



VZD Capital Management LLC  
where clients come first

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*Form ADV Part 2A - Firm Brochure*

*Date of Brochure: March 27, 2018*

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This brochure provides information about the qualifications and business practices of VZD Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us by telephone at (816) 726-7066 or email at [ethel@vzdcap.com](mailto:ethel@vzdcap.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. Registration as an investment advisor does not imply a certain level of skill or training.

Additional information about VZD Capital Management is also available online at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), you can view the Firm's information on this website by searching for VZD Capital Management. You can search for information by using the Firm's name or CRD number. The CRD number for VZD Capital Management is 166514.

# VZD CAPITAL MANAGEMENT, LLC DISCLOSURE BROCHURE

## Item 2 - Material Changes

This Brochure, dated March 27, 2018, represents the annual amendment to VZD Capital Management, LLC's previously published Brochure.

Since the filing of the firm's last annual update Brochure on July 28, 2017, we have made no material changes.

Under regulatory requirements, we will ensure that you receive a summary of any material changes to this and subsequent Disclosure Brochure within 120 days after our fiscal years ends. Our fiscal year ends on December 31, so you will receive the summary of material changes no later than April 30 each year. At that time we will also offer a copy of the most current Disclosure Brochure. We may also provide other ongoing disclosure information about material changes as necessary.

Currently, our Brochure may

be requested by contacting us at (816) 726-7066 or email at [ethel@vzdcap.com](mailto:ethel@vzdcap.com).

Additional information should VZD Capital Management, LLC is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with the firm who are registered as investment adviser representatives of the firm.

# VZD CAPITAL MANAGEMENT, LLC DISCLOSURE BROCHURE

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## Item 4 - Advisory Business

### Description of Advisory Firm

VZD Capital Management, LLC (VZD) is an investment adviser providing consulting and investment management services. Through our Investment Management Services, we give the clients continuously and on-going supervision over client investment accounts. Specifically, VZD continuously monitors a client's account, make investment decisions, and make trades in the account as necessary.

Before the engagement, to provide any of the 2018 preceding investment advisory services, the client is required to enter into one or more written agreements setting forth the terms and conditions under which VZD renders its services.

### Consulting Services

VZD offers hourly advisory consultation to individuals who do not meet the required minimum for on-going discretionary investment management. Through this service, the client responds and make on-site recommendations for a flat fee of \$250.00 up to \$500 depending on the complexity and project requested.

In performing these limited services, VZD is not required to verify any information received from the client or other client's other professions and is expressed authorized to rely on such information. The client is responsible for determining whether to accept advice and if so, for implementing the recommendation. The client is cautioned that the input is highly factually based, according to the actual current circumstances of each client.

### Types of Investments

When providing investment management services, the Firm will typically construct each client's account holding through the use of designated investments, including, without limitation, stocks, bonds, preferred stocks, fixed income instruments and exchange-traded funds (ETF's).

Then, with these particular investments, we will develop an asset allocation mix setting forth the percentage of each investment class into which we feel a client's portfolio should be invested. The allocation is aligned with risk tolerance, goals, objectives of the clients, according to the need for income, growth, capital preservation, or any mixture thereof.

## **Customized Advisory Services Based on Individual Needs**

VZD Capital Management provides fee-based, discretionary investment management services based on the individual needs of each client. This means, for example, that you, the client, are given the ability to impose a minimum level of restrictions on the accounts we manage, including specific investment selection and sectors. We work with each client on a one-on-one basis through interviews and written questionnaires to evaluate the client's investment objective and financial situation.

The clients are documented in writing and reviewed at each quarterly consultation. Individualized investment objectives for each client and household are recorded in writing and acknowledged by the customer. Any restrictions are conducted in writing and must be signed by the client. The engagement includes the implementation and execution of recommendations and rebalancing based upon the appropriate asset allocation. Each quarterly consultation is to ensure the investments are in alignment with client's standard of living, time horizon, and emotional risk tolerance.

Every account will not look identical alike due to size, individual preferences, and date of engagement. VZD strives to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by the firm. It is crucial that you understand that we manage investments for other clients and may give them advice or take action for them or for our accounts that are different from the recommendations we provide to you.

## **Discretionary Assets Under Management**

The number of client assets managed by VZD Capital Management totaled \$22,926,996.00 as of March 27, 2018. This entire amount is managed on a discretionary authority and does not offer non-discretionary options. Minimum account size is currently \$200,000 but subjects to change at any time with notice.

## **Item 5 Fees and Compensation**

### **Fees and Compensation**

Clients are charged for our continuous, fee-based, discretionary investment management services based on a percentage of assets under management. The following is our standard fee schedule used for all clients.

## Assets Under Management

## Annual Percentage Fee

\$200,000 - \$499,000	1.00%
\$500,000 - \$2,999,999	.80%
\$3,000,000 - \$9,999,999	.70%
\$10,000,000 and over	.60%

Fees charged for the investment management services billed based on a percentage of assets under management. Payments are always billed in arrears at the end of the quarter calendar basis. The annual fee is divided by the quarter and provided to the Custodian to collect directly from the managed accounts as outlined in the investment advisory management. Advisory fees are negotiable, and arrangements with any particular client may differ from those described above. The custodian delivers an account statement to the client at least quarterly or monthly showing all disbursements, including advisory fees, deducted from the account. The client is encouraged to review all account statements for accuracy. It is the responsibility of the client and not the custodian to ensure the fees are calculated correctly. The firm does solicit prepayments or collects fees in advance.

In limited and unique circumstances (such as the size of the account), fees and methods of payment are negotiable. If any client household total market value drops to \$200,000 or less, the firm may at its discretion charge an annual management fee of 1.5%

## Business Consulting

VZD Capital Management offers portfolio consultation to clients whom assets do not meet the minimum requirements for our discretionary investment management services. Depending on the complexity and time spent in providing a detailed roadmap an hourly rate of \$250.00 or a flat fee of \$500.00. The client is responsible for the implementation of the recommendations. Plus, VZD coordinates with other professionals such as – Estate Planning Attorneys, CPAs and other centers of influence to work on special projects as requested by the client or prospect.

VZD provides educational seminars and workshops on financial literacy and empowerment. The participants can be charged a flat fee ranging from \$50 to \$150 depending on the cost of venue, food, materials, supplies and guest speakers. The quarterly newsletter is provided complimentary to clients, prospects and archived on the website free of charge.

## **Additional Fees**

Brokerage commissions and/or transaction ticket fees charged by the custodian is billed directly to *Charles Schwab and Co., Inc.* account(s). VZD will not receive any portion of such commission or fees from the custodian or client. Also, clients may incur specific charges imposed by third parties other than VZD Capital Management in connection with investments made through the account, including but not limited to – annuity fees and surrender charges, IRA and qualified retirement plans fees and close out payments by transferring custodians.

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

VZD does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) and consequently does not simultaneously manage performance-based and nonperformance-based accounts.

## **Item 7 - Types of Clients**

- High-Net-Worth Individuals and multigenerational
- Entrepreneurs and small business owner
- Trust and Estates
- Foundations

All clients are required to execute an agreement for services to establish a client arrangement with VZD Capital Management.

## **Minimum Investment Amounts Requirement**

VZD Capital offers investment advisory services on a fee-based, discretionary basis. VZD requires an annual minimum investment of \$200,000 for investment advisory services. VZD in its sole discretion may charge a lesser investment management fee and waive or reduce its minimum asset requirement based upon specific criteria (e.g., anticipated future earning capacity, future additional assets, inheritance and other related accounts.)

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

VZD use the following methods of analysts in formulating our investment advice and managing client's assets. We attempt to measure the intrinsic value of a security by looking at economic and financial factors to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (good time to sell).

VZD utilizes a proprietary process that identifies high-quality companies that can grow their earnings by double-digits but can be purchased at a reasonable valuation. We employ a proprietary process that identifies high-quality companies that can increase their revenues by double digits but acquired at a fair cost. We utilize a bottom-up, growth-at-a-reasonable-price methodology and begin with companies that have one billion in market capitalization or greater. We consider the following aspects of a company to determine if the company is appropriate for our clientele:

- Good management teams
- Double-digit earnings growth
- Strong financial condition
- Solid balance sheet
- Strong free cash flow
- Good return on equity
- Low level of debt to equity ratio

To employ a bottom-up, fundamental approach, we are interested in delving into the companies, looking at their income statements, balance sheets, profitability, competitive positioning, segmentation of their business and their overall business model.

We make long-term security purchases, but may also make a short-term investment, employ “dollar cost averaging” (periodic investing over a specific period), make short sales and make margin transactions. Because some of these investment strategies involve certain additional degrees of risk, they will only be recommended when consistent with the client’s stated tolerance of risk.

Investing in securities involves risk of loss that clients should be prepared to bear. Such risks include market risk, interest rate risk, currency risk, political risk, business risk, among others. Certain trading strategies can affect investment performance through increased brokerage and other transactions.

Because of the inherent risk of loss associated with investing, we are unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market cycles or insulate you from losses due to market declines. Each client’s propensity for risk, however, is thoroughly evaluated, documented, and considered throughout the portfolio management process.

No investment strategy can assure a profit or avoid a loss.



## Item 9 Disciplinary Information

VZD Capital Management is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us, or integrity of the management. We have no information applicable to this item. Neither the firm or Ethel J. Davis have been subject to any disciplinary action as of the date of this Brochure.

## Item 10 – Other Financial Industry Activities and Affiliations

VZD Capital Management is an independent investment advisory firm and only provides investment advisory services. The Firm is not engaged in any other business activities and offers no other functions than those described in this Disclosure Brochure. We do not have any arrangements whereby we recommend (or refer) clients to a third-party investment advisor, nor do we receive referrals from a third investment advisor.

VZD Capital Management has no other financial industry affiliations.

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

VZD Capital Management created a Code of Ethics to help supervise the conduct of employees and/or independent consultants. The Code of Ethics describes the firm's fiduciary duties and responsibilities to clients, and details practices for reviewing the personal securities transactions of supervised laws address insider trading, and details possible for disciplinary measures for violations. Customers may request a copy of the Code of Ethics by sending a written request to Ethel J. Davis, CEO and Portfolio Manager by email at [ethel@vzdcap.com](mailto:ethel@vzdcap.com) or by calling (816) 726-7066.

Employees or independent contractors of VZD Capital Management are permitted to buy or sell securities for their accounts identical to or different from those recommended to clients. However, no person employed by VZD is allowed to favor his or her interest over that of a client or make personal investment decisions based on the investment decisions of advisory clients.

To address potential conflicts of interest, VZD requires that associated persons with access to advisory recommendations provide annual securities holdings reports and quarterly transaction reports to the firm's Chief Compliance Officer. VZD prohibits investing in IPO's and requires prior approval from the Chief Compliance Officer for investing in any private placement (limited offerings).

## Item 12 Brokerage Practices

Clients have the right to act or not act on the financial consulting or other general recommendations of VZD Capital Management. However, for clients signing up for our investment management services, we will be responsible for the implementation of recommendations and therefore responsible for trading and brokerage best execution. VZD is an independent fee-based advisory but utilizes the institutional investment platform of *Charles Schwab & Co., Inc.* Therefore, clients will need to open or transfer their accounts to *Schwab* to participate in VZD's advisory services.

Please note that not all investment advisors recommend or require the use of a specific broker/dealer. Some investment advisors allow clients to select the broker/dealer. However, for compliance and operational efficiency purposes, we have decided to require all investment management clients to open accounts through the Institutional Division of *Charles Schwab & Co., Inc.* unless an exception is granted by the Chief Compliance Officer's approval.

Before engaging VZD Capital in providing investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with VZD Capital setting forth the terms and conditions under which VZD Capital shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian

VZD Capital does not receive client referrals from Charles Schwab & Co., Inc. We chose Schwab to be the custodian of its client's accounts because of the following benefits, some of which may be interpreted as soft dollar benefits:

- A dedicated service group dedicated to VZD Capital Management's accounts.
- Duplicate and batched client statements, confirmations and year-end summaries.
- The ability to have advisory fees directly debited from client accounts.
- Access to universal research reports

Consistent with fiduciary obligations, VZD Capital Management seeks the best execution in all transactions. Best execution is not defined merely as attaining the lowest price, but as the best price obtainable for a specific trade considering all relevant circumstances.

We formally review trading and brokerage practices on at least an annual basis. Transactions implemented by VZD for client accounts are effected independently unless the Firm decides to purchase or sell the same securities for several clients at approximately the same time.

This process is referred to as aggregating orders, batch trading or block trading and is used by the Firm when VZD Capital Management believes such action may prove advantageous to clients. When VZD aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis.

#### **Item 13 Review of Accounts**

For those clients to whom VZD Capital provides discretionary investment management services, account reviews are conducted on an ongoing basis by VZD Capital Portfolio Manager. Portfolios are reviewed on a quarterly, semi-annual, and annual basis per the client's preference. Reviews of all accounts are conducted solely by Ethel J. Davis, CEO and Portfolio Manager.

VZD Capital *may* conduct account reviews on a periodic basis due to a triggering event, such as a change in client investment objectives and financial situation, market corrections, and client request.

Clients will receive account statements, confirmation and other written information regarding their investment directly from their broker/dealer or qualified custodian, VZD Capital Management prepares and delivers various written reports to clients for meetings and requested by the client. Typically, VZD provides such reports at the periodic reviews conducted with the client as agreed. Clients are always encouraged to compare reports supplied by VZD to the account statements delivered from the broker/dealer or qualified custodian.

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

It is VZD Capital Management, LLC, a policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm. VZD policy is not to accept or allow our associated persons to take any form of compensation, including cash, sales award, or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

#### **Item 15 Custody**

Per the disclosure in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On a least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

## **Item 16 Investment Discretion**

Client hires VZD Capital to provide discretionary investment management services, in which case we place trades in a client's account without contacting the client before to the trade. This authority permits VZD to determine the type of securities to fulfill the agreed investment guideline policy(s).

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

The client gives us discretionary authority when they sign a Limited Power of Attorney, Institutional Account Application, and the VZD Investment Advisory Agreement.

## **Item 17 Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, it is the client's responsibility to vote all proxies for securities held in accounts managed by our firm.

## **Item 18 Financial Information**

Registered investment advisers are required in some cases to provide specific financial information and or disclosures about their financial condition. As an advisory firm that maintains discretion over client accounts, we are also required to disclose any economic status that is reasonably likely to impair our ability to meet our contractual obligations. VZD Capital Management, LLC has no additional financial circumstances to report. VZD nor Ethel J. Davis have any unsatisfied liens or judgment, bankruptcies that would impair us from fulfilling any financial obligations.

## **Item 19 Requirements for State-Registered Advisers**

Ethel J. Davis is Managing Member of VZD Capital Management, LLC. For more information about the above individual, please refer to Part B Brochure Supplement.

Kansas registered firms are also required to disclose whether the firm carries professional liability insurance coverage for its investment advisory services. The firm is not expected to take and currently, have professional liability and errors and omissions insurance.

