tamiami Trail N., Suite 200

Naples, FL 34103

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Fax (239) 219-0545

Email: [SHWolf@gyroscopicapital.com](mailto:SHWolf@gyroscopicapital.com)

Website: [www.gyroscopicapital.com](http://www.gyroscopicapital.com)

This brochure supplement provides information about Sarah H. Wolf that supplements the Gyroscope Capital Management, LLC brochure (Form ADV Part 2A). You should have received a copy of that brochure. Please contact our Chief Compliance Officer, Kristin Wilson, at (513) 977-8678 or [Kristin.wilson@dinsmorecomplianceservices.com](mailto:Kristin.wilson@dinsmorecomplianceservices.com) if you did not receive the Gyroscope Capital Management Group, LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about Sarah H. Wolf is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 1        Cover Page**

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**Item 2        Educational Background and Business Experience**

**Sarah H. Wolf**

**Year of Birth: 1973**

**Education:**

BA, International Studies, Washington College, May 1995

**Business Background:**

01/2011 – Present; Senior Vice President, Gyroscope Capital Management, LLC

12/2005 – 12/2019; Registered Representative, Moors & Cabot, Inc.

08/1996 – 12/2005; Registered Representative, Legg Mason Wood Walker, Inc.

**Item 3    Disciplinary Information**

Gyroscope Capital is 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. Sarah H. Wolf has no material disciplinary events to disclose.

**Item 4        Other Business Activities**

Sarah H. Wolf does not have any other business activities to disclose.

**Item 5        Additional Compensation**

Sarah H. Wolf does not receive any additional compensation.

**Item 6        Supervision**

Michael J. Egan is President of Gyroscope Capital and supervises all Gyroscope Capital personnel. Sarah H. Wolf is supervised by Michael J. Egan.

