



**Form ADV Part 2 A  
The Brochure**

This brochure provides information about qualifications and business practices of Simpson Capital Management. If you have any questions about the contents of this brochure, please contact us at (949) 495-7922 or [david@simpsoncapital.com](mailto:david@simpsoncapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or any state securities authority.

Additional information about Simpson Capital Management is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The CRD (Central Record Depository) reference number for Simpson Capital Management is 111238.

While Simpson Capital Management may refer to itself as a "registered investment advisor" or "RIA", clients should be aware registration itself does not imply any level or skill or training.

**Material Changes (Item #2)**

As this is the first brochure (Form ADV Part 2A) prepared by Simpson Capital Management, no material changes exist because there has been no previous versions.

30872 Calle Barbosa, Laguna Niguel, CA 92677  
(949) 495-7922  
[www.simpsoncapital.com](http://www.simpsoncapital.com)



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## 4. ADVISORY BUSINESS

### INTRODUCTION

Simpson Capital Management (hereafter “Simpson Capital”), is a fee-based investment adviser offering personalized confidential investment management to individuals, families and institutions. Advice is offered through consultation with the client and may include: assessing a client’s assets and liabilities, income and expenses, risk tolerance, tax exposure, and estate planning needs.

Simpson Capital is strictly a fee-only investment manager. Simpson Capital does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. Simpson Capital is not affiliated with entities which sell financial products or securities. No commissions in any form are accepted. No finder’s fees are paid by Simpson Capital.

Simpson Capital does not act as custodian of client assets. The client always maintains asset control. Simpson Capital executes trades for clients under a limited power of attorney.

Simpson Capital was founded in 1999 and its sole owner/principal is David L. Simpson, CFA (hereafter “Mr. Simpson”). Simpson Capital was organized as an S corporation and incorporated in the State of California. The experience, education, and background of Mr. Simpson can be found in the accompanying brochure supplement document.

Simpson Capital has created and maintains a Business Continuity Plan. This Plan identifies procedures relating to an emergency or significant business disruption, including death or incapacitation of the principal of Simpson Capital or any of its representatives. These procedures are designed to enable Simpson Capital or any of its representatives to meet their existing fiduciary obligations to clients.

### INITIAL CONSULTATION

Simpson Capital begins by providing a free initial consultation to the client. Simpson Capital uses the initial consultation to:

1. Introduce the client to Simpson Capital’s firm, its services and staff;
2. Gather information about the client’s investment objectives, financial condition and risk tolerance which Simpson Capital uses in forming its investment advice;
3. Reach an agreement on terms of service and compensation arrangements.

The consultation must be completed before Simpson Capital makes any specific recommendations about the client’s asset allocation or securities to buy or sell. At the conclusion of the initial consultation, the client signs Simpson Capital’s *Investment Advisory Agreement*, which serves as the contract between the client and Simpson Capital, specifying the precise nature of services to be rendered by Simpson Capital and fees paid by the client.

### PORTFOLIO MANAGEMENT SERVICES

The client chooses whether the portfolio management is performed on a discretionary or non-discretionary basis. Simpson Capital primarily seeks to manage client accounts on a discretionary basis, but also offers non-discretionary management services to those clients who choose to execute their own transactions.



Whether discretionary or non-discretionary, Simpson Capital evaluates the client's financial condition and risk tolerance to tailor its security recommendations to meet the client's investment objectives and individual needs. Simpson Capital also allows the client to impose any restrictions on investing in specific securities or types of securities.

Simpson Capital makes ongoing recommendations primarily involving: exchange-listed stocks, mutual funds, index funds, exchange-traded funds (ETFs) and bonds. Simpson Capital does not recommend private placement offerings, margin or leveraged products.

Simpson Capital mails a free quarterly newsletter to all clients along with a portfolio holdings list, account review and fee invoice. This free newsletter is also distributed to prospects and others.

Given capital markets conditions affect the market value of these securities, Simpson Capital monitors client accounts on a daily basis, so it may make any necessary transactions in discretionary accounts or make any necessary recommendations to clients in non-discretionary accounts.

The securities mentioned above reflect a broad range of investment risk, including securities which entail high degrees of risk.

Simpson Capital does not provide any "wrap programs" (programs which bundle brokerage and advisory services under a single comprehensive fee) so all securities recommended by Simpson Capital may include additional transaction charges by the client's broker-dealer/custodian, separate from Simpson Capital's advisory fees.

## **DISCRETIONARY PORTFOLIO MANAGEMENT**

For discretionary accounts, clients grant Simpson Capital limited trading authority (discretionary authority) in their brokerage account by executing the appropriate documents with the broker-dealer/custodians. The discretionary authority allows Simpson Capital to execute securities transactions on the client's behalf, determining which securities and the amount of securities to buy or sell. Clients are notified of all transactions by trade confirmations from their broker-dealer/custodian and through communication with Simpson Capital.

Simpson Capital also requests clients provide written authorization to allow Simpson Capital to automatically deduct its advisory fee from the their account (discussed at greater length in the "FEES AND COMPENSATION" section on page 5 of this firm brochure); however, Simpson Capital does not have the authority to make any other withdrawals from client accounts unless granted by the client.

As all clients are recommended discretionary portfolio management, virtually all of Simpson Capital's portfolio management services are rendered on a discretionary basis. With regard to current discretionary accounts, Simpson Capital has \$13,235,777 discretionary assets under management.

Simpson Capital recommends the client grant discretionary authority to Simpson Capital so it may execute recommendations in a timely fashion, but clients should always review their brokerage account statements to verify trading activity and withdrawals occurring in their accounts.



## **5. FEES AND COMPENSATION**

### **MANAGEMENT FEE FOR PORTFOLIO MANAGEMENT SERVICES**

Simpson Capital is compensated for investment advisory services by a percentage of assets under management. The percentage of assets charged per year (annum) is listed in the following table by asset level.

Under \$1,000,000	1 percent per annum
\$1,000,000 to \$3,000,000	.75 percent per annum
Above \$3,000,000	.5 percent per annum

Simpson Capital may negotiate its management fee and offer discounts to select friends, employees, armed services personnel and family. Simpson Capital charges the above management fee at the end of each calendar quarter. Lower fees for comparable services may be available from other sources. The management fees are charged in arrears and Simpson Capital does not offer refunds on services already performed.

For the first quarter a client engages Simpson Capital or if a client terminates the service during the quarter, the fee is prorated for only those days Simpson Capital rendered its services.

For clients providing written fee deduction authorization to their broker-dealer/custodian, Simpson Capital arranges to have management fee automatically deducted from client brokerage accounts. In this case, client broker-dealer/custodians send statements monthly to clients reflecting the advisory fee paid to Simpson Capital, but clients should verify the accuracy of fees paid. The custodian will not determine whether the fee is properly calculated.

Simpson Capital requests all clients allow for the direct deduction of fees, but for those clients who do not, Simpson Capital invoices clients directly for Simpson Capital's fees. This invoice requires payment within thirty days from the invoice date.

Simpson Capital does not charge any other types of fees or expenses other than its management fee in connection with its advisory services such as custodian fees or mutual fund expenses. Clients may incur brokerage or other transaction fees from their broker-dealer/custodian. Further information on these broker-dealer/custodian expenses can be found later in this brochure in Item #12, Brokerage Practices.

No employee of Simpson Capital accepts compensation for the sale of securities or other investment products including asset-based sales charges or service fees from the sale of mutual funds.

## **6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Simpson Capital does not charge performance-based fees (fees based on gains). None of its client's accounts will be managed side-by-side any performance-based accounts.



## 7. TYPES OF CLIENTS

Simpson Capital does not have any requirements for opening or maintaining an account such as minimum account size. Simpson Capital provides advisory services to various types of clients, including:

1. **Individuals:** Individuals seeking financial planning and management services for their personal accounts.
2. **Institutions:** Simpson Capital provides advisory services to corporations, governments and non-profits seeking management.

## 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Simpson Capital analyzes client financial goals and objectives, income and spending, savings and investments, risks and insurance needs, asset allocation, and tax implications. This analysis seeks to ensure client needs are addressed while making progress toward their financial goals and objectives.

Simpson Capital uses economic and financial analysis to determine the investments in a given portfolio. Simpson Capital seeks to determine the intrinsic value of equities based on a thorough analysis of the fundamental business factors of the stock or bond issuer. This includes: analysis of financial statements, earnings, dividends, management structure, competitive advantages, product offerings, competitors and markets. In essence, this method of analysis evaluates the overall condition of the company (or companies in a mutual fund or electronically traded funds (ETF) to determine whether it is a sound investment.

Despite the fundamental analysis performed by Simpson Capital, any investment in securities carries market risk and investors may lose a portion or all of their principal investment.

The investment strategies used vary depending on client financial goals and risk tolerance. Generally, clients seeking capital preservation with limited risk are managed with passive strategies using fixed income products (e.g. bonds) and index funds whereas clients seeking growth with greater risk are managed with active strategies employing individual issue securities, mutual funds and ETFs.

While Simpson Capital does not engage in day-trading, active strategies may entail additional risk due to a greater frequency in transactions which may involve additional brokerage fees, transaction costs, and taxes.



## 9. **DISCIPLINARY INFORMATION**

Simpson Capital, Mr. Simpson or any of its employee representatives has not had any material legal or disciplinary events in their past. However, in 2011, the State of Corporations revoked Simpson Capital's registration for not submitting a newly required expanded disclosure brochure. The State ordered Simpson Capital to refrain from engaging in investment adviser activity until re-certification was made. Settlement of the order was promptly completed, the disclosure brochure has been submitted and Simpson Capital has been re-certified.

Clients and prospective clients can always view the CRD records (registration records) for Simpson Capital or any of its employee representatives through the SEC's Investment Adviser Public Disclosure (IAPD) website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The CRD number for Simpson Capital and David L. Simpson, its sole employee is 111238.

## 10. **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Simpson Capital is not an insurance agency and none of its employee representatives are licensed as independent insurance agents or have affiliations with the various insurance companies. Simpson Capital or any of its management persons are not registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Simpson Capital or any of its management persons are not registered nor have an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Simpson Capital or its management persons does not have any relationship or arrangement to its advisory business or to its clients with any related persons from the following firm types: broker-dealer, municipal securities dealer, government securities dealer or broker, investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund" and offshore fund), other investment advisor or financial planner, futures commission merchant, commodity pool operator, commodity trading advisor, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer and sponsor or syndicator of limited partnerships. A relationship with related person of these firm types would create a conflict of interest.

Simpson Capital or any of its affiliated employees does not refer clients or prospective clients to third party advisors.



## **11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **CODE OF ETHICS**

Pursuant to SEC Rule 204A-1, Simpson Capital has a Code of Ethics which promotes the fiduciary duty of Simpson Capital and its employee representatives. The Code of Ethics articulates the importance of trust as a foundation in the relationship between an investment adviser and clients and establishes policies and procedures to ensure Simpson Capital and its employee representatives place the interests of the clients first.

The Code of Ethics requires Simpson Capital and its employee representatives adhere to all applicable securities and related laws and regulations. The Code of Ethics also requires Simpson Capital and its employee representatives follow industry “best practices” involving: confidential information, suitability of investments, personal trading on the part of Simpson Capital and its employee representatives, outside business activities of employee representatives, and the disclosure of conflicts of interest. A copy of the Adviser’s Code of Ethics is available upon request for any client or prospective client.

In addition, Mr. Simpson, as designated a Chartered Financial Analyst by the CFA Institute, is bound to conduct the activities of Simpson Capital in accordance with its Code of Ethics:

Members of CFA Institute in its fiduciary capacity (including CFA charter holders and candidates for the CFA designation) must

1. Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in global capital markets.
2. Place the integrity of the investment profession and the interests of clients above their own personal interests.
3. Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
4. Practice and encourage others to practice in a professional and ethical manner which reflects credit on themselves and the profession.
5. Promote the integrity of and uphold the rules governing capital markets.
6. Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Simpson Capital and its related personas are prohibited from recommending to clients; or buying or selling for client accounts any securities which Simpson Capital or a related person has a material financial interest.

Simpson Capital has no proprietary interest in client transactions. However, employee representatives of Simpson Capital may have an interest in client transactions insofar as they may personally invest in mutual funds recommended to advisory clients. These mutual fund transactions involve a conflict of



interest as Simpson Capital or employee representatives may benefit from an increase in price from subsequent purchases by advisory clients.

To address this conflict of interest, Simpson Capital and its employee representatives adhere to the following procedures regarding their personal trading:

1. Simpson Capital and its employee representatives are prohibited from trading in any securities other than mutual funds.
2. Client transactions are always placed ahead of those for Simpson Capital, its management, and its employee representatives;
3. Simpson Capital and its employee representatives generally recommend widely traded investments;
4. Simpson Capital employee representative's personal trading activities are documented and available for review upon request.
5. Neither advisory clients nor employee representatives will have enough funds invested in any given security to move the market in that particular security.

## 12. **BROKERAGE PRACTICES**

Simpson Capital recommends Charles Schwab and Company (hereafter "Charles Schwab") to all advisory clients using Simpson Capital's portfolio management services. Simpson Capital recommends Charles Schwab primarily for its relatively low transaction costs and Simpson Capital's familiarity with its trading platform.

Clients have no obligation to use Charles Schwab for the broker-dealer and custodian, but if clients seek to have Simpson Capital manage their accounts on a discretionary basis, the client's chosen broker-dealer and custodian must allow Simpson Capital to have trading authority within the account.

### **RESEARCH AND OTHER SOFT DOLLAR BENEFITS**

While not a factor in Simpson Capital's recommendation of Charles Schwab, Charles Schwab does offer proprietary research tools and publications created by Charles Schwab and its vendors to their account holders.

Simpson Capital has access to these research tools and publications, but does not access research tools and publications considered "soft dollar benefits", which constitute a conflict of interest. As Simpson Capital and its employee representatives have accounts at Charles Schwab, the benefits of the research tools and publications are already available to Simpson Capital regardless of the client's decision to invest with Charles Schwab.

Simpson Capital uses Charles Schwab's research tools and publications to service all advisory clients regardless of the broker-dealer/custodian they choose to use. Clients who invest with Charles Schwab also have their own access to the research tools and publications as Charles Schwab account holders. Again, clients have no obligation to use Charles Schwab for their broker-dealer and custodian.

### **DIRECTED BROKERAGE AND AGGREGATED ORDERS**

Simpson Capital relies on Charles Schwab (or the broker-dealer/custodian selected by the client) for the execution of transactions and does not direct trades to specific brokers. As such, clients may not receive



the lowest price possible if they were to have their trades directed to specific brokers. Simpson Capital may make the same recommendations for similarly-situated clients and may aggregate client orders.

### 13. **REVIEW OF ACCOUNTS**

For portfolio management clients at a minimum, Simpson Capital reviews all client portfolio asset allocations daily and reviews individual client account holdings on a quarterly basis in conjunction with calculating management fees. The daily and quarterly reviews are conducted exclusively by Simpson Capital's president.

Portfolio management clients are encouraged to meet with Simpson Capital at least once per year to review their account objectives and ensures portfolio management aligns with their current financial condition and goals.

### 14. **CLIENT REFERRALS AND OTHER COMPENSATION**

Simpson Capital will not provide non-clients investment advice or allow a non-client to provide other advisory services to its clients in exchange for economic benefit.

Simpson Capital does not compensate other financial professionals (e.g. accountants, tax preparers) to refer their clients to Simpson Capital for investment advisory services. The use of referral compensation may constitute a conflict of interest.

### 15. **CUSTODY**

Clients engage an independent broker-dealer and custodian to maintain their accounts so Simpson Capital does not have *physical* custody of clients' assets, monies, or securities. However, since Simpson Capital withdraws advisory fees directly from client accounts (as described in the "FEES AND COMPENSATION" on pages 6 and 7 of this disclosure brochure), Simpson Capital is considered to have custody in a limited capacity.

Again, this limited custody is due solely to the direct withdrawal of fees and does not entail all of the same legal and regulatory requirements as an investment adviser with physical custody of clients' assets, monies, or securities. Accordingly, clients only receive account statements from their broker-dealer and custodian (though Simpson Capital may send invoices or other communication).

Fees are deducted quarterly. At that time, a copy of the invoice is sent to the client and a statement in the form of an electronic file is sent to the custodian specifying the client's account number and amount to be deducted.

According to the Department of Business Oversight's Custody Rule, Simpson Capital is deemed not to have custody due to having the following safeguards in place:

- A. Simpson Capital has custody of the funds solely as the consequence of its authority to make withdrawals from client accounts to pay its advisory fees.
- B. Simpson Capital has written authorization from the client to deduct advisory fees from the account held with the qualified custodian.



- C. Each time a fee is directly deducted from a client account, Simpson Capital concurrently:
  - i. Sends the qualified custodian a statement of the amount of the fee to be deducted from the client's account; and
  - ii. Sends the client an invoice itemizing the fee. Itemization includes the formula used to calculate the fee, the value of the assets under management on which the fee is based and the time period covered by the fee.
- D. Simpson Capital has notified the Commissioner in writing by submitting this ADV that Simpson Capital intends to use these safeguards to protect the client's interest.

## 16. **INVESTMENT DISCRETION**

As described in the "ADVISORY BUSINESS" section (pages 3-5 of this firm brochure), Simpson Capital has investment discretion for those advisory clients who elect discretionary portfolio management services. Clients select this option specifically in Simpson Capital's *Investment Advisory Agreement* and sign a trading authorization form with their broker-dealer/custodian.

When advisory clients grant discretionary authority to Simpson Capital, clients may still place restrictions on the advisor, such as a prohibition on investing in specific securities, industries or markets the client chooses. Additionally, unless specifically instructed otherwise by the client, Simpson Capital seeks to maintain diversified investment portfolios for its portfolio management clients and does not concentrate more than 15 percent of a client's investable assets into any non-diversified product (e.g. stock or bond) and does not concentrate more than 50 percent of a client's investable assets into any diversified products (e.g. mutual funds, index funds).

## 17. **VOTING CLIENT SECURITIES**

For any security entailing a voting right in the underlying company, Simpson Capital may have or accept authority to vote client securities. All voting issues, proxies, and solicitations are communicated to the client's broker-dealer/custodian. Upon request, however, Simpson Capital may help explain or answer questions regarding a given voting issue.

## 18. **FINANCIAL INFORMATION**

Simpson Capital is required to disclose additional financial information if it were to charge fees in advance, but as described in the "ADVISORY BUSINESS" section (pages 3-5 of this firm brochure), Simpson Capital charges all advisory fees in arrears. Simpson Capital, its management and employee representatives have no material financial information (e.g. bankruptcies, liens, judgments) in their backgrounds.

All material conflicts of interest under CCR Section 260.238(k) regarding Simpson Capital, its representatives or any of its employees which could be reasonably expected to impair the rendering of unbiased and objective advice are disclosed.



## 19. **REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Simpson Capital has only one principal executive officer (or management person): David L. Simpson. His biographical information is given in the attached brochure supplement document.

Under the “FEES AND COMPENSATION” section of this firm brochure, the subsection titled “*OTHER COMPENSATION*” explains no employee representatives of Simpson Capital is licensed as insurance agents or receives insurance commissions for the sale of insurance products.

Simpson Capital is required to disclose additional information if it: were to charge performance based fees; had any other relationship or arrangement with any issuer of securities; or was ever found liable in either: (a) an arbitration, or (b) a civil, self-regulatory organization, or administrative proceeding. As none of these apply to Simpson Capital, its management persons, or employee representatives, Simpson Capital has no information to disclose in these regards.