



An Institutional Investment Philosophy for Individuals and Families



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Our Firm

At SC Capital Advisors, we understand the unique challenges that come with managing wealth. For more than 20 years, we have served as a trusted partner of individuals and families, providing wealth management guidance and solutions based on a thorough understanding of each client’s situation and goals.

We bring proven expertise to bear on every aspect of a client’s wealth—from accumulation and growth through preservation and distribution.

By taking an objective and proactive approach that reflects the nuances and complexities of each situation, we continue to build trusted relationships.

SC Capital Advisors is a true, 100% fee-only fiduciary firm. We sell no products for commissions. Our fees are retainer or asset-based only.



Firm Profile

Established:	1995
Staff:	3 professionals
Experience:	25 years
Assets under management:	\$60 million



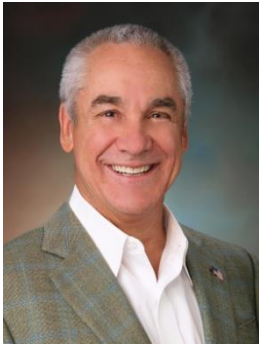
Our Team of Experts



Dana L. Crosby, CFA, CFP®

Advisor/Chief Investment Officer

Dana has been a principal with SC Capital Advisors since 2011 and has more than 25 years of experience in the financial industry. He started in the industry in 1993 with a major Wall Street firm. Since 1996, Dana has served in critical roles with a few different independent, fiduciary firms as an analyst, portfolio manager, and advisor. He holds both the Chartered Financial Analyst and Certified Financial Planner™ designations and has an MBA in Finance-Investments.



Rick Stein

Advisor

Rick started Stein Investments, Inc. in 1995, the predecessor firm to SC Capital Advisors. Prior to starting an investment firm, Rick practiced law in Beverley Hills since 1970 where he specialized in business law and major litigation including securities fraud cases. He was a securities litigator with the California Department of corporations from 1969-1971. Rick holds BA in English from the University of Virginia, Charlottesville and his LLB from the University of Texas School of Law.



Scott Wilson

Advisor

Scott began his career as a financial consultant with a major securities firm in 1997 in Indian Wells, Calif., after working as a wholesale food and beverage Account Executive for eight years. Prior to his current role with SC Capital Advisors, Scott worked as an Investment Consultant for two online trading companies where his duties included serving clients, asset consolidation and marketing each company's brand.

Our Wealth Management Process

As our client, you will benefit from a collaborative relationship that addresses—and anticipates—your needs. We follow a rigorous and disciplined wealth management process that provides a structured approach while allowing for careful customization as your unique needs and situation dictate.





Our Difference

Recognizing that no two clients are alike, we take the time to listen—and to understand—your particular circumstances, goals, and aspirations. This understanding serves as the basis from which we develop an integrated plan that addresses every facet of your wealth. Our comprehensive approach is designed to create a plan that achieves your near- and long-term goals.

When crafting an integrated wealth management plan, we draw on our expertise in the following areas:

- Financial planning
- Retirement income planning
- Estate planning
- Tax planning
- Business succession
- Intergenerational wealth transfer
- Philanthropy



Institutional Thinking for Individual Investors

We believe that individuals and families with significant wealth can benefit from the rigor and sophistication that typically characterize institutional portfolio management. Our approach to managing client assets is rooted in the following core strengths:

Deep understanding. Before we invest any money for a client, we first determine the client's goals, tolerance for risk, time horizon, tax situation, and other constraints. We measure these factors against our extensive knowledge of investments. Only then do we consider asset allocation and diversification.

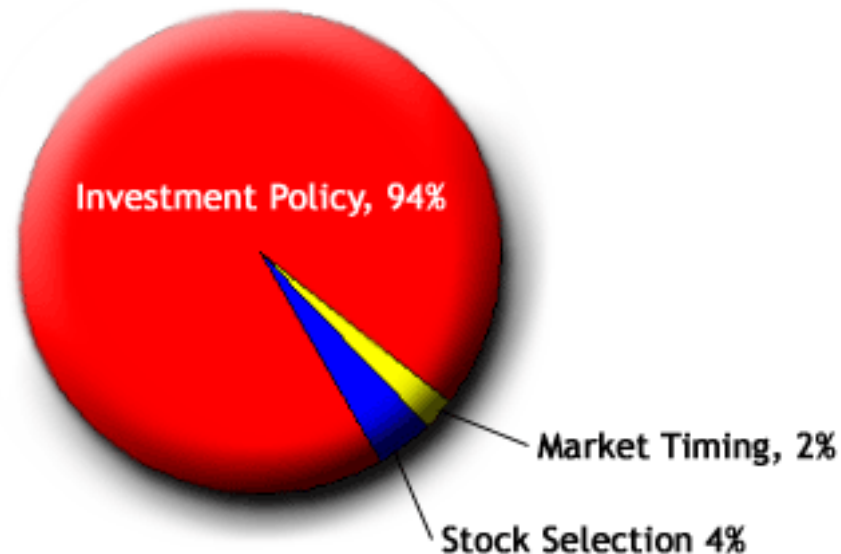
Disciplined portfolio construction. Based on the specifics of each client's situation, we provide exposure to an appropriate mix of assets classes. We also seek to provide diversification within each asset class—across sectors, industries, countries, and fundamental risk factors.

Rigorous oversight. When implementing a client's investment strategy, we do not use one-size-fits-all automated rebalancing programs. We diligently monitor asset classes and individual companies daily and actually look at our client portfolios on a regular basis, particularly when new positions are added and existing positions sold.

Institutional Thinking for Individual Investors

Focus on Asset Classes

Studies¹ of institutional investor behavior have concluded that the combination and concentrations among various asset classes, i.e. investment policy, is the most important decision for investors as asset allocation has been the overwhelming determining factor in the variance among investor returns in these studies. We believe strategic asset allocation with allowable tactical variation is the foundation for investment policy guidance for individuals and households as well.



¹Financial Analysts Journal, January/February 1995, Volume 51 Issue 1, Gary P. Brinson, L. Randolph Hood, and Gilbert L. Beebower.

Institutional Thinking for Individual Investors

Global Diversification Reduces Portfolio Risk

Investing in multiple, uncorrelated asset classes reducing portfolio risk over time. Below, a hypothetical portfolio of asset classes represented by index data rebalanced annually has better risk efficiency (higher Sharpe Ratio) than any of the equity asset classes by themselves.

Asset Class Returns & Risk
January 1992 - December 2017**

		Return	Risk*	Sharpe Ratio
1	Inflation	2.3%	1.1%	(0.17)
2	Tbills	2.5%	0.6%	-
3	Bonds	5.6%	3.5%	0.87
4	U.S. Large Cap Stocks	9.8%	14.1%	0.52
5	U.S. Mid Cap Stocks	12.0%	16.2%	0.59
6	U.S. Small Cap Stocks	9.9%	18.4%	0.40
7	REITs	10.0%	18.5%	0.41
8	International Developed Stocks	5.7%	16.0%	0.20
9	International Small/Mid Cap Stocks	10.9%	17.7%	0.47
10	Emerging Markets	10.2%	21.9%	0.35
P1	Policy Portfolio (40% Bond, 60% Stock)	8.4%	8.6%	0.68

* Annualized Standard Deviation

** Data for International Small/Mid Cap and Emerging markets from January 2002 and January 2001, respectively

Portfolio Allocation	
	Sample Policy Allocation
Cash	2.0%
Bonds	38.0%
US Large Cap Stocks	27.0%
US Mid Cap Stocks	8.0%
US Small Cap Stocks	7.0%
REITs	3.0%
Intl Developed Stocks	10.0%
Intl Small Cap Stocks	2.5%
Emerging Markets	2.5%

Asset class data represented by the following indexes: Inflation, IA SBBI US Inflation; TBills, IA SBBI US 30 Day TBill TR USD; Bonds, Barclays US Agg Bond TR USD; U.S. Large Cap Stocks, Russell 1000 TR USD; U.S. Mid Cap Stocks, S&P MidCap 400 TR; U.S. Small Cap Stocks, Russell 2000 TR USD; REITs, DJ US Real Estate TR USD; International Developed Stocks, MSCI EAFE NR USD; International Small/Mid Cap Stocks, MSCI EAFE Small Cap NR USD; Emerging Markets, MSCI EM NR USD. Data from Morningstar.

Institutional Thinking for Individual Investors

Predicting Asset Class Returns is Futile

Predicting asset class returns year-to-year is nearly impossible. Owning multiple asset classes in proportions based on individual investor circumstances makes the most sense. Below, 15 years of capital markets returns are ranked from highest to lowest. A portfolio of these asset classes in the proportion below never appears at the extremes, illustrating return and risk efficiency.

Asset Class Rankings 2003 -2017

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Intl Sm 60.2%	REITs 33.2%	EM 34.5%	REITs 36.0%	EM 39.8%	Bonds 5.1%	EM 79.0%	REITs 28.1%	REITs 9.4%	Intl Sm 20.0%	US Sm 38.8%	REITs 32.0%	Intl Sm 9.6%	US Sm 21.3%	EM 37.3%
EM 56.3%	Intl Sm 32.1%	Intl Sm 22.6%	EM 32.6%	Intl Lg 11.2%	Tbills 1.7%	Intl Sm 44.8%	US Sm 26.9%	Bonds 5.8%	EM 18.2%	US Lg 33.1%	US Lg 13.2%	REITs 4.5%	US Lg 12.1%	Intl Sm 33.0%
US Sm 47.3%	EM 26.0%	REITs 13.8%	Intl Lg 26.3%	Intl Sm 8.0%	Port -29.1%	Intl Lg 31.8%	Intl Sm 20.7%	US Lg 1.5%	Intl Lg 17.3%	Intl Sm 29.3%	Port 5.0%	Bonds 1.1%	EM 11.2%	Intl Lg 25.0%
Intl Lg 38.6%	Intl Lg 20.2%	Intl Lg 13.5%	Intl Sm 26.3%	Bonds 7.4%	US Sm -33.8%	REITs 28.5%	EM 19.2%	Tbills 0.0%	REITs 17.1%	Intl Lg 22.8%	US Sm 4.9%	US Lg 0.9%	Port 8.0%	US Lg 21.7%
REITs 36.2%	US Sm 18.3%	Port 9.4%	US Sm 18.4%	Port 6.6%	US Lg -37.6%	US Lg 28.4%	US Lg 16.1%	Port -2.7%	US Lg 16.4%	Port 20.2%	Bonds 3.1%	Port 0.1%	REITs 6.7%	Port 17.5%
Port 32.0%	Port 15.5%	US Lg 6.3%	Port 17.7%	US Lg 5.8%	REITs -39.2%	US Sm 27.2%	Port 15.0%	US Sm -4.2%	US Sm 16.4%	REITs 1.2%	Tbills 0.0%	Tbills 0.0%	Intl Sm 2.2%	US Sm 14.7%
US Lg 29.9%	US Lg 11.4%	US Sm 4.6%	US Lg 15.5%	Tbills 4.7%	Intl Lg -43.4%	Port 27.0%	Intl Lg 7.8%	Intl Lg -12.1%	Port 13.8%	Tbills 0.0%	EM -2.2%	Intl Lg -0.8%	Bonds 2.1%	REITs 9.8%
Bonds 4.3%	Bonds 3.0%	Tbills 3.0%	Tbills 4.8%	US Sm -1.6%	Intl Sm -47.1%	Bonds 5.2%	Bonds 5.9%	Intl Sm -15.6%	Bonds 3.8%	Bonds -0.8%	Intl Lg -4.9%	US Sm -4.4%	Intl Lg 1.0%	Bonds 2.1%
Tbills 1.0%	Tbills 1.2%	Bonds 1.6%	Bonds 4.1%	REITs -17.6%	EM -53.2%	Tbills 0.1%	Tbills 0.1%	EM -18.2%	Tbills 0.1%	EM -2.6%	Intl Sm -5.0%	EM -14.9%	Tbills 0.2%	Tbills 0.8%

Portfolio Allocation	Asset Class	Index
2%	Tbills	One-Month US Treasury Bills
23%	Bonds	Barclays Capital US Government/Credit Bond Index Intermediate
25%	US Lg	Russell 1000 Index
15%	US Sm	Russell 2000 Index
5%	REITs	Dow Jones US Select REIT Index
15%	Intl Lg	MSCI EAFE Index
10%	Intl Sm	Dimensional International Small Cap Index
5%	EM	MSCI Emerging Markets Index
100%	Port	Diversified Portfolio

Past performance is no guarantee of future results. For illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Data source: Morningstar.

Core & Factor Investing

For equities, we combine the solid fundamentals provided by an institutional asset class framework with a focus on individual companies that have sustainable competitive advantages and earn “economic profits” over the long term. These companies earn returns on invested capital (ROIC) in excess of their cost of capital. We focus on companies that trade at discounts to enterprise valuation methods. This is philosophy favored by renowned investor Warren Buffett.

Core:

- Highly diversified individual stocks
- Sustainable competitive advantages
- High ROIC
- Trade at discount to fair value on purchase

Core: Stocks with competitive barriers

Factor: Strategic Beta ETFs/Funds

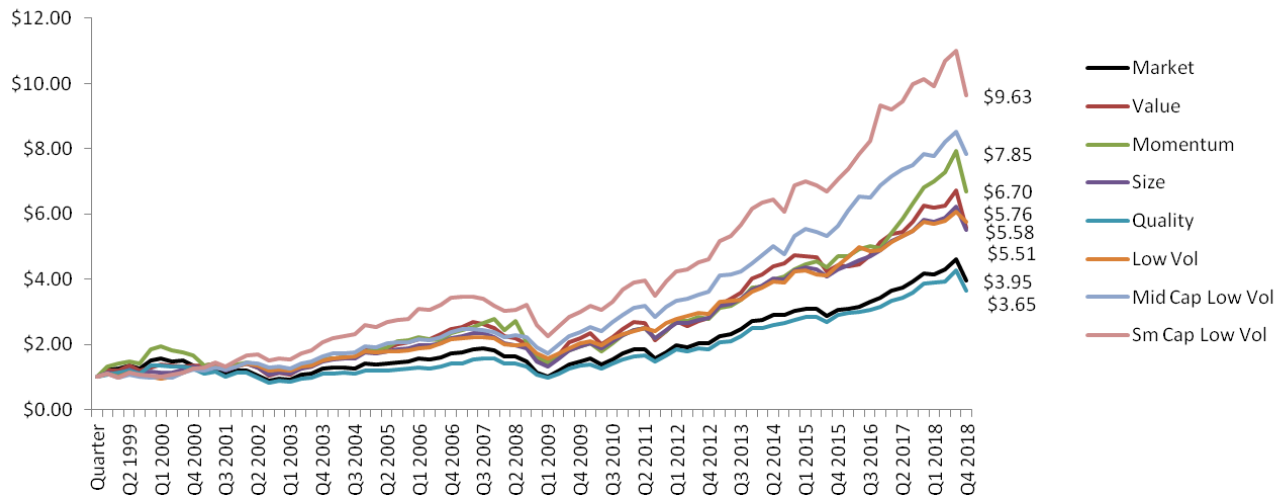
Factor:

- Risk Factors: Long term drivers of returns across asset classes
- Size, Value, Momentum, Quality/Profitability, Min Volatility
- Strategic Beta
- Active management

Core & Factor Investing

Risk Factors: At SC Capital Advisors, we stay abreast of the latest in institutional asset class research. Increasingly, institutional investors are targeting “risk factors” or drivers of long term returns across asset classes identified by academic research. The newest investment vehicles are designed to track benchmarks constructed based on fundamental and technical factors rather than commercially constructed, market cap-weighted benchmarks. We use these Exchange Traded Funds (ETFs) to complement our asset class investments in the “Factor” component of our portfolios.

Risk Factor Benchmarks vs Broad Market - Oct 1998 - Dec 2018



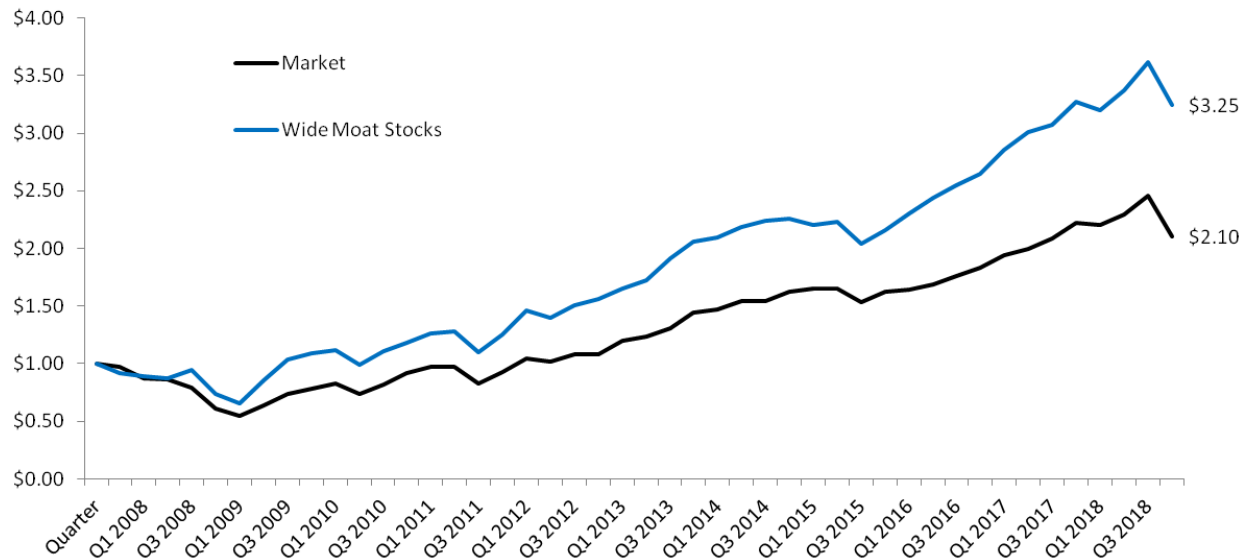
Indexes are hypothetical and don't represent actual trading. Factor benchmarks are based on back-tested results. Past performance is no assurance of future results. Indexes include: U.S. Market, DJ US Total Stock Market TR; Value, MSCI USA Enhanced Value GR USD; Momentum, MSCI USA Momentum GR USD; Size, MSCI USA Risk Weighted GR USD; MSCI USA Sector Neutral Quality GR USD; Low Vol, S&P 500 Low Volatility TR USD; Mid Cap Low Vol, S&P MidCap 400 Low Volatility TR USD; Small Cap Low Vol, S&P SmallCap 600 Low Volatility TR USD. Date source: Morningstar.

Core & Factor Investing

Core Equity: For the Core component of our portfolios, we gain broad exposure to stocks with long term competitive barriers that are purchased and rebalanced based on a price-to-fair value methodology. We purchase multiple sources of subscription-only research that provides discounted cash flow business valuation research to identified companies with defensible businesses that are trading at reasonable prices.

Wide Moat Stocks vs Broader Market

October 2007 to December 2018



Indexes are hypothetical and don't represent actual trading. Past performance is no assurance of future results. Indexes include: Market, DJUS Total Stock Market TR USD; Wide Moat Stocks, Morningstar Wide Moat Focus TR USD. Data source: Morningstar.

Core & Factor Investing

Core: An active index of stocks with competitive barriers selected and rebalanced based on price-to-fair value has provided excellent value-added returns over a broad-market index for its moderately higher volatility. We have the ability to mimic this index in separately managed accounts and potentially provide better transactional and tax-efficient rebalancing over the index's mechanical quarterly rebalancing process.

Core Equity

Competitive barriers:

- Huge market share
- Low-cost producer
- Patents, copyrights, governmental approvals and licenses
- Unique corporate culture
- High customer-switching costs
- The Network Effect

Index Statistics

October 2007 to December 2018

	Market Index	Wide Moat Focus Index
Average Return	6.8%	11.0%
Standard Deviation (Annualized)	16.8%	18.4%
Risk/Return	2.46	1.67
R2	1.00	0.79
Alpha	-	4.3%
Sharpe Ratio	0.130	0.347

Morningstar Wide Moat Focus Index usually contains 40-60 stocks and is rebalanced quarterly based on price-to-fair value ratio. Past performance is no assurance of future results.

Data source: Morningstar



Fixed Income

Philosophically, our approach to fixed income is that investors are typically not compensated adequately enough for gaining too much exposure to fixed income's two main risk factors—maturity and credit risk. We believe investors are best served by a passive, laddered maturity approach using low-cost, “bullet structured” ETFs that mature like individual bonds—thus reducing maturity risk—combined with other actively and passively managed ETFs and Funds.

Fixed Income Portfolio

Security Example

	<u>Yield</u>
Bullet Dec 2019 Corp	1.9%
Bullet Dec 2020 Corp	2.2%
Bullet Dec 2021 Corp	2.4%
Bullet Dec 2022 Corp	2.7%
Bullet Dec 2023 Corp	2.7%
Bullet Dec 2024 Corp	3.2%
Active Managed ETF	3.2%
US Treasury Inflation Protected ETF	2.9%
Floating Rate High Income Fund	3.9%

Average Yield	2.8%
Effective Duration (Years)	3.7
Ave Net Expense Ratio	0.23



Factors to Consider When Selecting a Financial Adviser

The financial adviser you choose not only will have access to intimate detailed information regarding your personal finances, but also will be the individual entrusted to manage your financial future. Make sure your adviser has:

Strong ethics. The integrity of your adviser is of the utmost importance. It is essential that you can be confident that your interests will always come first.

A global perspective. In an ever-changing global economy, your adviser needs to have the resources and expertise to identify investment opportunities both domestically and abroad.

Knowledge and experience. Managing your wealth is about much more than picking stocks or mutual funds; it requires an understanding of economics, corporate finance, asset valuation, and portfolio construction and management.

Industry recognition. While there are a number of reputable credentials in the financial industry, none are as rigorous or as widely respected as the Chartered Financial Analyst® (CFA®) designation. While the CFA designation is an individual and not a firm achievement, SC Capital Advisors has adopted, as a firm, a Code of Ethics based on the high ethical standards promoted by the CFA Institute.



How Is a CFA Charterholder Different?

The CFA charter is awarded to a very select group of investment advisers who have:

- Mastered a rigorous curriculum that requires hundreds of hours of study over at least three years and have passed three increasingly difficult levels of examination.
- Demonstrated their mastery and expertise in applying this knowledge across a broad range of investment-related subjects. Investors recognize the CFA designation as the definitive standard for measuring competence and integrity in the fields of portfolio management and investment analysis.
- Committed to being held to the highest ethical standards in all dealings with investor clients.



More Than Ever—Integrity and Ethics Matter

The CFA designation symbolizes the pinnacle of professional integrity.

- Charterholders must comply with the CFA Institute Code of Ethics and Standards of Professional Conduct, which requires them always to place the client's interests first, to maintain independence and objectivity, and to serve with integrity and honesty.
- Should an ethics-based complaint be lodged against a CFA charterholder, the charterholder is required to disclose these complaints in full detail to CFA Institute and risks losing the right to use the CFA designation.
- CFA Institute continually works with its members and industry authorities to lead the way in setting standards for financial reporting, international accounting, and ethical principles.



The Benefits of Working with a Chartered Financial Analyst

Through its education, standard setting, and advocacy programs, CFA Institute sets the benchmark by which to measure the knowledge, integrity, and professionalism of an investment adviser. When you work with a CFA Institute charterholder, you benefit from:

Proven expertise. Anyone can call themselves a financial adviser. When you work with a CFA charterholder you gain confidence that your adviser has achieved one of the highest distinctions, conferred upon a select group of rigorously trained professionals.

Strong global investment knowledge. Recognition of the CFA Program's globally relevant Candidate Body of Knowledge makes the CFA designation the mark of distinction for investment professionals worldwide.

Institutional-level investment credentials. CFA charterholders are highly prized by institutional money managers as investment analysts and strategists, pension fund managers, and mutual fund portfolio managers. Those who choose to manage private client portfolios bring those same institutional skills to individuals and families.



Contact Us

SC Capital Advisors:

- Registered Investment Advisor
- 100% Fee-Only
- Series 65 only (Investment Advisor License)
- Fiduciary Standard of Care (Client needs above all else)
- No broker-dealer or insurance co. affiliation

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