

## Item 1 – Cover Page



A member of Western & Southern Financial Group

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This Brochure provides information about the qualifications and business practices of Capital Analysts Incorporated (“Capital Analysts”). If you have any questions about the contents of this Brochure, please contact us at **1-800-685-7515** and/or **[www.capitalanalysts.com](http://www.capitalanalysts.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.

Capital Analysts is a Registered Investment Adviser and Broker Dealer/member SIPC. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information from which you determine to hire or retain an Adviser.

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

## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

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

Our Brochure, a copy of which is free, may be requested by contacting Capital Analysts at 1-800-685-7515 or sending an e-mail to: [adv@capitalanalysts.com](mailto:adv@capitalanalysts.com). Our Brochure is also available on our web site [www.capitalanalysts.com](http://www.capitalanalysts.com).

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

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## Item 4 – Advisory Business

Capital Analysts has been a dually registered full-service broker-dealer and Registered Investment Adviser since 1969, providing a hybrid platform for independent financial advisors doing fee and/or commission business. Capital Analysts is a member of Western & Southern Financial Group, a Fortune 500 Company and Cincinnati-based diversified family of financial services companies, and wholly owned subsidiary of Columbus Life Insurance Company.

Capital Analysts offers many different services through its investment advisory programs. One segment of Capital Analysts Investment Advisory business offers clients a written financial plan involving, but not limited to, life planning, estate planning, retirement planning and/or investment planning. These services are generally referred to as “Wealth Management Services” and may or may not include specific investment advice. When financial planning and/or investment advice is provided, the client signs our Advisory Services Agreement. General asset categories may be recommended in the written financial plans. If the client desires specific investment advice, individual investments may be recommended during the implementation phase of the financial plan. Approximately 40% of our investment advisory business entails providing advice or services on matters not involving securities, such as Estate Planning and Life Planning. Approximately 60% of the advisory services we provide are an investment service, which involve the giving of ongoing investment advice to clients.

Capital Analysts offers its own asset management services, provided under Capital Analysts Asset Management Services Agreements (CAAMS and CAAMS Plus), which are typically managed by Financial Advisors on a limited-discretionary basis for a fee based on a percentage of assets under management. The services include investment analysis, allocation of investments in mutual funds and/or general securities, quarterly portfolio statements, and ongoing monitoring services of the client’s portfolio. Additionally, Capital Analysts provides discretionary portfolio management services under the following wrap fee programs: CAAMS Complete, CAAMS Asset Builder, CAAMS Stock Portfolios, CAAMS ETF, CAAMS UMA and CAAMS Focus, CAAMS Select. From time to time, Capital Analysts may act as a sub-advisor to these programs. The assets under these two programs are as follows:

As of 3/31/2011, discretionary Assets under Management, \$724 million

As of 3/31/2011, non-discretionary Assets under Management, \$1.1 billion

Capital Analysts also offers outside management to clients by recommending investment management and asset allocation services rendered by investment management companies. Capital Analysts has entered into agreements with such companies, some of which are affiliated with Capital Analysts. Capital Analysts is affiliated with Fort Washington Investment Advisors, Inc., Touchstone Advisors, Inc., Touchstone Funds, Integrity Life Insurance Company, Lafayette Life Insurance Company and our parent company, Columbus Life Insurance Company, which is owned by another affiliate, Western and Southern Life Insurance Company. Capital Analysts has active sub-advisory relationships with: Fort Washington Investment Advisors, Haverford Trust, Johnson Asset Management, Navellier, Thornburg, Spartan Capital, RNC Genter Capital Management, SeaCap, Uniplan Real Estate Advisors, Congress Asset Management, Todd Investment Advisors, Karpus, Atlanta Sosnoff, Wilbanks Smith and First Fiduciary. These sub-advisors under Capital Analysts CAAMS Select Program are solely responsible for their investment advice and services. Clients are provided with Capital Analysts Written Disclosure Document as well as the sub-advisers Form ADV Part 2 and any additional required disclosure information.

The Capital Analysts Privacy Policy is part of the Advisory Services Agreement and New Account Form. For additional copies of this policy, Capital Analysts Business Continuity Summary, or the Revenue Sharing policy, please contact your Financial Advisor or view online at <http://www.capitalanalysts.com/investors.php>.

Once a client has signed an agreement with a third-party investment manager, compensation may be paid to Capital Analysts and/or Financial Advisors in exchange for introducing clients to the third-party manager and/or for providing ongoing

consultations with clients. The fees paid by clients to third party managers are generally based on a percentage of assets under management. Such fees are set out in the third -party's agreement and Form ADV Part 2.

## **Item 5 – Fees and Compensation**

As Capital Analysts services independent financial advisors, each Capital Analysts office has its own established fee schedule(s). Fees for all advisory services provided are charged separately from any sales commissions. Fees are negotiable and vary depending upon the particular office providing the services, the Financial Advisor performing the services and the complexity and extent of the work provided. There is no usual range of fees as the services provided vary. Fees may be calculated based on the particular services to be provided, on an hourly rate, a fixed fee, a combination of fees and commissions, a percentage of assets under management and/or other methods including a matrix method of determining the fee for services provided. The cost of the investment advisory fees may be greater than if you purchased a portfolio of similar investments through a brokerage arrangement. It is important that the client evaluate the services received in light of the proposed costs. Each client must refer to the Advisory Services Agreement, applicable fee schedule and/or respective CAAMS Program Agreements for the description of the amount, terms of payment, and calculation of the advisory fee, payable in advance or arrears, for their specific situation and debited from their specific custodial account. Fees on advance billed accounts are rebated on a pro-rated basis at the time of termination calculated on the number of calendar days remaining in the quarter. Also, each client must refer to the Advisory Services Agreement, fee schedule(s), and/or their respective CAAMS Program Agreements for information concerning ticket charges, refunds and contract termination.

As broker or agent, we effect security transactions for compensation for our clients. As a principal, we may buy securities for ourselves and may sell securities we own to any client. We, our employees, affiliates and financial advisors may buy or sell for ourselves securities that are also recommended to clients. Capital Analysts does not, as a general practice, buy or sell any securities as principal for its own investment account. Whatever product the Financial Advisor recommends, he or she will do so when there appears to be a definite need and if the product meets the client's current objectives. Purchase of any such products by the client may result in a commission being paid to the Financial Advisor for his or her role as broker or agent, which would be in addition to any fee paid for the services described above. With the exception of its Insider Trading policies and procedures, Capital Analysts does not impose on itself or any person associated with it any restrictions in connection with the purchase or sale, directly or indirectly, of investments for his or her own account. Capital Analysts requires that Financial Advisors disclose any and all conflicts of interest to the client if an investment product is recommended for which Capital Analysts or the Financial Advisor has some financial interest.

It is Capital Analysts' policy to ensure clients are reinstated to their intended position following a trade error. Specifically, if Capital Analysts causes a trade error to occur in a client account that results in a loss, Capital Analysts will reimburse the client. If the trade results in a gain, Capital Analysts will keep that gain.

In the normal course of doing business, both Capital Analysts and/or Financial Advisors affiliated with Capital Analysts receive compensation for the sale of securities including mutual funds, money markets, variable products, stocks, bonds, options, and/or alternative investments. This compensation may be in the form of:

- Commissions, mutual fund loads or new issue dealer concessions based on specific transactions. For any product sold by prospectus or offering circular, please read this document in detail for additional information.
- Advisory fees based on the amount of assets under management or financial planning functions performed by Investment Advisor Representatives of Capital Analysts. These fees are disclosed in the clients' Investment Advisory agreement with Capital Analysts.

- Recurring distribution fees based on assets held in an account (12b-1 and/or management fees). For any product sold by prospectus or offering circular, please read this document in detail for additional information.

Additional forms of compensation received by Capital Analysts may include:

- Cash payments to Capital Analysts from product companies as reimbursements for training and educational expenses incurred by financial advisors or Capital Analysts home office associates when attending educational meetings or conferences held by Capital Analysts or by a product company.
- Cash payments to Capital Analysts for research and due diligence associated with products offered.
- Cash payments to Capital Analysts based on total assets of a product company or group of product companies.
- General marketing and administrative support to be used by Capital Analysts at its discretion.

Capital Analysts offers securities distributed by over 250 product companies and receives additional compensation in one or more of the forms described above from the product companies. It is estimated that in 2011 the total additional compensation for these items will be \$100,000. The amount of additional compensation given by these product companies varies from one company to another. Certain compensation received by Capital Analysts is not shared with Financial Advisors or their Managing Associates.

**We currently receive additional compensation from the following product companies:**

Allianz, Atlas, Anthem CNL, Cole Capital, Dividend Capital, Everbank\*, Hartford, Genworth, Inland, Mewbourne, Nationwide, Prudential, SEI, Touchstone and Wells.

Capital Analysts receives compensation calculated on cash balances in money market funds in accounts held at Pershing LLC (Capital Analysts' Clearing Firm) as well as margin debt interest. Capital Analysts also receives cash compensation from certain advisory platform providers.

In addition to the above, individual Financial Advisors may be reimbursed for the following activities from any firm approved product provider:

- **Approved travel and meeting expenses** incurred by Capital Analysts Financial Advisors when attending educational/due diligence meetings sponsored by the product company.
- **Approved marketing and sales expenses** incurred by Capital Analysts Financial Advisors including general mailings and other marketing efforts, client appreciation meetings or educational seminars for investors or the public.

Please contact Capital Analysts in writing if you need additional information. Please see the Investor Section of the Capital Analysts web site at [www.capitalanalysts.com](http://www.capitalanalysts.com) to obtain this information on an ongoing basis.

Capital Analysts has a policy of not allowing the absorption of ticket charges by product companies and not participating in directed brokerage transactions.

Capital Analysts has a policy of marking up the cost of some transactions executed through Pershing LLC including ticket charges. In addition, Capital Analysts receives compensation calculated on cash balances in money market funds in accounts held at Pershing LLC as well as margin debt interest. Touchstone Advisors, an affiliate of Capital Analysts, manages the Touchstone family of funds. The Touchstone Money Market Funds are utilized as the money market core or sweep option in Capital Analysts brokerage accounts and is the default option in both retirement and non-retirement accounts if a client does not choose a specific money market fund. Touchstone and Capital Analysts have a 12b-1 fee and revenue sharing agreement in which Capital Analysts retains certain revenue generated.

(\*Everbank is a banking and mortgage provider. Affiliation with Everbank by Financial Advisors is approved on an individual basis as an outside business activity.)

Capital Analysts provides incentives, such as sales conferences, for certain advisors the eligibility for which may be based on criteria related to its own investment management services presenting a potential conflict of interest. Capital Analysts may pay a portion of the fees received from any advisory services rendered to the offices where our advisory agents conduct their business. This payment to the office will not result in a higher fee being charged to the client.

Additionally, Capital Analysts may compensate outside Solicitors for client referrals from time to time. Certain Investment Advisor Representatives licensed with Capital Analysts have entered into referral arrangements with solicitors who will be paid compensation for referring clients to Capital Analysts. The compensation paid to the solicitor will be in the form of ongoing payments based on a client's continued use of investment advisory services through Capital Analysts. The payments to the solicitor will be a percentage of the fees paid for investment advisory services. Additionally, if a client utilizes brokerage services through Capital Analysts, a solicitor, if properly licensed, will receive a percentage of compensation earned by the client's financial advisor, such as from commissions, mutual fund loads, and 12b-1 fees. The advisory fees and commissions that Capital Analysts charges its clients are not increased as a result of its solicitor referral arrangements.

All fees are subject to negotiation.

The specific manner in which fees are charged by Capital Analysts is established in a client's written agreement with Capital Analysts. Capital Analysts will generally bill its fees on a quarterly basis. Clients may be billed in advance or arrears each calendar quarter. Clients authorize Capital Analysts to directly debit fees from client accounts. Management fees on discretionary accounts may be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimus contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be refunded, and any earned, unpaid fees will be due and payable.

Capital Analysts' fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. For information on the fees applicable to accounts held at Pershing LLC, please review the Investors section of the Capital Analysts web site at [www.capitalanalysts.com](http://www.capitalanalysts.com). Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Capital Analysts' fee.

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

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

## **Item 7 – Types of Clients**

Capital Analysts provides advisory services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, municipalities, trusts, and other U.S. and international institutions.

Capital Analysts imposes a minimum dollar value of assets for its investment advisory accounts as described below:

Program	Minimum
CAAMS Asset Builder	\$15 k
CAAMS/CAAMS Plus	\$25 k
CAAMS Focus	\$50 k
CAAMS Complete	\$50 k
CAAMS ETF	\$50 k
CAAMS Stock	\$100 k
CAAMS UMA	\$100 k
CAAMS Select	Varies by manager

Specific Financial Advisors and branch offices may impose higher minimums based on the sophistication of their particular marketplace. Accounts falling below that level may be subject to termination or a minimum account fee by Capital Analysts. Additionally, some of the services offered by various independent investment management companies may have their own minimum account requirements.

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

The asset allocation recommended may be different than the actual asset allocation implemented. This is due to a number of factors including when the client may decide to implement only a portion of the plan, or does not agree to implement the specific investments recommended due to market conditions, or may have current holdings that the client does not want to redistribute. The recommendations made will be consistent with the client’s risk tolerance and investment objectives.

### **Capital Analysts Financial Advisor as Portfolio Manager**

Capital Analyst Financial Advisors can analyze a client’s financial situation by looking at personal and financial data, employee benefit programs, business continuation plans and even his/her most recent estate planning arrangements.

The Financial Advisor can coordinate with a client’s attorney, accountant, and other staff to discuss solutions. If the Financial Advisor analyzes a client’s investment portfolio, the security analysis methods may include charting, fundamental, technical or cyclical analysis. Investing in securities involves risk of loss that clients should be prepared to bear.

### **Capital Analysts as Portfolio Manager**

Our investment strategies include wealth management with both long-term solutions and short-term strategies, where appropriate, that coordinate with the client’s risk profile and investment objectives. Our goal is to help allocate the client’s portfolio with the appropriate asset mix to optimize portfolio return within the given level of risk tolerance. Option writing may be used from time to time. Certain research associates of Capital Analysts make up an investment committee that

determines overall investment strategies for the CAAMS Programs.

The Capital Analysts Investment Committee is comprised of a seasoned staff of professionals, including three members who hold the Chartered Financial Analyst® designation. The committee meets weekly to discuss current holdings, potential changes and rebalancing of the models consistent with their investment philosophy.

*CAAMS Complete and Asset Builder* use a sophisticated screening and rating methodology. Capital Analysts Performance Statistics Leaders (CAPSL) is a comprehensive proprietary mutual fund research tool that has over a 20-year track record. On a quarterly basis our research team analyzes a database of over 25,000 mutual funds. Funds are sorted by investment objective. The top 500 funds in each category then undergo a rigorous eight-factor quantitative analysis. Finalists are further subjected to style analysis and a qualitative analysis. The final CAPSL list of 100 funds represents less than 1% of the mutual fund universe. This CAPSL list and ETFs form the basis for CAAMS Complete portfolios.

*CAAMS ETF* melds Capital Analysts' asset allocation models with select Exchange Traded Funds to create portfolios that correlate closely to industry benchmarks. Capital Analysts reviews hundreds of ETFs representing multiple asset classes. We also review our asset allocation models and research which ETFs correlate with them. We then recreate the portfolios using 10-15 ETFs representing different allocation categories and styles, including non-correlating assets such as real estate and commodities. This is followed by strategic and tactical analysis. This approach allows us to reduce tracking error— an unplanned divergence between the price behavior of a portfolio and its benchmark—while at the same time reducing standard deviation through multi-tiered asset allocation. Portfolios are rebalanced and reallocated as necessary.

In *CAAMS Focus* your Financial Advisor can help you analyze your financial and life goals, time horizon and risk tolerance using a specialized objective-defining questionnaire and creating an investor profile. This, in turn, is used to set your asset allocation policy and determine how your portfolio should be structured. Your Financial Advisor can then take advantage of Capital Analysts' extensive proprietary research on more than 10,000 mutual funds to help you select the ones that are most appropriate for the asset allocation model you have chosen.

*CAAMS Stock Portfolios* represent select groups of stocks chosen from the 24 industry groups in the S&P SuperComposite 1500, as represented by the S&P / Morgan Stanley Capital International Global Industry Classification Standard (GICS). These 24 industry groups are across all 10 economic sectors. ETF components of the S&P 1500 may also be used. For global portfolios additional ETFs may be employed.

Capital Analysts applies various fundamental and technical screens to the S&P 1500 and compares the results with current research recommendations of major independent services including Value Line, Standard and Poor's, Argus Research and Zacks Investment Research. Additional Wall Street research is also factored into the stock selection process.

*CAAMS Alternatives Sleeve* is a portfolio of low-correlating asset classes that when added to a well diversified portfolio should dampen volatility and enhance risk adjusted returns. The market risk (beta) of the portfolio is expected to be between .1 and .2. The underlying investments offer liquidity in that they are comprised of open end mutual funds and ETFs. Much like the CAAMS Complete and CAAMS ETF programs, the allocations are chosen, monitored, and rebalanced by the Capital Analysts Research Team. Investments are analyzed on both quantitative and qualitative factors and the weighting scheme is formulated from a mean-variance optimization, with oversight from the Investment Committee.

CAAMS Select Capital Analysts Investment Committee uses a database that evaluates money managers and investment products and strategies. Capital Analysts proprietary quantitative rating methodology and qualitative fundamental analysis, along with style analysis, are used to identify and make available separate account money managers for use with personalized client portfolios. Capital Analysts measures the risk taken to help separate managers from the pack. Comparisons to both peers and appropriate benchmarks are evaluated.

CAAMS UMA portfolios use leading edge strategies and both active and passive investment approaches in this “best of breed” account that combines individual securities, exchange trade funds, and mutual funds. These portfolios are appropriate for investors who are interested in a professionally managed account providing the tax efficiency of individual securities and ETFs, and who want their holdings diversified across asset classes and industry groups

CAAMS Income Strategies uses a sophisticated, ladder approach customized to the portfolio parameters the Client and the Financial Advisor have selected. The Capital Analysts Investment Management & Research Team will customize the portfolio and begin making investments as opportunities arise. Typically, it takes about two weeks to fully invest a portfolio, but this time frame may be shorter or longer depending on the availability of appropriate issues. Capital Analysts Research Team works with multiple bond dealers, which gives the Team the greatest opportunity to view a large inventory to use in the portfolio. To maximize the ladder approach to investing, the portfolio is monitored for redemptions, calls, additional cash deposits and credit watch issues. Income can be drawn from the portfolio or reinvested as cash builds up.

### ***Third Party Portfolio Managers***

Each Portfolio Manager in the CAAMS Select Manager program develops their research methodology investment analysis and risk strategies. Please review the Select Manager’s most current FORM ADV for details.

### **Common risks of investing in certain products**

**Equities** – The price of equities fluctuate due to many factors including changes in interest rates, global events, industry and company specific events, investor expectations, and general market conditions. You may receive more or less than the original purchase price when selling a security. Concentrated positions in equities typically pose additional risks as a downturn in your investment will cause a more significant loss. Diversification assists in reducing concentration risk. If you are transacting individual equity trades by investing through one of the programs where your Advisor is acting as Manager, it is important that you become familiar with the risks and benefits of placing market orders, limit orders, and stop orders. Please see [www.capitalanalysts.com](http://www.capitalanalysts.com) for more detailed information.

**Exchange Traded Funds (“ETFs”)** – While investing in ETFs has similar risks as investing in individual equities, ETFs typically invest in a diverse group of securities. The level of diversification varies by ETF. While ETFs reduce the effects of concentration risk as compared to investing in a singular security, certain ETFs are susceptible to industry, commodity or country risk. Investing in a diverse selection of ETFs would help to reduce this risk. Another important factor to consider with ETFs is that the portfolio of securities in which they invest are typically not actively managed.

**Fixed Income Investments** – One of the most important risks associated with fixed-income securities is interest rate risk, the risk encountered in the relationship between bond prices and interest rates. The price of a bond will change in the opposite direction of movements in prevailing rates. For example, as interest rates increase (decrease) bond prices will decrease (increase). If an investor has to sell a bond prior to the maturity date, an increase in interest rates will mean that the bondholder will experience a capital loss (i.e., selling the bond below its original purchase price).

Reinvestment risk is the risk that the interest rate at which the interim cash flows can be reinvested will decline and thus reinvestments will receive a lower interest rate. Reinvestment risk is greater for longer holding periods.

Default risk is commonly referred to as “credit risk” and is based on the probability that the issuer of the bond may default. Default risk is rated by quality ratings assigned by commercial rating companies.

Call risk is the risk related to call provisions on bond issues. Investors should be made aware of four risks associated with call provisions.

- 1) The cash flow patterns of callable bonds are not known with certainty.
- 2) Since the issuer will call the bonds when interest rates have dropped, the investor is therefore exposed to reinvestment risk. The investor will have to reinvest the proceeds after the bond is called at relatively lower interest rates.
- 3) The potential for capital appreciation of a callable bond is reduced relative to that of a non-callable bond, because its price may not rise much above the price at which the issuer can call the issue.
- 4) If the issue is purchased at a premium, the investor may lose the difference between the purchase price and call price.

Inflation risk arises because the value of the cash flows being received from a bond may actually lose purchasing power over the course of time due to the effects of inflation.

Liquidity risk depends on the ease with which a bond can be sold at or near its current value. The best indicator to measure an issue’s liquidity is the size of the spread between the bid price and the ask price quoted by a dealer. A wider spread on the bond indicates a greater liquidity risk. For investors who plan on holding the bond until its maturity date, liquidity risk is of little value.

Finally, exchange rate risk, which is encountered in non-dollar denominated bonds or bonds whose payments occur in a foreign currency, has unknown U.S. currency cash flows. The dollar cash flows are dependent on the exchange rate at the time the payments are received. For example, consider a bond whose coupon payment is paid out in Japanese yen. If the yen depreciates relative to the U.S. dollar, fewer net dollars will be received. Conversely, if the yen should appreciate relative to the U.S. dollar, the investor will benefit by receiving more net dollars.

**International Investing** – Investing in the global market can assist with diversification of a portfolio but it is important to consider some of the unique risks with such a strategy. Each country has unique rules and regulations covering corporations and their stock markets which offer investors varying degrees of protection. Additionally, investing in foreign markets subjects your investment to currency risk. If the value of the U.S. dollar increases with respect to the country’s currency you are investing in, the value of your investment will be affected negatively.

Additional risk information may be available in a product's prospectus, offering circular or on the product sponsor's web site. Additional product specific risk information is available through the investor section of [www.finra.org](http://www.finra.org). Please review these sources for more detailed information on the risks related to the specific investments in your portfolio.

## **Item 9 – Disciplinary Information**

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Capital Analysts or of its management.

In 2005, Capital Analysts failed to disclose to its customer the details of its revenue sharing agreements with certain mutual fund companies, thereby violating Section 17 (a) (2) of the Securities Act and Rule 10b-10 of the Exchange Act. Capital Analysts was censured, disgorged \$350,000, required to cease and desist, pay a civil monetary fine \$100,000 and retain an independent consultant to conduct a comprehensive review of its revenue sharing program.

Additional disclosures regarding the Registered Broker Dealer can be accessed at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/>.

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

In addition to its financial services and investment advisory services, Capital Analysts is registered as a securities broker-dealer and is a member of the Securities Investor Protection Corporation (SIPC) and Financial Industry Regulatory Authority (FINRA). Capital Analysts may introduce client accounts to Pershing LLC, a broker-dealer and member of the New York Stock Exchange, which provides wholesale brokerage clearing of primarily stocks and bonds. Pershing LLC carries Capital Analysts client accounts on a fully disclosed basis. Capital Analysts is also registered as an introducing broker with the National Futures Association and is licensed to sell insurance products in all 50 states. Capital Analysts is under the indirect ownership and control of The Western and Southern Life Insurance Company, based in Cincinnati, Ohio. The shares of Capital Analysts are owned by Columbus Life Insurance Company, which is a wholly owned subsidiary of The Western and Southern Life Insurance Company. Many of our Managing Associates have signed General Agency contracts with Columbus Life Insurance Company as well as other insurance companies to offer an array of insurance products and services to our clients. Clients may request from their representative a list of the insurance companies with which the representative may have an agent or broker relationship. The Investment Advisor Representative may offer clients only those securities products and investment advisory services approved and offered by Capital Analysts. Capital Analysts is not a general partner in any partnership recommended to a client. Some Financial Advisors are CPAs with independent accounting firms. In addition, Capital Analysts, at times, may act as a Solicitor for other Registered Investment Advisors.

## Item 11 – Code of Ethics

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

Capital Analysts anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Capital Analysts has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Capital Analysts its affiliates and/or clients, directly or indirectly, have a position of interest. Capital Analysts' employees and persons associated with Capital Analysts are required to follow Capital Analysts' Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Capital Analysts and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Capital Analysts' clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Capital Analysts will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Capital Analysts' clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Capital Analysts and its clients.

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

Capital Analysts' clients or prospective clients may request a copy of the firm's Code of Ethics by emailing [adv@capitalanalysts.com](mailto:adv@capitalanalysts.com).

Capital Analysts will not cross trades between client accounts. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

In cases where Capital Analysts may effect a principal transaction, Capital Analysts will fully disclose the transaction to the advisory client and consistent with Investment Advisors Act Rule 206(3)-3. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. Capital Analysts may benefit monetarily from a principal transaction.

## **Item 12 – Brokerage Practices**

Capital Analysts acts as an introducing broker-dealer unless specifically directed by a client or third party manager to place trades with another broker-dealer. Capital Analysts enters all trades through its clearing firm Pershing LLC. Pershing may make a market in securities in which Capital Analysts has acted as broker. Capital Analysts has policies and procedures in place to monitor trade execution provided by Pershing and meet its obligations to receive best execution on behalf of Capital Analysts clients.

## **Item 13 – Review of Accounts**

Managing Associates in every office are provided with supervisory procedures which require the Managing Associates to provide regular review and supervision of the appropriateness of the advice and to review for compliance with regulations relating to all financial plans and investment advisory services developed in the office. Managing Associates are to review and approve Advisory Services Agreements and CAAMS Agreements prior to submission to Capital Analysts. The average number of new financial cases per year is 200. Periodically, Capital Analysts' compliance staff conducts on-site branch office audits to ensure procedures are being complied with and that proper supervision is maintained.

The Capital Analysts Investment Committee monitors the portfolios in the CAAMS discretionary programs. The investment committee meets weekly to discuss current holdings, potential changes and rebalancing of the models and any specific account issues or concerns.

A due diligence review and ongoing monitoring of outside third party managers is conducted by the Capital Analysts' research group.

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

Capital Analysts provides incentives, such as sales conferences, for certain advisors the eligibility for which may be based on criteria related to its own investment management services presenting a potential conflict of interest. Capital Analysts may pay a portion of the fees received from any advisory services rendered to the offices where our advisory agents conduct their business. This payment to the office will not result in a higher fee being charged to the client.

Additionally, Capital Analysts may compensate outside Solicitors for client referrals from time to time. Certain Investment Advisor Representatives licensed with Capital Analysts have entered into referral arrangements

with solicitors who will be paid compensation for referring clients to Capital Analysts. The compensation paid to the solicitor will be in the form of ongoing payments based on a client's continued use of investment advisory services through Capital Analysts. The payments to the solicitor will be a percentage of the fees paid for investment advisory services. Additionally, if a client utilizes brokerage services through Capital Analysts, a solicitor, if properly licensed, will receive a percentage of compensation earned by the client's financial advisor, such as from commissions, mutual fund loads, and 12b-1 fees. The advisory fees and commissions that Capital Analysts charges its clients are not increased as a result of its solicitor referral arrangements.

## **Item 15 – Custody**

Clients should receive at least quarterly statements from the qualified custodian that holds and maintains client's investment assets. Capital Analysts urges clients to carefully review such statements and compare such official custodial records to the performance reports that we may provide to you. The custodial statements are the accurate record in regards to your portfolio and any discrepancies should be brought to the attention of Capital Analysts in writing. Performance reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

Capital Analysts receives discretionary or limited discretionary authority from the client at the outset of a CAAMS advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated risk tolerance and investment objectives for the particular client account.

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

In limited circumstances, individual Financial Advisors may have discretionary authority on a client's CAAMS or CAAMS Plus account. If the Financial Advisor seeks to have discretion the client must sign a separate written discretionary authorization form. In addition the Financial Advisor must be generally approved to offer having discretionary authority to his/her clients by the Chief Compliance Officer of Capital Analysts.

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

Currently, Capital Analysts votes proxies in certain CAAMS portfolio programs. We place our clients' best interest as first and foremost when determining how to vote on a proxy issue. Typically, we will vote the recommendation of the management team. Capital Analysts will abstain from voting any proxies issued by companies that are affiliated with Capital Analysts. To obtain a copy of the Proxy Voting Policy and Procedures, a client may go to our website at <http://www.capitalanalysts.com> or contact their representative. To inquire on how a proxy was voted, the client should contact their representative directly.

Please review the proxy voting policies of selected third party managers, if applicable on their respective Form Adv Part II.

## **Item 18 – Financial Information**

Registered Investment Advisers are required in this Item to provide you with certain financial information or disclosures about Capital Analysts' financial condition. Capital Analysts has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.