



## **Aqua Capital Advisors LLC**

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## **Form ADV, Part 2A Brochure**

June 12, 2024

This brochure provides clients and prospective clients with information about Aqua Capital Advisors LLC and the qualifications, business practices, and nature of its services that should be carefully considered before becoming an advisory client. If you have any questions about the contents of this brochure, please contact Mr. Jeff Fang, Chief Compliance Officer, at (310) 492-9681 or [jfang@aquaca.com](mailto:jfang@aquaca.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 administrator.

Any reference to or use of the terms "registered investment adviser" or "registered" does not imply that Aqua Capital Advisors LLC, or any person associated with Aqua Capital Advisors LLC has achieved a certain level of skill or training. Additional information about Aqua Capital Advisors LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Click on the "Investment Adviser Search" link and then search for "Investment Adviser Firm" using the firm's IARD number, which is 151887.

## Item 2 - Material Changes

The purpose of this page is to inform you of any material changes to this brochure. If you are receiving this brochure for the first time, this section may not be relevant to you.

Aqua Capital Advisors LLC (“Aqua”) reviews and updates our brochure at least annually to confirm that it remains current. In preparation for registration with the U.S. Securities and Exchange Commission, we made material changes throughout our brochure since the previous annual update, dated March 19, 2024. Clients and prospective clients are encouraged to review this brochure in its entirety for complete information regarding the changes.

Aqua may at any time update this document and, when applicable, either send a copy of our updated brochure or provide a summary of material changes to our brochure that includes an offer to send a copy of the updated brochure. Clients are also able to download this brochure from the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or you may contact our firm at (310) 492-9680.

As with all firm documents, clients and prospective clients are encouraged to review this brochure in its entirety and are encouraged to ask questions at any time prior to or throughout the engagement.

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## Item 4 - Advisory Business

### Description of the Firm

Aqua Capital Advisors LLC (“Aqua,” “we,” “our,” or “us”) is a privately owned limited liability company headquartered in Los Angeles, CA. We are a registered investment adviser with the U.S. Securities and Exchange Commission. Aqua was founded in 2009 and is wholly owned by Jeff Fang.

We provide fee-only wealth management services and advice. Typically, these services include investment management and financial planning, but “non-securities advice” is also provided and includes insurance planning, estate and trust planning, and advice with respect to family businesses and real estate.

### Fiduciary Duty

Aqua holds itself to a *fiduciary standard*, which means our firm and its associates will act in the utmost good faith for the benefit of their clients and place their client’s interests before their employers or their own interests. As a registered investment adviser (RIA), we are required to put client interests first, which we carry out through a *duty of care* and a *duty of loyalty* as described in detail below. We also voluntarily adopted the CFA Institute’s Code of Ethics and Standards of Professional Conduct to further demonstrate our commitment to our clients and professional conduct.

### *Duty of Care*

The duty of care includes, among other things:

1. the duty to provide advice that is in the best interest of the client;
2. the duty to seek best execution of a client’s transactions where the adviser has the responsibility to select broker-dealers to execute client trades; and
3. the duty to provide advice and monitoring over the course of the relationship.

The duty to provide advice suitable to each client based on a reasonable understanding of the client’s objectives is a critical component of the duty of care. Providing suitable advice includes making a reasonable inquiry into the client’s financial situation, investment experience, and financial goals and then updating this information as necessary throughout the course of the relationship to reflect the client’s changing objectives over time and adjusting the advice we provide to reflect any changed circumstances.

When Aqua has the responsibility to select broker-dealers to execute client trades in discretionary accounts, we seek to trade such that the client’s total cost or proceeds in each transaction are the most favorable under the circumstances. In doing so, we consider the full range and quality of a broker’s services and so the determinative factor is not necessarily the lowest possible commission cost but whether the transaction represents the best qualitative execution. Moreover, we periodically and systematically evaluate the execution we receive on behalf of our clients.

Our duty of care includes an obligation to provide advice and monitoring at a frequency that is in the best interest of the client, taking into account the scope of the agreed relationship. This scope is indicated by the duration and nature of the services as outlined in each client’s advisory arrangement and extends to all personalized advice provided to clients.

### *Duty of Loyalty*

Aqua adheres to a duty of loyalty where we seek to serve the best interests of our clients and never subordinate

the interests of our clients to our own. Simply put, Aqua cannot place its own interests ahead of the interests of our clients. In observance of this duty, we must make full and fair disclosure to clients of all material facts relating to the advisory relationship. Further, we also seek to eliminate or at least expose through full and fair disclosure all conflicts of interest which might incline Aqua, consciously or unconsciously, to render advice that is not disinterested. We believe that in order for disclosure to be full and fair, it should be sufficiently specific so that each client is able to understand the material fact or conflict of interest and make an informed decision whether to provide consent. Consequently, we provide this ADV 2A brochure to all prospective clients at or before entering into a contract so that they can use the information within to decide whether or not to enter into an advisory relationship.

We chose a fee-only fiduciary business model to limit conflicts of interest with our clients and provide unbiased and objective advice. **We respect and value our clients, not only with words, but with our actions.** It's not always what we do for clients that demonstrates our commitment to them, but also what we choose NOT to do. We do not:

- Ignore other assets, held away accounts, dependent needs, insurance, or the like – we plan holistically considering each client's entire balance sheet.
- Ignore the tax implications of investments or actions. We understand clients live in an after-tax world.
- Sell any products. Unlike firms selling mutual funds, insurance, and other commissionable products, our fee-only model means that we do not receive commissions on product sales.
- Outsource key functions of our relationship. The planning process and investments options inform each other; therefore, planning and portfolio construction are integrated, and not outsourced to third-party managers.
- Avoid conversations concerning fees – all our fees are transparent and clearly presented and we welcome and encourage questions and comparisons.
- Hide conflicts of interest. Go ahead and ask us any question – we have nothing to hide and endeavor to be completely transparent.
- Confuse you – we welcome all questions and desire to fully educate you on all aspects of our work, your plan, and our investment recommendations.
- Tell clients we provide unique portfolios and then secretly map clients into one of a few “model” portfolios. This is certainly not unique. With few exceptions such as small accounts with relatively few holdings, we provide unique portfolios for each client.

## Advisory Services Offered

Typically, an interview is conducted to determine the scope of services to be provided. We will disclose any material conflicts of interest that could be reasonably expected to impair the rendering of unbiased and objective advice. We want to provide clients with ample opportunity to evaluate us before deciding and we encourage comparisons and an open dialogue. Should the client wish to engage Aqua for its services, the parties must enter into a written agreement.

During a typical engagement, we will have conversations to get to know you and your family and collect information to ascertain financial goals, human capital, existing holdings, risk preferences and capacity, time horizon, and many other items all of which allow us to perform our duties. Upon a client's request, after understanding you and your circumstances, we will prepare an investment policy statement (IPS) or similar governing document reflecting your investment objectives, time horizon, risk tolerance, as well as any applicable policy or investment constraints. Only after gathering the appropriate information and properly understanding you and your circumstances, do we begin.

### Investment Management Services

Aqua conducts investment management services in client portfolios on a fully discretionary basis, limited only by the client's individual needs and any restrictions imposed on the account. We primarily utilize a diversified portfolio of exchange-traded funds (ETFs) and occasionally mutual funds when making investment purchases in client accounts. Aqua may also occasionally utilize additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry or direction. Aqua may offer investment advice on any investment held by the client at the start of the advisory relationship. We describe the material investment risks for many of the securities that we use under the heading *Specific Security Risks* in *Item 8* below. Clients can establish access online and view their positions and balances at any time. Clients receive periodic statements, at least quarterly, often monthly, from the custodian.

The document governing how we manage accounts for clients (*see investment policy statement (IPS), above*) will be specific enough to provide us guidance while concurrently allowing flexibility to respond to changing market conditions. Since the governing document will to a large extent be a product of information and data provided by the client, the client shall be responsible for review and final agreement.

The portfolio is periodically reviewed and evaluated. Monitoring and optimizing the portfolio is an ongoing duty. We practice asset location, provide tax loss harvesting, tax gain harvesting, and occasionally option strategies. We will rebalance portfolios to maintain optimal allocation while minimizing tax exposures and transactional costs.

### Financial Planning Services

Financial planning is the process of developing a strategy and making decisions for the purpose of meeting a financial goal. The process starts by gathering and analyzing relevant client financial data, client values and goals, and client circumstances and it results in an action plan and/or recommendations, including acknowledgement of other financial issues that deserve attention. Financial planning incorporates the client's assets, liabilities, income, spending, and savings into a single visual picture and seeks to forecast the likelihood of attaining the client's goals. It also influences decision making with regards to the portfolio and other planning topics.

Through our financial planning services, we seek to provide clarity to and answer questions many clients have, with regards to their accounts and retirement & financial goals. For example:

- How am I doing? Can you assist with my goals?
- What can I do to potentially increase my chances of success?
- What if analysis: How can various outcomes be affected by changing circumstances?
- Can I retire early?
- How safe is my family should some event occur?

Advice is provided on the following subjects:

- Financial statement preparation and analysis (including cash flow analysis, planning, and budgeting)
- Insurance planning and risk management
- Investment planning
- Tax reduction planning
- Employee benefits planning
- Retirement planning
- Retirement Income planning



- Estate and Trust planning
- Or other needs as indicated by the client

The conversations and outcomes associated with planning for the above items are incorporated into the financial plan and when clients also engage us for investment management services, influence the portfolio as well. In these instances, the portfolio and the planning inform each other so they are integrated – never outsourced. Like investment portfolios, our financial plans are periodically reviewed and evaluated, and when necessary, revised.

## **General Information**

We communicate with clients periodically to determine if their circumstances have changed such that we would warrant a change in their portfolio, their plan, or otherwise, but it remains each client's responsibility to promptly notify Aqua if there are material changes in their financial situation or investment objectives for the purpose of reviewing, evaluating, and/or revising our recommendations or services.

### *Tailored Services and Client Imposed Restrictions*

Aqua makes individual investment decisions for clients based on a financial review and plan to help clients formulate what Aqua deems to be realistic investment objectives. If requested by the client, we then develop an investment policy in an effort to achieve those objectives. It is the client's responsibility to keep us informed of any changes to their investment objectives.

Clients may request restrictions on the account, such as when a client needs to keep a minimum level of cash in the account or does not want us to buy or sell specific securities or security types in the account. Clients may also trade or effect any change they prefer in their account(s). However, Aqua reserves the right to not accept and/or terminate management of a client's account if we feel that client-imposed restrictions and/or self-trading would limit or prevent us from meeting or maintaining our overall investment strategy for the client.

### *Limitation of Firm Services*

Aqua does not provide accounting, legal, or property and casualty insurance advice. With the client's consent, we will work with the client's other advisors (accountants, attorney, etc.) to assist with coordination and implementation of accepted strategies and planning. The client should be aware that their other advisors generally bill them separately for their services, and these fees will be in addition to ours.

## **Assets Under Management**

Aqua manages client assets in discretionary accounts on a continuous and regular basis. As of April 30, 2024, Aqua had \$120,112,977 of client assets under management.

## **Item 5 - Fees and Compensation**

### **Method of Compensation and Fee Schedule**

#### *Investment Management Services*

An annualized asset-based fee is assessed on those accounts for which we provide investment management services. Our fee is calculated based on blending the tiers noted in the following table:

Assets Under Management	Annual Advisory Rate
Up to \$1,000,000	1.15%
Next \$1,000,001 to \$5,000,000	0.85%
Next \$5,000,001 to \$10,000,000	0.75%
Over \$10,000,001	0.65%

For example, an account with a value of \$1.25 million would be assessed a blended fee that included the first \$1 million of assets at a rate of 1.15% and the remaining \$250,000 at .85%, or a total *blended* advisory services fee of \$3,406.25 per quarter.

Fees for services are negotiable at our discretion. Aqua aggregates related account balances of clients within the same household for purposes of achieving the advisory fee breakpoints listed above. At our discretion, we may also aggregate accounts within the same extended family or accounts where a family member has power of attorney over another family member's account. Should investment objectives be substantially different for any two or more household accounts, requiring different investment approaches, Aqua reserves the right to apply our fee schedule separately to each account. At our discretion, we reserve the right to reduce or waive advisory fees for personal and related accounts, unique individual circumstances, special arrangements, pre-existing relationships, or as otherwise may be determined by a firm principal.

### Financial Planning Services

Aqua offers a fixed fee arrangement for financial planning that generally ranges from \$5,000 to \$10,000. Fixed fees are typically based on the complexity of the client's issues and the anticipated number of hours estimated to provide the requested services. Services to be provided and the anticipated fee range are detailed in the written agreement. Fees for financial planning services are negotiable at our discretion. Additionally, should a client elect to further engage us to provide investment management services, certain financial planning fees during the initial engagement year may be waived at our discretion.

## **Billing Method**

### Investment Management Services

An annualized asset-based fee is assessed and charged quarterly in arrears based on the value of the accounts in a client's portfolio at quarter end. Fees will be calculated based on the fee schedule listed in the client's investment advisory agreement. Fees for partial quarters at the commencement or termination of the advisory agreement will be billed on a pro-rated basis contingent on the number of days the agreement was in effect during the quarter.

For purposes of determining value, securities and other instruments traded on a market for which actual transaction prices are publicly reported shall be valued at the last reported sale price on the principal market in which they are traded (or, if there shall be no sales on such date, then at the mean between the closing bid and ask prices on such date). Other readily marketable securities shall be priced by the sponsor of such securities or the custodian holding such securities.

By signing our advisory agreement, as well as the account custodian agreement, the client authorizes the withdrawal of transactional fees (*see Additional Fees, below*) and investment management services fees from their account. All fees will be clearly noted on the client statement and our firm will send a written notice of the fees to be deducted from their account; this includes the total fee assessed, covered time period, calculation formula utilized, and the assets under management on which the fee has been based.

All investment management fees will be paid out of the assets in the account per the fee schedule in the advisory agreement. The client bears responsibility for verifying the accuracy of fee calculations provided by Aqua; the custodian of record does not verify the fee.

Clients should be aware that there may be discrepancies between the quarterly ending balances on account statements provided by the custodian(s) and quarterly ending balance we utilize to calculate quarterly invoices. These discrepancies are due to the differences between the digital downloadable transaction data provided by our custodian(s) and the policies the custodian(s) employ to prepare account statements. The discrepancies are typically small and related to timing and recognition policies the custodian(s) use to prepare account statements.

### *Financial Planning Services*

Financial planning fees may be paid by check or cashier's check from a US-based bank. Cash, money orders, or similar forms of payment for our engagements are not accepted. Fees are due upon your receipt of our invoice. Non-continuous service engagements that are greater than three months in duration may be billed quarterly in arrears.

## **Additional Fees**

Any custodial or transactional fees (sometimes termed *brokerage fees*) assessed by selected service providers, individual retirement account fees, or qualified retirement plan account termination fees will be borne by the accountholder and are per those provided in current, separate fee schedules of any selected service provider. Fees paid by a client to us for advisory services are separate from any transactional charges a client may pay as well as those for mutual funds, exchange-traded funds (ETFs), exchange-traded notes (ETNs), or other investments of this type.

## **Termination of Services**

Either party may terminate the agreement at any time by providing written notice to the other party. Clients are typically assessed fees for any time or charges we incur in the preparation of a financial plan or investment allocation and/or the number of days an investment account had been under firm supervision. Aqua will promptly return any unearned amount upon receipt of a written termination notice.

For those clients who engage us for investment management services, we will not be responsible for future allocations, transactional services, or investment advice upon receipt of a termination notice. Upon termination, it will be necessary that we inform the custodian serving the account that the relationship between Aqua and the client has been terminated.

## **External Compensation for the Sale of Securities to Clients**

Aqua engages with our clients for fee-only services. We do not charge or receive a commission or mark-up on securities transactions, nor will Aqua or our associates be paid a commission on your purchase of a securities holding that is recommended. Aqua does not receive "trailer" or SEC Rule 12b-1 fees from an investment company recommended. Fees charged by issuers are detailed in prospectuses or product descriptions and clients are encouraged to read these documents before investing. Notably, Aqua and our associates receive none of these described or similar fees or charges.

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

Aqua's investment management services fees will not be based upon a share of capital gains or capital appreciation of the funds or any portion of funds of an advisory contract, also known as performance-based fees.

If a client holds hedge fund or other similarly pooled fund, Aqua prohibits any affiliated entity or employee to engage in or benefit from side-by-side investment management arrangements in the same holding. However, we permit personal investments in such investments that are not also held by clients.

## Item 7 - Types of Clients

Aqua provides services primarily to individuals and families, but may work with pensions, profit-sharing plans, trusts, estates, and charitable organizations. Clients are expected to provide an adequate level of information and supporting documentation to us throughout the term of the engagement. This allows us to determine the appropriateness of our financial planning and/or investment strategy for the client and/or account; source of funds and/or income levels, client or legal agent's authority to act on behalf of the account, among others.

Aqua does not require a minimum dollar value of assets as a condition to manage a client's portfolio.

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

### Methods of Analysis and Investment Strategies

#### Method of Analysis

Decades of reading intellectually honest, independent, and objective research and a healthy curiosity to compare thoughts with peers, combined with decades of real-world experience has shaped our recommendations and advice. We do not have a philosophy or a theory, we allow data, evidence, the client's circumstances, and the wisdom of our experience to inform our advice.

Our analysis of your circumstances naturally includes the basics, but we prefer to know more – what is the nature of your human capital and your spouse's human capital, how well do you understand risk, might you have unexpected adult dependents, might you have a few years of low income just after retirement (great planning opportunities), do you act rationally or emotionally, do you have a plan to sell your business, how would you assess your discipline, have you engaged with estate and trust planning, do you have insurance, are there capital loss carryforwards, do you expect to retire in a different state, etc. With an understanding of your circumstances and where you currently stand, and with an eye to the future and your desired goals, we can then recommend an asset allocation that we believe balances the risk you want to take, the risk you need to take, and the risk you can afford to take.

We recognize the portfolio is important, but understanding the circumstances of the client so we can uncover planning opportunities is equally, if not more important than portfolio selections. It is our view that finding financial planning opportunities and advising clients away from behavioral mistakes can potentially be more beneficial to improving the outcomes for clients over long periods of time.

#### Investment Strategies

Strategies are customized and specific to the circumstances of each client. We do not use model portfolios; however, the components of most portfolios are similar, but vary in proportion. We prefer diversified, low cost,

liquid, passive funds, with low tax costs for inclusion in portfolios, typically. Fund types used most often are ETFs and on occasion, mutual funds. We rarely recommend individual stocks or bonds. Public securities represent the majority share of portfolios; however, we do utilize private funds as well on a limited basis for some high net worth clients for whom we deem such investments suitable. On occasion, we may also engage in limited options selling strategies to generate additional income from certain holdings in a client's portfolio. We seek to construct and maintain investment portfolios that are tax-, fee-, and inflation-efficient.

Strategies typically use a blend of capitalization weight and fundamental or factor weighting. Passive and algorithmic strategies are preferred to active management. The strategic portfolio is certainly important; however, we believe behavioral coaching to be of greater value based on similar conclusions reached in six academic studies, which reflected that individual investor's annual rates of return are, on average, 2% less because of cognitive and emotional biased decision making.

### *Exchange-Traded Funds (ETFs)*

An exchange-traded fund is a type of Investment Company (usually, an open-end fund or unit investment trust) containing a basket of equity, fixed income, and/or commodity investments. An ETF is similar to a mutual fund in that it will primarily invest in securities of companies that are included in a selected market. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like mutual funds, the prices of the underlying securities and the overall market generally affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track that particular sector.

### *Mutual Funds (Open-end Investment Company)*

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase.

### *General Option Strategies*

An option is the right but not the obligation to either buy or sell a specified amount or value of a particular underlying interest at a fixed exercise price by exercising the option before its specified expiration date. An option that gives a right to buy is a call option. An option that gives a right to sell is a put option. Calls and puts are distinct types of options and the buying or selling of one type does not involve the other.

#### *Covered Call Strategy*

A covered call is an option strategy whereby the investor holds a position in a stock and writes (sells) call options on that same stock in an attempt to generate increased income from the stock. Aqua may employ covered calls when we have a short-term neutral view on the stock, and for this reason hold the stock long, and simultaneously hold a short position via the option to generate income from the option premium.

#### *Covered Put Strategy*

Similar to covered calls, a covered put is an option strategy whereby the investor holds a position in a stock and writes (sells) put options on that same stock in an attempt to generate income. Aqua may employ covered puts when we have a short-term view that the underlying stock price will rise, creating the potential for options to expire worthless with the premium retained by the seller.

## Alternative Investments

### *Private Equity*

Private equity consists of investors who invest in private fund(s) and those fund(s) invest directly into private companies or conduct buyouts of public companies that result in a delisting of public equity. Capital for private equity is often raised from investors. In almost all cases, a private equity fund is a private investment vehicle that is typically not registered under federal or state securities laws. So that private equity funds do not have to register under these laws, issuers make the funds available only to certain sophisticated or accredited investors and cannot be offered or sold to the general public. Private funds are generally smaller than mutual funds because they are often limited to a small number of investors and have a more limited number of eligible investors.

## **Investing Involves Risk**

### General Risks of Owning Securities

Investing in securities involves the risk of loss and clients should be prepared to bear that risk. There can be no guarantee that any investment objective or planning goal will be achieved.

### *Exchange-Traded Funds and Mutual Funds*

Prices of the underlying securities of funds held in client accounts and the income they generate can decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of funds held in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

### *Options*

Options involve certain costs and risk such as liquidity, interest rate, market, credit, and the risk that a position could not be closed when most favorable. Selling covered call options may place a limit on upside gains, while selling put options may result in the purchase of a security at a price higher than the current market price.

Accounts utilizing covered calls attempt to hedge risk and increase return by selling covered calls against the individual position in the account. An investor should consider that the risk level in these accounts is changed by the sale of the calls. The upside potential of the account is limited by the sale of the calls and the downside risk is cushioned by the proceeds from the sale of the calls. These accounts will bear the risks of the utilized investment strategy, as described above, but the risk will be somewhat modified by the sale of the covered calls.

### Uncovered Options

When writing (selling) naked calls, the risk is unlimited, since there is theoretically no limit to the rise in price that could be achieved by the underlying stock. The risk in the uncovered put is slightly different from that of the uncovered call in that the risk is not unlimited, however, the investor could lose the entire value of the stock if the stock's value went to zero. Based on this heightened risk, Aqua does not engage in uncovered call writing. We do however engage, on rare occasions, and only when the client absolutely desires to own a specific security, naked put writing. The risk is acceptable in this case because the client already desires to own the security and would have purchased the security if this strategy was not employed. In this instance, the selling of the naked puts, in lieu of, the outright purchase of the stock actually reduces the downside risk vis a vis the outright purchase of the stock because the total loss will be less than an outright purchase because the loss will be cushioned by the income collected for selling the naked puts. The upside risk is also changed. The stock may

climb above the strike price of the put plus the income received for selling it and the value of the position could be higher (an opportunity cost) had the strategy not been employed and the stock purchased outright.

### Alternative Investments

#### *Private Equity*

Investors should consider conducting additional due diligence before investing in private equity. Risks of private equity funds include but are not limited to the following:

- Private equity funds do not trade publicly and are therefore illiquid. An investor generally is not able to exit a private equity fund or is considerably limited to redeem shares in the fund before the fund closes.
- Private equity funds are subject to various other risks, which can vary greatly depending upon the types of investments in which the private equity fund invests.
- Private equity investments often demand long holding periods to allow for a turnaround of a distressed company or a liquidity event such as an IPO or sale to a public company.

## **Item 9 - Disciplinary Information**

Neither Aqua nor any member of our firm has been involved in a material criminal or civil action in a domestic, foreign, or military jurisdiction, an administrative enforcement action, or self-regulatory organization proceeding that would reflect poorly upon our firm's advisory business and integrity.

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

### **Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

Aqua's policies require our firm and personnel to conduct business activities in a manner that seeks to avoid actual or potential conflicts of interest between our firm and employees, and our clients. However, when a conflict of interest cannot be avoided, it is our duty to mitigate and disclose it. Aqua provides disclosure to our clients prior to and throughout the term of an engagement of any conflicts of interest that we believe will or may reasonably compromise our impartiality or independence.

Aqua and our associates are engaged for fee-only advisory services. As such, neither Aqua, our management, nor our associates are registered or have an application pending to register as a Financial Industry Regulatory Authority (FINRA) or National Futures Association (NFA) introducing broker, or as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities. Further, neither Aqua nor a member of our management is, or has a material relationship with any of the following types of entities:

- banking or thrift institution
- lawyer or law firm
- accountant or accounting firm
- insurance company or agency
- pension consultant
- real estate broker or dealer
- sponsor or syndicator of limited partnerships

- 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)

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

### **Code of Ethics Description**

Aqua has adopted a Code of Ethics and Standards of Professional Conduct that sets forth the policies of ethical and professional conduct for all personnel and accepts the obligation not only to comply with the mandates and requirements of all applicable laws and regulation but also to take responsibility to act in an ethical and professionally responsible manner in all professional services and activities. Aqua’s policies include the prohibition against insider trading, circulation of rumors, certain political contribution activities, among others. We provide a copy of our Code of Ethics and Standards of Professional Conduct to clients when we offer the advisory agreement for their signature and when requested.

Firm personnel that are CFA charterholders must also adhere to the CFA Institute’s Code of Ethics and Standards of Professional Conduct.

Firm personnel that are CPWA® designees must also adhere to the Investment and Wealth Institute’s Code of Professional Responsibility.

Firm personnel that are CFP® Professionals must also adhere to the Certified Financial Planner Board of Standards and Code of Ethics. These principles include:

#### Principle 1 – Integrity

An advisor will provide professional services with integrity. Integrity demands honesty and candor, which must not be subordinated to personal gain and advantage. Advisors are placed by clients in positions of trust, and the ultimate source of that trust is the advisor’s personal integrity. Allowance can be made for innocent error and legitimate differences of opinion, but integrity cannot co-exist with deceit or subordination of one’s principles.

#### Principle 2 – Objectivity

An advisor will provide professional services objectively. Objectivity requires intellectual honesty and impartiality. Regardless of the particular service rendered or the capacity in which an advisor functions, an advisor should protect the integrity of their work, maintain objectivity and avoid subordination of their judgment.

#### Principle 3 – Competence

Advisors will maintain the necessary knowledge and skill to provide professional services competently. Competence means attaining and maintaining an adequate level of knowledge and skill and applying that knowledge effectively in providing services to clients. Competence also includes the wisdom to recognize the limitations of that knowledge and when consultation with other professionals is appropriate or referral to other professionals necessary. Advisors make a continuing commitment to learning and professional improvement.

#### Principle 4 – Fairness

Advisors will be fair and reasonable in all professional relationships. Fairness requires impartiality, intellectual honesty and disclosure of material conflict(s) of interest. It involves a subordination of one’s own feelings, prejudices and desires so as to achieve a proper balance of conflicting interests. Fairness is treating others in the



same fashion that you would want to be treated and is an essential trait of any professional.

#### Principle 5 – Confidentiality

Advisors will protect the confidentiality of all client information. Confidentiality means ensuring that information is accessible only to those authorized to have access. A relationship of trust and confidence with the client can only be built upon the understanding that the client's information will remain confidential.

#### Principle 6 – Professionalism

Advisors will act in a manner that demonstrates exemplary professional conduct. Professionalism requires behaving with dignity and courtesy to all who use their services, fellow professionals, and those in related professions. Advisors cooperate with fellow advisors to enhance and maintain the profession's public image and improve the quality of services.

#### Principle 7 – Diligence

Advisors will provide professional services diligently. Diligence is the provision of services in a reasonably prompt and thorough manner, including the proper planning for, and supervision of, the rendering of professional services.

Aqua periodically reviews and may amend our Code of Ethics and Standards of Professional Conduct to ensure currency; all firm access persons are required no less than annually to attest to their understanding and adherence.

Aqua will provide of copy of our Code of Ethics and Standards of Professional Conduct to all clients and prospective clients upon request.

#### *Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest*

Neither Aqua nor any related person are authorized to recommend to a client, or effect a transaction for a client, involving any security in which we or any of our related persons has a material financial interest such as in the capacity as an underwriter, advisor to the issuer, etc.

The firm recognizes that should it act as the advisor to the sponsor of an ERISA-qualified retirement plan (i.e., 401(k) or pension plan) and one of its investment adviser representatives performs in an advisory capacity with one or more of the plan's participants, a potential or implied conflict of interest may occur. The firm may require its employee to cease in this plan participant advisory capacity or, upon disclosure to and approval from the plan sponsor, allow the dual advisory role to continue and with consideration made to offset participant fees.

As noted in Item 4 of this disclosure, Aqua provides financial planning, investment consultation and investment management services to its clients on a fee-only basis. Due to firm offering all these services to a client, a potential conflict of interest may exist. Therefore, the client is under no obligation to act upon the firm's recommendations. If the client elects to act on any of the firm's recommendations, they are under no obligation to affect the transaction through Aqua or one of its recommended providers.

Under Title I of the Employee Retirement Income Security Act of 1974, as amended (ERISA), and the Internal Revenue Code of 1986, as amended (the Code), parties providing fiduciary investment advice to plan sponsors, plan participants, and IRA owners may not receive payments creating conflicts of interest, unless they comply with protective conditions in a prohibited transaction exemption.

On December 18, 2020, the Department adopted PTE 2020-02, Improving Investment Advice for Workers & Retirees, a new prohibited transaction exemption under ERISA and the Code for investment advice fiduciaries

with respect to employee benefit plans and individual retirement accounts (IRAs). Investment advice fiduciaries who rely on the exemption must render advice that is in their plan and IRA customers' best interest in order to receive compensation that would otherwise be prohibited in the absence of an exemption. This exemption expressly covers prohibited transactions resulting from both rollover advice and advice on how to invest assets within the plan or IRA.

In plain English, this means when Aqua, or one of its representatives, recommends rolling over an IRA or an ERISA retirement plan, for example, a 401k plan, or recommends investments in a plan, we cannot charge a fee as it is considered a "prohibited transaction" unless we behave in such a manner to receive an exemption from its prohibition. Aqua recognizes the potential conflict of interest when we recommend to a client to rollover their ERISA retirement plan or IRA. Therefore, we have taken the necessary steps to ensure when we do so, we are taking certain actions and not taking other actions, or otherwise behaving in a manner that permits us to take a fee and be exempt from this prohibited transaction.

The steps we have taken with the intention to be exempt include acknowledging in writing our fiduciary status under Title I of ERISA and the Internal Revenue Code, as applicable, when providing investment advice to the retirement investor and we do this in our advisory agreement. We adopted policies and procedures prudently designed to ensure compliance with the Impartial Conduct Standards; we also do this in our advisory agreement. We must describe in writing the services to be provided and any material conflicts of interest and document the reasons that a rollover recommendation is in the best interest of the retirement investor and provide that documentation to the retirement investor. And finally, we also conduct an annual retrospective review of our compliance with our policies regarding rollovers.

#### *Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest*

Aqua does not trade for its own account (e.g., proprietary trading). Related persons often buy or sell securities similar or identical to those recommended to clients for their accounts. Based on varying investment objectives, we also make recommendations or act with respect to investments for our clients that differ in nature or timing from recommendations made to or actions taken for other clients and/or our employees. However, at no time will Aqua or any related party receive preferential treatment over our clients.

To reduce or eliminate certain conflicts of interest involving personal trading (i.e., trading ahead of a client's order, etc.), firm policy requires restricting or prohibiting a related person's transactions in specific securities transactions. Any exceptions or trading pre-clearance must be approved by Aqua's Chief Compliance Officer in advance of the transaction in any related person's account.

## **Item 12 - Brokerage Practices**

Clients must maintain assets in an account at a "qualified custodian," generally a broker-dealer or bank. We require that our clients use Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated, and unaffiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to.

While we require that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open accounts for you, although we may assist you in doing so.

#### *How We Select Brokers/Custodians*

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that

are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (mutual funds, exchange-traded funds (ETFs), etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates and other fees) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see *Products and Services Available to Us From Schwab*)

### *Your Brokerage and Custody Costs*

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services. However, Schwab receives compensation by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. We have determined that having Schwab execute the trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see *How We Select Brokers/Custodians*).

### *Products and Services Available to Us from Schwab*

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like us. They provide Aqua and our clients with access to its institutional brokerage, trading, custody, reporting, and related services, many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts; others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we generally do not request them) and they are at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab.

Following is a more detailed description of Schwab's support services:

### *Services That Benefit You*

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

### *Services That May Not Directly Benefit You*

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provides access to client account data (such as duplicate trade confirmations and account statements)
- Facilitates trade execution and allocate aggregated trade orders for multiple client accounts
- Provides pricing and other market data
- Facilitates payment of our fees from our clients' accounts
- Assists with back-office functions, recordkeeping, and client reporting

### *Services That Generally Benefit Only Us*

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events (which may include Schwab paying for related travel expenses, entertainment and meals associated with attending)
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment for our personnel.

### *Our Interest in Schwab's Services*

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients and that our selection of Schwab is primarily supported by the scope, quality, and price of Schwab's services (see *How We Select Brokers/Custodians*, above) and not Schwab's services that benefit only us.

## **Directed Brokerage**

Aqua will not allow clients to direct us to use a specific broker-dealer to execute transactions. Clients must use the broker-dealer that Aqua recommends. Not all investment advisers require their clients to trade through specific brokerage firms. By requiring clients to use Schwab, Aqua believes we may be able to more effectively manage the client's portfolio, achieve favorable execution of client transactions and overall lower the costs to

the portfolio.

Since we require most of our clients to maintain their accounts with Schwab, it is also important for clients to consider and compare the significant differences between having assets custodied at another broker-dealer, bank, or other custodian prior to opening an account with us. Some of these differences include, but are not limited to; total account costs, trading freedom, transaction fees/commission rates, and security and technology services. By requiring clients to use Schwab, Aqua believes we may be able to more effectively manage the client's portfolio, achieve favorable execution of client transactions, and overall lower the costs to the portfolio.

Clients with 401(k) or 529 Plan accounts that we agree to manage are not required to use Schwab and may appoint a custodian of their choosing.

## **Aggregating Securities Transactions**

Aqua enters transactions for each client independently and does not aggregate (combine) client orders. We typically place orders for the same security for different clients at different times and in different relative amounts due to, among other things, initial transactions for a new client, differences in investment objectives, cash availability, and order size. The level of participation by different clients in the same security may also be dependent upon other factors relating to the suitability of the security for the client.

Aggregating trades can potentially benefit clients by purchasing or selling in larger blocks in an attempt to take advantage of better pricing or lower trading costs. We do not feel that clients are at a disadvantage when we do not aggregate client orders. We primarily utilize ETFs to manage client accounts, and to a lesser extent mutual funds. The ETFs we utilize generally trade without a transaction fee charged to the client by the custodian. Mutual funds are priced once daily. As the daily price is the same for each investor, we have no opportunity to obtain better pricing through aggregating even if we place trades of the same fund for multiple clients within a single order. Additionally, the broker-dealer/custodians charge each account an individual mutual fund transaction fee regardless of whether we aggregate or not. This prevents us from lowering trading costs through aggregation.

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

### **Review of Client Accounts or Financial Plans and Persons Involved**

Whether and how often we will review a client account depends upon the type of service the client has engaged us to provide. Not all types of agreements automatically include periodic reviews, but typically client accounts are reviewed periodically and at a minimum once per year. All financial planning and investment account reviews are conducted by a firm investment adviser representative.

#### ***Financial Planning and Investment Consultation Services***

Hourly, as-needed financial planning and investment consultation agreements with Aqua terminate upon delivery of the plan or advice to the client. Aqua does not automatically provide ongoing reviews under this type of agreement and is under no obligation to contact a client whose engagement was completed to recommend changes to his or her financial plan, or to any of the recommendations and advice provided in the past. Reviews are an important part of ensuring that a plan continues to meet a client's needs, however, and Aqua encourages all clients to re-engage us for periodic check-ups or portfolio reviews. It is the client's responsibility to initiate these reviews under a new or amended client agreement.

### Investment Management Services Accounts

Aqua reviews investment accounts at least annually, but more often, accounts are reviewed much more frequently. Additional reviews may be triggered by events or research related to a specific holding, a change in our view of the merits of a holding, or information related to the macro-economic climate. Aqua may review portfolio management accounts when considering additional holdings or an increase in one or more current positions. If a client needs to generate cash, adds cash, or if the cash level rises above what our firm believes is appropriate for the investment environment given that client's stated risk tolerance and objectives, this may also trigger a review.

### **Content of Client Provided Reports and Frequency**

Clients will receive account statements sent directly from mutual fund companies, transfer agents, custodians, or brokerage companies where their investments are held. They are urged to carefully review these statements for accuracy and clarity, and to ask questions when something is not clear.

Aqua provides software to clients so they may, at any point in time, see a full accounting of the transactions, positions, and value of any account. Clients are urged to carefully review and compare account statements they have received from the custodian or service provider with the reports or digital display provided by Aqua.

Clients should be aware there may be discrepancies between custodian provided account statements and reports we provide. These discrepancies are due to the differences between the digital downloadable transaction data provided by our custodian(s) and the policies the custodian(s) employ to prepare account statements. The discrepancies are typically small and related to timing and recognition policies the custodian(s) use to prepare account statements.

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

### **Outside Referrals**

Upon your request, you may be provided a referral to various professionals, such as an accountant, banker, insurance agent or an attorney. While these referrals are based on our best information, we do not guarantee the quality or adequacy of the work provided by these referred professionals. We do not have an agreement with or receive fees from these professionals for these informal referrals. Any fees charged by these other entities for their services are separate from fees charged by our firm.

## **Item 15 - Custody**

Client funds and securities will be maintained by unaffiliated, qualified custodians (such as Schwab), banks, broker-dealers, mutual fund companies, or transfer agents and not with or by Aqua or any of our associates. Aqua has limited custody of our clients' funds or securities when the client authorizes us to deduct our management fees directly from the client's account. Clients will receive statements directly from their qualified custodian at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of our fee.

Aqua will not accept or forward client assets (i.e., stock certificates, etc.) errantly delivered to us.

At no time will a firm employee be authorized to have knowledge of a client's account access information (i.e., online 401(k), personal brokerage, or bank accounts), even for the "accommodation" of the client or their legal agent when such access might result in physical control over client assets.

Firm policies restrict Aqua and our associated persons from acting as trustee for or having full power of attorney over a client account. Exceptions are made for family/related clients.

In regard to the Custody Rule, Aqua will remove and refuse all client authorizations to affect a first-party wire, ACH, Journal or check on behalf of a Client unless specific conditions have been met in advance. Aqua will only conduct first-party money movement via wire if the Client has provided the sending custodian a signed first-party wire authorization specifying the account numbers at the receiving financial institution in advance of the transaction and the accounts are registered or titled in the Client's name in the same manner at each institution. Clients choosing to make first-party money transfers via ACH are required to provide account numbers at the Client's sending and receiving financial institutions as part of the initial authorization, and therefore, such a transaction does not constitute custody. Additionally, Aqua will remove and refuse to affect any third-party money movement whether by wire or ACH of any Client unless seven conditions have been met. Those conditions are as follows:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment advisor, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment advisor has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment advisor maintains records showing that the third party is not a related party of the investment advisor or located at the same address as the investment advisor.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Six of these seven conditions necessitate our reliance upon our custodian(s). We have confidence our custodian(s) have implemented proper procedures and documentation with forms to reasonably rely upon their policies and procedures.

Investment account clients are provided with transaction confirmations and summary account statements sent directly from their selected custodian. Typically, these statements are provided on a monthly or quarterly basis, or as transactions occur. Clients are reminded to inform us at our main office if they do not receive these statements in a timely fashion.

## **Item 16 - Investment Discretion**

Our firm provides various forms of investment advisory services (as described in Item 4) under *discretionary* account authority, as stated in the client's written engagement agreement. Similar to a limited power of attorney, *discretionary authority* allows Aqua to implement investment decisions, such as the purchase or sale of a security on behalf of a client account, without requiring the client's prior authorization for each transaction in order to meet stated account objectives. The service provider maintaining the account will specifically limit our firm's authority to the placement of trade orders and the request for the deduction of advisory fees. The client will grant this authorization through the execution of Aqua's written engagement agreement as well as

the selected custodian's account opening documents.

When applicable, our discretionary authority can be impacted by client-directed instructions, restrictions, and limitations.

## **Item 17 - Voting Client Securities**

### *Proxy Voting*

Aqua does not vote client proxies nor provide guidance on the voting of client proxies. Clients maintain exclusive responsibility for directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted as well as making all other elections relative to mergers, acquisitions, tender offers or other events pertaining to the client's investment assets.

### *ERISA*

For accounts subject to ERISA, an authorized plan fiduciary other than Aqua will retain proxy voting authority. Our investment advisory agreement and/or the plan's written documents will evidence and outline this authority.

### *Class Actions and Other Corporate Actions*

Aqua will not offer guidance on or have the power, authority, responsibility, or obligation to take any action with regard to any claim or potential claim in any bankruptcy proceeding, class action securities litigation or other litigation or proceeding relating to securities held at any time in a client account, including, without limitation, to file proofs of claim or other documents related to such proceeding, or to investigate, initiate, supervise or monitor class action or other litigation involving client assets.

### *Receipt of Materials*

Clients typically receive proxies or other similar solicitations sent directly from their selected custodian or transfer agent. If Aqua receives correspondence for a client relating to the voting of their securities, class action litigation, or other corporate actions, we will typically forward the correspondence to the client or another entity (i.e., client counsel, etc.) if so directed.

## **Item 18 - Financial Information**

Aqua does not directly withdraw our advisory fees from a client's bank or investment accounts. We rely on the services of a qualified custodian to conduct this withdrawal of fees. Aqua will not collect fees from a client account for \$1,200 or more for advisory services to be performed six months or more in advance. Aqua and our management do not have a financial condition likely to impair their ability to meet commitments to clients nor have we been the subject of a bankruptcy petition at any time during the past 10 years.





## Form ADV, Part 2B Brochure Supplements

**John P. DeFonso, CFA<sup>®</sup>, CPWA<sup>®</sup>**

CRD # 6406556

**Jeff Fang, CFP<sup>®</sup>**

CRD # 4546975

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June 12, 2024

This brochure provides information about John P. DeFonso that supplements Aqua Capital Advisors LLC Form ADV Part 2A firm brochure. You should have received a copy of that brochure. Please contact Jeff Fang at (310) 492-9681 if you did not receive the full brochure or if you have any questions about the contents of this supplement. Additional information about John P. DeFonso is available on the Securities and Exchange Commission's (SEC) website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Jeff Fang, CFP®

### Item 2 - Educational Background and Business Experience

Jeff Fang, Year of Birth: 1965

#### Education:

- BS Electrical Engineering – University of Alabama; Tuscaloosa, AL
- CERTIFIED FINANCIAL PLANNER™, CFP®; CFP Board, Washington D.C.

#### Business Experience:

- Aqua Capital Advisors LLC; Managing Member, Chief Compliance Officer, Investment Adviser Representative, 2009-Present
- Bank of America/Merrill Lynch & Co.; Assistant Vice President/Wealth Management Advisor, 2002-2009

#### \*Professional Designations:

#### **CERTIFIED FINANCIAL PLANNER™ professional**

Certain persons, as identified in this Supplement below, are certified for financial planning services in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”). Therefore, they may refer to themselves as CERTIFIED FINANCIAL PLANNER™ professionals or CFP® professionals and may use these and CFP Board’s other certification marks (the “CFP Board Certification Marks”). The CFP® certification is voluntary. No federal or state law or regulation requires financial planners to hold the CFP® certification. You may find more information about the CFP® certification at [www.CFP.net](http://www.CFP.net).

CFP® professionals have met CFP Board’s high standards for education, examination, experience, and ethics. To become a CFP® professional, an individual must fulfill the following requirements:

- Education – Earn a bachelor’s degree or higher from an accredited college or university and complete CFP Board-approved coursework at a college or university through a CFP Board Registered Program. The coursework covers the financial planning subject areas CFP Board has determined are necessary for the competent and professional delivery of financial planning services, as well as a comprehensive financial plan development capstone course. A candidate may satisfy some of the coursework requirement through other qualifying credentials. CFP Board implemented the bachelor’s degree or higher requirement in 2007 and the financial planning development capstone course requirement in March 2012. Therefore, a CFP® professional who first became certified before those dates may not have earned a bachelor’s or higher degree or completed a financial planning development capstone course.
- Examination – Pass the comprehensive CFP® Certification Examination. The examination is designed to assess an individual’s ability to integrate and apply a broad base of financial planning knowledge in the context of real-life financial planning situations.
- Experience – Complete 6,000 hours of professional experience related to the personal financial planning process, or 4,000 hours of apprenticeship experience that meets additional requirements.
- Ethics – Satisfy the Fitness Standards for Candidates for CFP® Certification and Former CFP® Professionals Seeking Reinstatement and agree to be bound by CFP Board’s Code of Ethics and Standards of Conduct (“Code and Standards”), which sets forth the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements to remain certified and maintain the right to continue to use the CFP Board Certification Marks:

- Ethics – Commit to complying with CFP Board’s Code and Standards. This includes a commitment to CFP Board, as part of the certification, to act as a fiduciary, and therefore, act in the best interests of the client, at all times when providing financial advice and financial planning. CFP Board may sanction a CFP® professional who does not abide by this commitment, but CFP Board does not guarantee a CFP® professional's services. A client who seeks a similar commitment should obtain a written engagement that includes a fiduciary obligation to the client.
- Continuing Education – Complete 30 hours of continuing education every two years to maintain competence, demonstrate specified levels of knowledge, skills, and abilities, and keep up with developments in financial planning. Two of the hours must address the Code and Standards.

### **Item 3 - Disciplinary Information**

Registered investment advisers are required to disclose certain material facts regarding any legal or disciplinary events that would be material to your evaluation of each officer or a supervised person providing investment advice. No reportable information is applicable to this section.

### **Item 4 - Other Business Activities**

Jeff Fang’s only business is providing investment advice through Aqua.

### **Item 5 - Additional Compensation**

Jeff Fang’s only compensation comes from his regular salary and ownership of Aqua.

### **Item 6 - Supervision**

Jeff Fang serves in multiple capacities at Aqua, including Managing Member, Chief Compliance Officer, and Investment Adviser Representative. As such, he supervises all advisory activities at Aqua. Mr. Fang can be reached at (310) 492-9681.

## John Patrick DeFonso, CFA®, CPWA®

### Item 2 - Educational Background and Business Experience

John DeFonso, Investment Adviser Representative, Year of Birth: 1974

#### Education:

- Bachelors of Science in Economics, The University of Pennsylvania, Wharton School of Business; Philadelphia, PA
- Chartered Financial Analyst (CFA), CFA Institute; Charlottesville, VA
- Certified Private Wealth Advisor (CPWA®), Investments and Wealth Institute; Chicago, IL

#### Business Experience:

- Aqua Capital Advisors LLC; Investment Adviser Representative, 08/2016-Present
- Arxstone Partners, LLC; Managing Member/Chief Compliance Officer/Investment Adviser Representative, 02/2015-Present

#### \*Professional Designations:

##### **Chartered Financial Analyst®**

The Chartered Financial Analyst® (“CFA®”) designation is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute - the largest global association of investment professionals. There are currently more than 90,000 CFA charterholders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

#### High Ethical Standards

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charterholders to:

- Place their clients’ interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

#### Global Recognition

Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today’s quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA charterholders—often making the charter a prerequisite for employment. Additionally, regulatory bodies in 22 countries and territories recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

#### Comprehensive and Current Knowledge

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including

ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning. The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.

More information regarding the CFA® is available at <https://www.cfainstitute.org>.

### ***Certified Private Wealth Advisor®***

The Certified Private Wealth Advisor® (“CPWA®”) designation is an advanced professional certification for advisors who serve high-net-worth clients. It’s designed for seasoned professionals who seek the latest, most advanced knowledge and techniques to address the sophisticated needs of clients with a minimum net worth of \$5 million. Unlike credentials that focus specifically on investing or financial planning, the CPWA program takes a holistic and multidisciplinary approach.

The designation is awarded by the Investment and Wealth Institute, formerly IMCA (Investment Management Consultants Association). The institute has close working relationships with both the Booth School of Business of the University of Chicago and the Wharton School of the University of Pennsylvania. Candidates must first possess a bachelor degree from an accredited school or university, have a minimum of 5 years’ experience in financial services or delivering services to high net worth individuals, successfully complete an extensive background check, prepare extensively and attend a week-long intensive study program and pass a four-hour examination. Candidates must then sign a license agreement, adhere to the Institute’s Code of Professional Responsibility, and commit to completing 40 continuing education credits every 2 years to maintain the designation.

More information regarding the CPWA designation® is available at <https://investmentsandwealth.org/>.

### **Item 3 - Disciplinary Information**

Registered investment advisers are required to disclose certain material facts regarding any legal or disciplinary events that would be material to the evaluation of each officer or a supervised person providing investment advice. Mr. DeFonso has not been the subject of any disciplinary event.

### **Item 4 - Other Business Activities**

Mr. DeFonso is the Managing Member and Chief Compliance Officer of Arxstone Partners, LLC (“Arxstone”); a state registered investment adviser located in Los Angeles, CA. Arxstone does not currently provide advisory services and has no active function beyond its registration with the California Department of Financial Protection and Innovation. Arxstone Aqua Capital Advisors LLC are not affiliated firms and there are no material business relationships between these entities.

### **Item 5 - Additional Compensation**

Mr. DeFonso’s compensation is derived from the business he brings to Aqua.

### **Item 6 - Supervision**

Jeff Fang, Chief Compliance Officer, monitors the advice provided by John DeFonso and supervises the advisory activities of Mr. DeFonso on behalf of Aqua. Mr. Fang can be reached at (310) 492-9681.

Clients that may have questions about the contents of the above brochure supplements should contact Aqua Capital Advisors LLC at (310) 492-9680. Additional information about our firm or an individual representative is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). A search of this site for firms or their associated personnel can be accomplished by name or a unique firm identifier, known as a CRD number. The CRD number for Aqua Capital Advisors LLC is 151887. The CRD numbers of the individuals listed our brochure supplements are listed on the cover page, above.

## FACTS

### WHAT DOES AQUA CAPITAL ADVISORS LLC DO WITH YOUR PERSONAL INFORMATION?

#### Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

#### What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and income
- account balances and transaction history
- assets and risk tolerance

When you are *no longer* our customer, we continue to share your information as described in this notice.

#### How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Aqua Capital Advisors LLC chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Aqua Capital Advisors LLC share?	Can you limit this sharing?
<b>For our everyday business purposes -</b> as permitted by law	YES	NO
<b>For our marketing purposes -</b> to offer our products and services to you	NO	We Don't Share
<b>For joint marketing with other financial companies</b>	NO	We Don't Share
<b>For our affiliates' everyday business purposes -</b> information about your transactions and experiences	NO	We Don't Share
<b>For our affiliates' everyday business purposes -</b> information about your creditworthiness	NO	We Don't Share
<b>For nonaffiliates to market to you</b>	NO	We Don't Share

#### Questions?

Call (310) 492-9680 or go to [www.aquaca.com](http://www.aquaca.com)

**WHO WE ARE****Who is providing this notice?****Aqua Capital Advisors LLC****WHAT WE DO****How does Aqua Capital Advisors LLC protect my personal information?**

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

**How does Aqua Capital Advisors LLC collect my personal information?**

We collect your personal information, for example, when you

- seek advice about your investments
- enter into an investment advisory contract
- tell us about your investment or retirement portfolio
- tell us about your investment or retirement earnings
- give us your contact information

We also collect your personal information from other companies.

**Why can't I limit all sharing?**

Federal law gives you the right to limit only:

- sharing for affiliates' everyday business purposes - information about your creditworthiness
- affiliates from using your information to market to you
- sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

**DEFINITIONS****Affiliates**

Companies related by common ownership or control. They can be financial and nonfinancial companies.

- *Aqua Capital Advisors LLC has no affiliates*

**Nonaffiliates**

Companies not related by common ownership or control. They can be financial and non-financial companies.

- *Aqua Capital Advisors LLC does not share with nonaffiliates so they can market to you*

**Joint Marketing**

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- *Aqua Capital Advisors LLC does not jointly market*