

**Keys to Success:  
Change the Status Quo  
Raise Your Standards**

# **In Financial Services A Brand is *Not* a Surrogate for Value**

Large brokerage firms, insurance companies and banks, for a long time have used the power of their brands to earn an unwarranted price premium on products and services. These price premiums benefit the companies at the expense of the clients.

NS Capital's goal is to expose the unearned price premiums through objective transparent analytics, and to ultimately show investors ways to take the unearned premium back from the brands and retain it for themselves.

## Founder's Message

NS Capital was formed in 2010 to offer a new standard of investment advisory and portfolio management services. Everything we offer has been developed and paid for using our own resources. That fact means that we have no third-party affiliations that could influence or distort our independence and objectivity. This makes it possible for NS Capital, unencumbered by the legacy thinking and conflicts of the status quo financial services industry, to offer fully transparent and conflict-free investment advice and portfolios to individuals and small businesses; Investors whom I believed were being underserved in terms of objectivity, independent research, portfolio strategy and pricing

Our unique tiered investment portfolio methodology was developed in conjunction with one of the nation's leading investment and pension consulting firms who advise some of the nation's leading corporations and endowments and oversees assets in excess of 250 billion dollars.

As Fiduciaries and being an independent employee owned firm our only loyalty is to our clients and success is solely dependent on client outcomes, so unlike much of the financial services industry, we succeed not off clients but with our clients.

We set out to create a new standard in portfolio management by creating a high-quality portfolio with an institutional price point. I invite you to take the time to learn more about NS Capital and you will find this is exactly what we have delivered.



**Louis Cameron Day**

Founder & Senior Managing Director



# Four Principles for Investment Success

## 1. Recognize the Two Types of Asset Management

### PROFESSION

The goal is the intelligent management of an investment portfolio for superior long-term returns.

Success is determined solely on client outcomes.

### BUSINESS

The goal is to gather as many assets as possible to generate fees and create profits for the firm & its stockholders.

Success is determined by the firm's stock price.

### The business of asset management has an agency problem.

In economics, an agency problem is a mismatch of incentives between the principal (client) and the agent (fund company) whereby the agent profits at the principal's expense.

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## 2. Identify the Two Types of Advice

### REGISTERED INVESTMENT ADVISOR (RIA)

#### *Fiduciary*

RIAs have a legal duty to act in a client's best interests, which means they cannot parlay their position of trust for personal gain. Their compensation comes solely from their clients and nobody else.

### REGISTERED REPRESENTATIVE (RR)

#### *Agent/Broker*

RRs recommend products selected by the firm that are deemed suitable with no regard to costs or conflicts. Their compensation comes from the firm and the providers whose products they sell.

Advice breaks out along very similar lines as the profession and the business.

### 3. Understand the Two Factors That Impact Performance

#### SKILL

An active manager's selection should reflect their unique insights and abilities that can produce superior returns over time.

#### COST

The single best way to improve your investment performance is to ensure you receive value for the fees you pay.

Together, Skill and Cost are strongly tied to success.

### 4. Demand Full Transparency

Information you need to make good decisions in a form that is accessible at a time when it is needed

#### What are all the fees and costs?

Commissions, asset management, 12b-1 fees, advisory fees, expense ratios, wrap fees, trading costs, underwriting fees, origination fees...

#### What are the conflicts of interests?

Revenue sharing ("pay-to-play"), proprietary products, directed brokerage, sub-transfer agency, affiliate ownership, platform arrangements, sales incentives, principal transactions...

#### Is there current and past litigation?

These "Brands" have paid over \$321 billion in fines since the financial crisis.



#### Is there an alignment of interest?

Simply stated, are the people advising and investing your money invested alongside you?

# Portfolio Management is the Foundation of Financial Wellness

There are many facets to achieving long term financial wellness: portfolio management; financial planning; tax planning; and estate planning. All are important components but not equal in their impact on financial wellness. NS Capital believes that high-quality portfolio management—how your assets are managed and what you pay—is the critical component for long-term financial wellness. It is the foundation upon which all other facets are based.

After we complete our advisory phase—which determines the wants and needs of each client—NS Capital focuses on portfolio construction and asset management exclusively. We are not a generalist firm because we know that high-quality portfolio management requires constant attention, which cannot be said of the other facets. This in no way negates the value of the other facets; but our approach is to partner with subject matter experts who also are focused solely on their specific discipline as we are on ours.

**Planning decisions are event driven and require periodic attention.**



**When it comes to asset and portfolio management, nothing is static—there are no one-time decisions.**



# Portfolio Construction

*The ideal portfolio strikes a balance of safety and certainty on the one hand and aggressiveness and gains seeking on the other.*

## A Well-Constructed Portfolio Should

- **BE A PORTFOLIO THAT CAN BE UNDERSTOOD**
- **HAVE THE ABILITY TO COMBINE MULTIPLE STRATEGIES**
- **BLEND PASSIVE AND ACTIVE MANAGEMENT IN AN INTELLIGENT WAY**
- **CORRELATE FEES TO VALUE**

NS Capital's primary job is to manage our client's relationship to the capital markets and to protect against the risk of emotional decisions during times of turmoil. When NS Capital is hired it is not just to construct the portfolio based on the needs, wants and goals of a client at a specific point in time; it is also to change the portfolio when warranted—that can be from an investment standpoint or from the standpoint that a client's circumstances change.

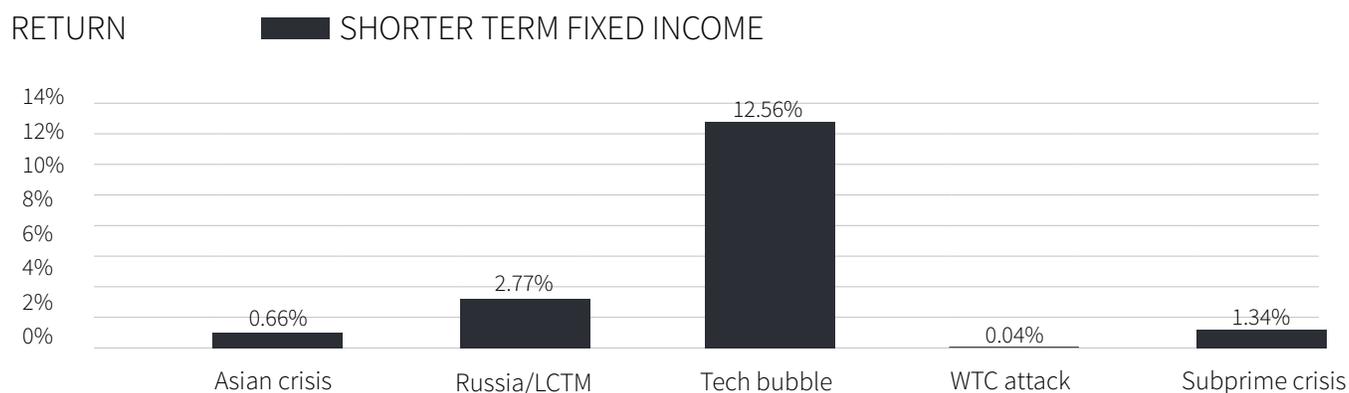
# Investing for Safety and Certainty

Interest rates have been at historical lows with limited prospects for significant increases going forward. Investments that promise high income come with embedded risks that we do not feel are worth the reward. Bonds do not offer the combination of income and stability that they have in the past. This is why NS Capital, for this point in time, created the Shorter-Term Fixed Income Portfolio to be more focused on safety and certainty than anything else. It is designed to provide investors with a liquid, conservative portfolio that offers the potential for better total return than Money Markets and CDs, but without taking significant risk.

STRATEGY	TYPE OF MANAGEMENT	<b>Shorter-Term Fixed Income</b> Passive		ASSET FEE	ADVISORY FEE
Shorter-Term Fixed Income	Exchange Traded Funds (ETFs)			0.10%	0.20%

## Hypothetical Stress Test

A back-test of historical performance to help illustrate how the Shorter-Term Fixed Income portfolio can provide returns that are non-correlated to equity markets



For illustrative purposes only. See disclosures for an explanation of each “stress event” referenced above.

# Current Holdings\*

**87% Safety & Certainty**

**VGSH**  
Vanguard  
Short-Term Treasury  
50%

**SPSB**  
SPDR  
Short-Term Corp  
Bond  
37%



## **SPHY**

SPDR  
High-Yield  
Bond  
4%

## **CWB**

SPDR  
Convertible Securities  
4%

## **EMB**

iShares  
Emerging Markets  
Bond  
5%

**13% Total Return Enhancement**

### STATISTICS

Duration	2.3
Average Credit Quality	A

\*Current holdings. The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.

# Investing for Gains Seeking

## Timeframe

No one should invest in equities without a longer term horizon, PERIOD! The safety and certainty portion of the portfolio should serve as a volatility mitigator because the pathway to superior long-term returns demands that the investor be able to stay emotionally detached from the “ups and downs” that will occur in the stock market. You can’t expect consistent results if you are seeking higher returns because only with full market volatility will you get full market returns.

## NS Capital Equity Investing

NS Capital employs two approaches to equity investing:

### Beta Core

Passive management using Exchange Traded Funds (ETFs)

**Passive and active is not an either/or choice. An active approach should complement a passive approach, not compete with it.**

### Alpha Ring

Active management using boutique, privately owned money managers

*“The stock market is a device to transfer money from the impatient to the patient.”*

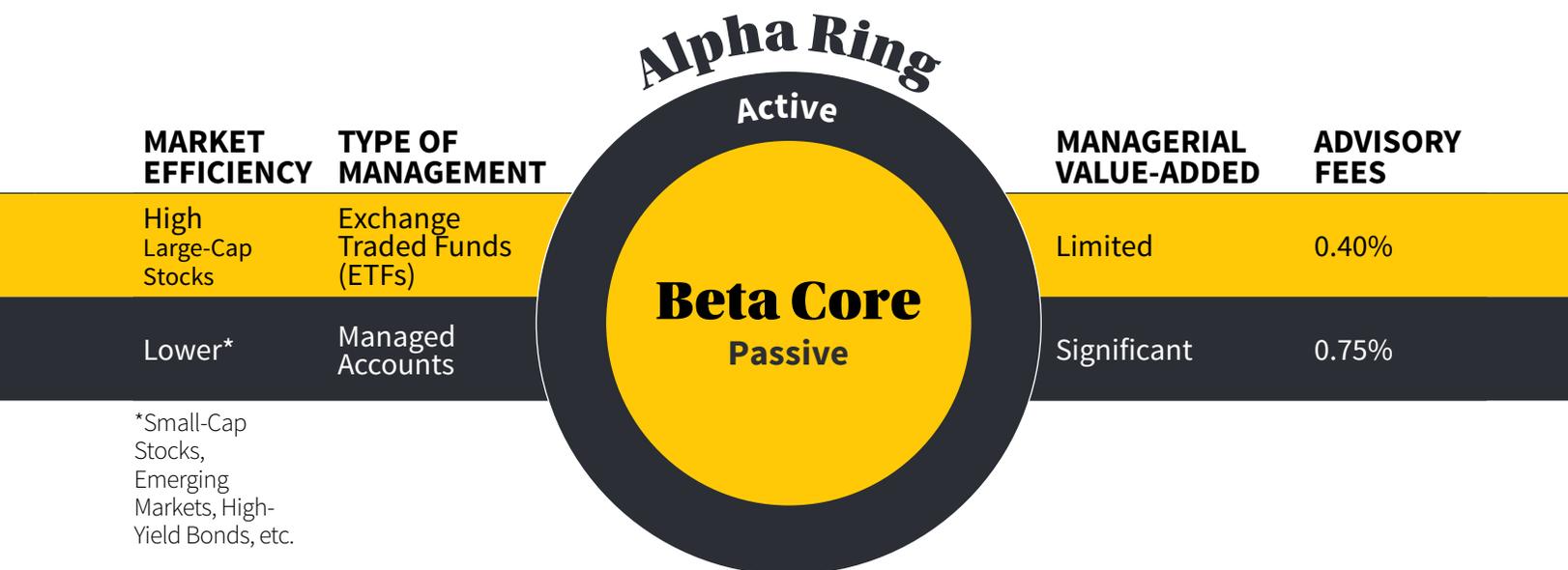
*—Warren Buffet*

# NS Capital Portfolio Methodology

## AN INTELLIGENT BLEND OF PASSIVE AND ACTIVE MANAGEMENT WITH CORRELATED FEES CREATES A WEALTH BUILDING ADVANTAGE

Within each portfolio tier, the efficiency of the market is matched with the most appropriate type of management.

Asset management and advisory fees within each tier are correlated to the ability to add value.



# Beta Core

**THE BETA CORE IS A PASSIVELY MANAGED EQUITY PORTFOLIO  
WHICH TAKES WHAT THE MARKETS GIVE US**

## Characteristics

Strategically allocated based on the following:

1. Analysis from the research departments of the largest exchange traded providers\*
2. Independent research from our network of respected industry resources
3. Insights from our Alpha Ring active money managers
4. Reviews of asset groups with the lowest three-year and five-year performance as a possible enhancement to our core ETF holdings

## Composition

Broadly diversified – 13,000 securities, low cost and tax efficient

## Investment Style

Momentum/Growth

## Expectations

A long-term indexed portfolio that will participate fully and benefit from the historical upward bias of global markets

## Preferred Holding Period

Four to six years



# Current Holdings\*

## 90% Large Global Markets



## 10% Smaller Focused Markets

\*Current holdings. The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.

# Alpha Ring

**THE ALPHA RING IS AN ACTIVELY MANAGED GLOBAL EQUITY PORTFOLIO WHICH SEEKS LONG TERM OUT PERFORMANCE**

## Money Manager Characteristics

- 1. Boutique:** Independent, employee-owned firms
- 2. Concentrated:** Build tightly constructed portfolios comprised of sound, well-managed companies
- 3. Capacity:** Limit assets under management when their style/strategy reaches capacity and is no longer replicable
- 4. Negotiated:** Fees set at institutional levels
- 5. Alignment:** Commit funds side by side with their investors

## Composition

Currently seven money managers, each with a different strategy, offer their best ideas for five to ten holdings in order to create a total portfolio of 45-55 total securities. The result is a fully diversified portfolio that is dramatically different than the passive Beta Core.

**50% Market Leaders** – large, well-known companies, both domestic and international, whose weighting in the portfolio is at least 2X its weighting in its respective benchmark

**50% Undiscovered** – smaller companies both domestic and international that are generally not part of a broad benchmark and are not widely followed by Wall Street analysts

## Investment Style

Value/Price Conscious

## Expectations

A unique portfolio that has the potential for a high level of upside and a degree of downside protection based on the fundamental security selection skill of the money managers

## Preferred Holding Period

Six to eight years

# Current Managers\*

**50% Global  
Leaders**



**50% Global  
Undiscovered  
Opportunities**

Overseen by 15 portfolio managers and analysts

\*Current Managers. The managers identified and described are subject to change. The reader should not assume that an investment made by these managers was or will be profitable.

# What is required for active management to create the potential for long-term outperformance?

Everyone would like to have outstanding performance. The real questions are whether you are willing to be different and willing to stay committed. You cannot look and act like everyone else and expect to outperform.

Further, we do not believe a winning strategy is simply built on rigid tactics, mathematical formulas or risk reducing rules. Success demands constant analysis, open mindedness, and perseverance. Therefore, NS Capital always looks for investment managers that have the intellectual skill and emotional courage to stray from the crowd and efficiently digest data as it presents itself. Ultimately, we are looking for the following characteristics:

1. Employ an approach to security selection that focuses on company-specific characteristics.
2. Allocate and deploy capital in both undiscovered and misunderstood companies.
3. Assemble a high conviction, concentrated portfolio of companies they know well.
4. Focus on the quality of corporate operations rather than speculative stock price movements.
5. Understand that mindless diversification is not a substitute for intelligent thought.

Successful investors know that significant long-term returns will never be made by asking for certainty. In order to succeed, you must be willing to fail from time-to-time and you must be willing to withstand the discomfort that comes with the possibility of loss. Periodic failure is an inescapable consequence of trying to do well. Thus, a winning strategy cannot rely on complete risk avoidance. To eliminate risk is to limit return. For us, the key is not to be risk adverse it is to be risk aware.

The mantra for the retail asset management business is that it is better to fail conventionally than to attempt to succeed unconventionally. We disagree with this wholeheartedly. We believe the Alpha Ring portfolio is our proof statement that NS Capital is committed to succeeding.

# Investing for Retirement

The days of clipping bond coupons to live off the income and preserve principal in retirement are long gone. In fact, many investors who have been chasing high income have bought investments that over-promise and under-deliver. They have also taken on a level of risk that they are often not aware of.

Income vs. Cash Flow -There is a key distinction between income and cash flow - income is money received and cash flow is money withdrawn. In today's low interest environment NS Capital believes that when it comes to paying for your retirement, you should only be concerned with the total return of your portfolio and the after-tax cash flow, not whether the returns come from selling securities or income – because it should be both.

That is why we designed the NS Capital Retirement Portfolio (see below) where specific assets that combine both income and securities sales are organized for cash flow while other assets are left to grow to protect against inflation and out-living your money.

## A Retirement Portfolio Must Accomplish Three Things:

1. Be a source of monthly cash flow
2. Protect your purchasing power by keeping up with inflation
3. Grow assets over time to protect against the risk of out-living your money

The way to accomplish all three goals is to build a portfolio that is structured to meet each need over the appropriate time frame:

- **Liquid Assets Core** – Provide immediate cash flow (generally, 3 to 5 years during which specific assets are targeted for liquidation and distributed for monthly cash flow)
- **Purchasing Power Ring** – Protect purchasing power (4 to 7 years)
- **Longevity Rim** – Protect out-living your money (7+ years)



# NS Capital – A Boutique Firm with Deep Resources

Successful investing is in large part dependent on access to quality information, particularly when you most need it. Today, high-quality research is no longer just the domain of large organizations; with the advent of the internet and other tech applications research has been democratized. The challenge is accessing this high-quality research. NS Capital has created a research network that we believe stands apart in the investment advisory business. The investment committee has access to our advisors and various research departments on an ongoing basis. In addition, our investment committee is able to reach out to over 20 subject matter specialists on an as-needed basis.



# Fiduciary Advice, No Conflicts & Asset Safety

**Fiduciary Advice** - A fiduciary is a trustee and must act for the benefit of their client in a financial relationship, not for their own personal gain. What does this mean to you?

When you hire a fiduciary, they are legally obligated to act in your best interests, which means they cannot parlay their position of trust for personal profit. Fiduciaries must demonstrate all compensation is fair and reasonable for the level of services provided.

What is a Registered Investment Advisor? RIAs are Independent fiduciary Advisors who have a legal duty of loyalty and good faith to act solely in the interest of clients. RIAs who are “fee only” receive direct fee compensation from their clients and no one else.

What is a Registered Representative? RRs, although they may use the name advisor are actually employees of a financial services company. RRs and the firms they work for are held to a suitability standard which does not include a legal requirement to disclose whether there are conflicts of interest and/or whether there is a better product available at a lower charge. RRs and the firms they work for most often have no fiduciary duty to clients. RRs generally receive commissions and often undisclosed indirect compensation by acting as an agent selling the products of the firm they work for.

**No Conflicts or Hidden Costs** - NS Capital’s only compensation is the fully disclosed fees for the services provided to our clients. At NS Capital, we have no affiliations or financial arrangements with third parties that might distort our objectivity or present any conflicts of interest. Our sole commitment is to serve each client’s interest at a fair price.

**Asset Safety** - Our clients’ assets are held with our independent third-party custodian, TD Ameritrade Institutional, which has over \$700 billion in assets under custody. The SEC requires that these institutions be audited annually by independent auditors. TD Ameritrade, Inc. is a member of the Securities Investor Protection Corporation (SIPC) and also provides \$149.5 million worth of protection for each client through supplemental coverage provided by London insurers.

NS Capital does not have access to the money in your account. We have a limited power of attorney to do only three things:

1. Supervise and make trades in client portfolios with discretionary authority
2. Request that the independent custodian send a check to a client or to the client’s bank
3. Be paid a mutually-agreed upon quarterly fee from the account (can also be invoiced)

We have no other access or authority.

## CONTACT US

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Not FDIC insured. May lose value.

Stress test results are based on simulated or hypothetical performance results that have certain inherent limitations. The stress test results are obtained by combining the return for each asset of the portfolio for the given scenario dates. If the portfolio contains an asset that does not have price for that period, a proxy is used for that asset. Stress test results are calculated net of fees: advisory fees assigned to the portfolio are included in the performance calculation, pro-rated to the number of days specified in the scenario. Unlike the results shown in an actual performance record, these results do not represent actual trading. Also, because these trades have not actually been executed, these results may have under- or overcompensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated or hypothetical trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to these being shown. Asset data (c)2019

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