



## **Newport Group Consulting, LLC**

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

## **Managed Account Service**

**March 31, 2020**

This brochure provides information about the qualifications and business practices of Newport Group Consulting, LLC ("NGC" or the "Firm"). If you have any questions about the contents of this brochure, please contact us at 407-333-2905 and/or [NGcompliance@newportgroup.com](mailto:NGcompliance@newportgroup.com).

The information contained in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

NGC is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Newport Group Consulting, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). CRD number 140944.

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### ITEM 2: MATERIAL CHANGES

The following summary discusses material changes to the NGC Form ADV, Part 2A Participant Services (the “Brochure”), dated August 31, 2019. Consistent with the SEC rules we will provide you with a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year, which is December 31, 2019<sup>t</sup>.

*Summary of Material Changes:*

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## ITEM 4: ADVISORY BUSINESS

### A. Background

#### **About Newport Group Consulting, LLC and Newport Group, Inc.**

Newport Group Consulting, LLC (“NGC”) as a Registered Investment Adviser has been in business since April 2006. NGC provides institutional investment and fiduciary consulting services primarily to retirement plans, their sponsors, and their participants. Many of these plans provide for participant-directed investments.

NGC is wholly-owned subsidiary of Newport Group, Inc. (“NGI”). NGI is a provider of retirement plan administration and recordkeeping services. NGI is wholly owned subsidiary of Newport Group Holdings, L.P. Newport Holdings GP I, LLC serves as the General Partner of Newport Group Holdings, L.P.

KIA X (Badger) Investor, L.P., a fund managed by Kelso & Company, indirectly controls NGC, with more than 25% interest in Newport Group Holdings, L.P. Additional information about NGC products, structure and directors is provided on Part 1 of NGC and ADV Part 1 which is available online at <http://www.adviserinfo.sec.gov>.

NGC is affiliated with Newport Group Securities, Inc. (“NGS”), a dually registered investment adviser and broker-dealer and Newport Trust Company (“NTC”), a limited chartered New Hampshire based trust company that provides America’s leading corporations and institutions with institutional trustee and independent fiduciary services for retirement and employee benefit plans. NGS is a wholly owned subsidiary of Newport Group Holding, L.P. and NTC is a wholly owned subsidiary of Newport Group, Inc.

Newport’s management believes that none of the indirect relationships that the Firm may have are material to the business of the registered investment adviser and do not cause a conflict of interest with the activities on behalf of its clients.

#### **About NextCapital Group, Inc.**

NextCapital Group, Inc. (“NextCapital”), through its subsidiaries, is a leading provider of portfolio management and 401(k) managed account software. NextCapital's founding team was responsible for building out the first automated 401(k) portfolio management platform, the first digital wealth advisor and one of the first online banks. NextCapital's wholly owned subsidiary, NextCapital Software, Inc. (“NextCapital Software”), licenses financial and forecasting software to Newport. NextCapital licenses its technology to Newport, but does not serve as an investment adviser to Newport or its clients.

### B. Advisory Services

#### **Managed Account service**

The Managed Account service (“Managed Account”, “MA”, “MA service”) is a web-enabled financial advisory service offered to sponsors of participant-directed defined contribution retirement plans, including 401(k), 457(b) governmental and ERISA 403(b) plans. The responsible plan fiduciaries who wish to offer the Managed Account service to participants in the plan enter into a discretionary management agreement with NGC under which full discretionary management responsibilities are delegated to NGC as provided under § 3(38) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). Plans receiving the Managed Account service are referred to herein as “Plans”, enrolled

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participants as “Participants” and Participant accounts in the Plan are referred to as an “Account” or “Accounts”).

In providing the MA service, NGC utilizes technology provided by NextCapital Group, Inc. (“NextCapital”) that is integrated into Newport Group, Inc.’s retirement plan recordkeeping system. The Managed Account service allows a Participant to develop a savings and investment strategy designed to reach a stated retirement goal, utilizing the registered mutual funds, collective investment funds and/or exchange-traded funds that are designated investment alternatives under the Plan. NGC has no fiduciary responsibility for selecting the designated investment alternatives offered by the Plan.

The Managed Account service will manage the account based on each Participant’s current age provided by the employer, current salary, current account balance, current contributions, and an assumed retirement age of 67 years. Participants may change their anticipated retirement age, and may add information about the value of assets they own outside of the Plan (including any brokerage accounts, savings accounts, other retirement plans, IRAs and financial assets they own) and their anticipated Social Security benefits. Participants also may include information about their spouse’s income, their education level, level of salary risk, other income sources and their health information. All of the information collected is incorporated into a proprietary algorithm to determine the Participant’s retirement income target for his or her Plan account, at the anticipated retirement age. The algorithm will assign a deferral rate and a risk appropriate portfolio for the Participant. By subscribing to the Managed Account service, it is expected that the Participant will periodically update his or her information as necessary or as the information changes.

The Managed Account service may be utilized as a Qualified Default Investment Alternative (“**QDIA**”) for the Plan, and when so utilized, will derive the Participant’s retirement target based on the default assumptions above and the automatic deferral percentage (including any auto-escalation) as required by the Plan document.

The Managed Account service requires the electronic transmission of Participant information to NGI, NGC and NextCapital. The “default” information described above is provided by the Plan sponsor to NGI under confidentiality provisions of its services agreement for record keeping services. The sponsor consents to the disclosure of such information to NGC and NextCapital under its services agreement with NGC. Participants who subscribe to the Managed Account service are required to execute a Managed Account Service Participation Agreement which provides the Participant’s additional consent to the disclosure to NGI, NGC and NextCapital of all information voluntarily supplied by the Participant. NextCapital has adopted data security and privacy standards not less stringent than those that NGI and NGC are subject to under the terms of their respective services agreements with the Plan’s fiduciaries. For example, electronic data is fully encrypted in transit and at rest on both NGI and NextCapital’s servers, and both NGI and NextCapital assume responsibility under their service agreements and applicable state and federal laws to maintain the confidentiality and security of Participant information.

### **Discretionary Management**

NGC provides the Managed Account service to Participants under the authority and discretion delegated to NGC under a written investment management agreement with the Plan’s named fiduciaries, as described in §3(38) of ERISA. NGC, and not the Plan sponsor, is the Plan fiduciary responsible under ERISA for the investment decisions made in

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managing Participant accounts. Participants may not make investment allocation decisions for their Account while enrolled in the Managed Account service.

The Managed Account service will generate multiple simulations of possible retirement outcomes for the Participant. Based on these simulations, the Managed Account service will manage the Participant's allocations among predetermined optimal portfolios such that the Participant's individual retirement target is expected to be achieved in most of the simulations. This optimal set of portfolios that offer the highest expected return for various levels of risk is often referred to as the "efficient frontier." The portfolio that is selected for implementation is the product of optimization enhancements developed by NGC which consider, among other factors, long-term capital markets expectations, volatility, expected return, and correlations among asset classes.

Upon enrolling in the Managed Account service, NGC determines how to transition the Participant's Account and future contributions toward the retirement target. Except as described below, the Managed Account service applies to a Participant's entire Plan account. NGC has no authority to direct investments into "restricted investments", including participant-directed brokerage accounts, employer securities, employer real property or any other alternative that is not a registered mutual fund, collective fund or exchange-traded fund. However, upon a Participant's enrollment, NGC is authorized to reallocate all of the Participant's existing investments, including any allocations to restricted funds. Mandatory investments (e.g., matching contributions required under the terms of the Plan to be allocated to employer stock) are excluded from the Managed Account service. Investments in a Participant-directed brokerage account (also known as "brokerage windows") will be liquidated and the account closed.

### **Plan Account Aggregation**

NGI's record keeping platform provides an account aggregation tool that allows Participants to link external investment accounts to their Plan account. External account information may be incorporated into the Managed Account service. Neither NGI nor NGC has responsibility to inquire or to verify the accuracy of account information imported through the account aggregation tool. Further, since the tool is provided by a third party, neither NGI nor NGC can guarantee or provide support for the functionality and interaction of the account aggregation tool with third-party organizations.

### **No Financial Planning Advice**

It is important to understand that NGC is not providing Participants with personal financial planning advice nor is it attempting to tailor their plan account allocations as part of a broader financial plan. The personal information a Participant provides is used by NGC and NextCapital to ascertain his or her risk profile and in making other decisions about allocating the Participant's Account initially and over time. Participants who desire to have their Plan Account included within a personal financial plan tailored to their specific needs are advised in the Participation Agreement to obtain independent investment advice. If a Participant desires to have his or her personal financial advisor recommend an allocation for the Participant's Plan account, the Participant is advised in the Participation Agreement to not subscribe to the Managed Account service. If an enrolled Participant directs his or her Account based on the advice of a personal financial planner, the MA service will terminate automatically.

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### Limitations on Tax and Estate Planning Suggestions

Any resource or information presented to an individual in conjunction with the Managed Account service is not tax, accounting, or legal advice, and may not be relied upon for the purpose of avoiding any tax liabilities or penalties. NGC does not provide tax, accounting or legal advice. Participants are encouraged to review any planned financial transactions or arrangements that may have tax, accounting or legal implications with their personal professional advisors regarding their particular circumstances.

As described above, investment advice is based on each Participant's specific retirement target. NGC's discretion is restricted by the Plan fiduciaries to certain of the Plan's designated investment alternatives. The Managed Account service excludes certain restricted securities described above, including participant-directed brokerage accounts, employer securities and employer real property. An enrolled Participant may not impose further restrictions on NGC's discretion to allocate the Participant's Account among certain securities or types of securities. A Participant has no discretion to manage any part of his or her Account while enrolled in the Managed Account service. If such discretion is exercised, the Managed Account service is terminated automatically.

NGC does not participate in wrap fee programs.

As of December 31, 2019 there are no assets under management for the Managed Account program. The Managed Account program became effective October 1, 2019. As of December 31, 2019, NGC has \$6,617,811,709 of non-discretionary and \$338,622,624 of discretionary assets under management.

## ITEM 5: FEES AND COMPENSATION

### Managed Account Service Fees

NGC charges an annual fee at the rate of up to 0.50% of the Participant's Account balance. Fees are negotiable by Plan. Fees are calculated monthly in arrears based on the Account balance at month end. Fees are deducted from the Participant's Account in the month following each period end.

**Fee Example:** If the Participant's Account has a balance of \$10,000 as of June 30, the monthly fee of \$4.16 ( $\$10,000 \times 0.50\% \text{ rate} / 12$ ), would be deducted from the Participant's Account in July, and would reflect on the October quarterly statement for the quarter beginning July 1 and ending September 30. Monthly fees are reflected in real time on NGI's participant website.

Fees are charged to all Participants with enrolled Accounts on the last day of the month. NGC's full monthly fee is charged to Participants who enroll in the Managed Account service (or are defaulted into the Managed Account service in the case of a QDIA) during the month. However, no fee is charged for the month if a Participant terminates the service mid-month.

The dollar amount (but not the rate) of NGC's fee will vary as the Participant's Account balance changes. NGC's fee will not vary based on NGC's investment allocation. NGC is the sole recipient of the fee. NGC receives no other fees for the Managed Account service. Specifically, NGC receives no compensation from mutual fund companies or ETF providers or from any other party.

NGC invests a Participant's account among the Plan's designated investment alternatives. Each investment fund that is a designated investment alternative has its own expenses that typically



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include an annual percentage of the fund's assets (an "expense ratio") that is deducted periodically from a fund's investment returns and may include other fees. The fees charged by the funds are in addition to NGC's fees for providing the Managed Account service. Funds selected by the Plan's named fiduciaries are shown on the Participant's annual Plan investment disclosure document from the Plan sponsor, where you may review the fees and investment performance of each fund. You may also find this information in the fund prospectuses.

### Termination

NGC will continue to manage the Participant's Account until (i) the Participant terminates the Managed Account service or (ii) the agreement between the Plan's responsible plan fiduciaries and NGC to provide the Managed Account service to the Plan is terminated. Participants may terminate the Managed Account service at any time by making their own investment allocations, or allocating their plan account among other investment alternatives offered under the Plan. Participants may also cancel by selecting the "Unsubscribe" button from within the Managed Account service's user interface. There are no fees or penalties for cancelling the Managed Account service. Upon termination, the Participant assumes full responsibility for allocating his or her Plan account among the Plan's investment options. Participants who unsubscribe will remain invested according to NGC's most recent allocation until the Participant changes it. Participants also will remain invested in the last NGC allocation if the service agreement between NGC and the Plan fiduciaries is terminated. However, NGC is not responsible for a Participant's investments following termination of the Managed Account service.

No NGC fee is charged for the month of termination unless termination occurs on the last day of the month. This means no fee for the Managed Account service will be deducted from the Participant's Account in the following month. The Participant may notice fees deducted from their Account on the Participant's quarterly statements after the Managed Account service terminates. These "trailing fees" are the total fees for the quarter deducted from the Participant's account for the months in the quarter prior to the month of termination.

### ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

NGC does not engage in Performance-Based Fee and Side-by-Side Management of accounts.

### ITEM 7: TYPES OF CLIENTS

NGC's Managed Account service generally provides portfolio management services to participant-directed retirement plans record-kept by NGL.

NGC's authority to manage participant accounts is derived from a delegation of investment management authority from the named fiduciaries of the retirement plan. Under ERISA, the named fiduciaries are responsible for the investment of the plan's assets and may, under procedures specified in the plan document, delegate investment responsibilities to third parties. The named fiduciaries generally may delegate full discretionary investment responsibilities to an investment manager described in § 3(38) of ERISA. Qualified investment managers under §3(38) include registered investment advisers under the Investment Advisers Act of 1940, such as NGC.



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### ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

- A.** NGC provides asset allocation advice using Modern Portfolio Theory (MPT) and a mean–variance framework. MPT is a paradigm to define how portfolios may be constructed to maximize expected return for a given level of risk. Mean-variance analysis is the process of weighing risk (standard deviation) against expected return. In general, the firm’s approach is to construct portfolios that have the highest expected return for the given level of risk given the opportunity set of asset classes and applicable constraint model.
- B.** Investing in securities involves risk of loss of principal. NGC’s risk management methodology does not protect against loss. Participants should evaluate their ability to withstand market losses prior to investing.

Investments are not guaranteed by any agency or program of the U.S. government or by any other person or entity, and Participants could lose money. Participants should consider one’s investment goals, time horizon and risk tolerance before investing.

- C.** Participants should carefully review the allocation set by the Managed Account service and underlying funds’ prospectuses prior to investing. The following risks may not be all-inclusive, but should be considered carefully before subscribing to the Managed Account service:

**Equity Securities Risk:** Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Different parts of the market can react differently to these developments. Value and growth stocks can perform differently from other types of stocks. Growth stocks can be more volatile. Value stocks can continue to be undervalued by the market for long periods of time. In addition, stock investments may be subject to risks related to market capitalization as well as company-specific risk.

**Fixed Income Securities Risks:** Investments in fixed income securities involves a variety of risks, including that: an issuer or guarantor of a security will be unable to pay obligations when due; due to decreases in liquidity, the manager may be unable to sell its securities holdings at the price it values the security or at any price; and the Portfolio’s investments may decrease in value when interest rates rise. Volatility in interest rates and in fixed income markets may increase the risk that an investment in fixed income securities may go down in value.

**Exchange-traded Funds:** Exchange-traded funds present market and liquidity risks, as they are listed on a public securities exchange and are purchased and sold via the exchange at the listed price, which prices will vary based on current market conditions and may deviate from the net asset value of the exchange-traded fund’s underlying portfolio.

**Exchange-traded Fund (ETF) and Mutual Fund Risks:** ETF or mutual fund performance may not exactly match the performance of the index or market benchmark that the ETF or mutual fund is designed to track for many reasons, including the ETF or mutual fund will incur expenses and transaction costs not incurred by any applicable index or market benchmark; certain securities comprising the index or market benchmark tracked by the ETF or mutual fund may, from time to time, be temporarily unavailable; certain ETFs or mutual funds may use synthetic products to reduce tracking error with the market benchmark tracked by the fund which relies on the synthetic counterparty to carry through with its obligation to pay the agreed upon index return. If that does not occur, the ETF or mutual fund risks incurring

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losses that would impact investors; and supply and demand in the market for either the ETF and/or for the securities held by the ETF or mutual fund may cause the ETF or mutual fund shares to trade at a premium or discount to the actual net asset value of the securities owned by the ETF or mutual fund.

**Category or Style Risk:** During various periods of time, one category or style may underperform or outperform other categories and styles.

**Market Risk:** The price of a security, bond, or mutual fund and/or exchange-traded fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.

**Market Trading Risk:** The risk that an active secondary trading market for a fund does not continue once developed, that a fund may not continue to meet a listing exchange's trading or listing requirements, or that a fund's shares trade at prices other than the fund's net asset value.

**Non-Diversification Risk:** Some funds may be classified as a "non-diversified" portfolio which means it may hold fewer securities than a diversified fund because it may invest a greater percentage of its assets in a smaller number of securities. Holding fewer securities increases the risk that the value of a fund could go down because of the poor performance of a single investment.

**Foreign Investment Risk:** Investments in foreign securities may be riskier than U.S. investments because of factors such as unstable international, political and economic conditions, currency fluctuations, foreign controls on investment and currency exchange, foreign governmental control of some issuers, potential confiscatory taxation or nationalization of companies by foreign governments, withholding taxes, a lack of adequate company information, less liquid and more volatile exchanges and/or markets, ineffective or detrimental government regulation, varying accounting standards, political or economic factors that may severely limit business activities, and legal systems or market practices that may permit inequitable treatment of minority and/or non-domestic investors. Investments in emerging markets may involve these and other significant risks such as less mature economic structures and less developed and more thinly-traded securities markets.

**Currency Risk:** The performance of a fund may be materially affected positively or negatively by foreign currency strength or weakness relative to the U.S. dollar, particularly if a fund invests a significant percentage of its assets in foreign securities or other assets denominated in currencies other than the U.S. dollar.

**Derivatives Risk:** The use of derivatives is a highly specialized activity that involves a variety of risks in addition to and greater than those associated with investing directly in securities, including the risk that: the party on the other side of a derivative transaction will be unable to honor its financial obligation; leverage created by investing in derivatives may result in losses to the portfolio; derivatives may be difficult or impossible for the portfolio to buy or sell at an opportune time or price, and may be difficult to terminate or otherwise offset; derivatives used for hedging may reduce or magnify losses but also may reduce or eliminate gains; and the price of commodity-linked derivatives may be more volatile than the prices of traditional equity and debt securities.

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**Interest Rate Risk:** the risk that fixed-income securities will decline in value because of an increase in interest rates; a fund with a longer average portfolio duration will be more sensitive to changes in interest rates than a fund with a shorter average portfolio duration.

**Credit Risk:** the risk that a fund could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a derivative contract, is unable or unwilling to meet its financial obligations.

**Issuer Risk:** the risk that the value of a security may decline for reasons directly related to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or service.

**Liquidity Risk:** the risk that a particular investment may be difficult to purchase or sell and that a fund may be unable to sell illiquid (*non-marketable*) securities at an advantageous time or price.

**Mortgage-Related and Other Asset-Backed Risk:** the risks of investing in mortgage-related and other asset-backed securities, including interest rate risk, extension risk and prepayment risk.

**Leveraging Risk:** the risk that certain transactions of a fund, such as reverse repurchase agreements, loans of portfolio securities, and the use of when-issued, delayed delivery or forward commitment transactions, or derivative instruments, may give rise to leverage, causing a fund to be more volatile than if it had not been leveraged.

**Management Risk:** the risk that there is no guarantee that the investment techniques and risk analyses applied by an investment manager will produce the desired results, and that legislative, regulatory, or tax developments may affect the investment techniques available to a particular investment/portfolio manager in connection with managing a fund and may also adversely affect the ability of a fund to achieve its investment objective.

**Inflation Risk:** When any type of inflation is present, purchasing power may be eroding at the rate of inflation.

**Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This relates primarily to fixed income securities.

### Additional Risk Considerations

#### Technology

The use of a technology service and algorithm to provide investment advice, such as that used by the Managed Account service, contains risks that may not otherwise be present with other investment advice services. Risks include, but are not limited to, providing advice with limited information, not incorporating all factors that may be relevant to the individual's situation, incorrect information used or unforeseen errors in calculations. Software integrations between NextCapital Group and NGL's recordkeeping system can present unforeseen risks and errors. The management of assets is limited to the investment in the employer-sponsored defined contribution account and will not manage any other investment accounts held by the participant. Other accounts can be used as a factor for the advice in a limited context. The Managed Account service is not a comprehensive financial advisory service as the service is limited to investing the assets held in the Participant's Account. The Managed Account service is limited to retirement savings and investment through the Plan only. NGC does not provide personal

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financial advice (for example, NGC will not advise a Participant whether or how to take distributions from the Plan or what to do with a distribution from the Plan). Other risks associated with investing identified in this brochure also exist with investing in the Managed Account service and investing in general.

### **Risks Associated with Using an Algorithm**

The algorithms used by the Managed Account service are designed by NextCapital using inputs and assumptions from NGC. The objective of the algorithms are to reflect NGC's investment philosophy along with generally accepted financial principles for investing retirement plan assets and apply them to individuals using their personalized information. The algorithms are intended to implement a long-term strategic investment strategy, rather than a short-term tactical strategy based upon near-term market movements or expectations of future market outcomes. These models and systems entail the use of sophisticated statistical calculations and complex computer systems, and there is no assurance that the Managed Account service will be successful in carrying out such calculations correctly. The use of algorithms does not suggest that investment returns will be greater than alternative investment strategies, nor does it suggest that the portfolio will not experience losses. The ability of the Managed Account service and the underlying algorithms to successfully implement the intended investment strategy is dependent on many factors, including the mathematical components of the model, the data quality of the information used by the algorithm, changes in market conditions, or other unforeseen factors. All of these factors include the potential for human and other errors. While NGC has established certain systematic rules and processes for monitoring Participant portfolios to ensure they are managed in accordance with their investment objectives, there is no guarantee that these rules or processes will effectively manage the risks associated with algorithms in all market conditions.

### **Accuracy of Information**

NGC bases its investment decisions for the Managed Account service on the information provided by the Plan's named fiduciaries and/or Participants. As such, if a named fiduciaries and/or Participant were to provide NGC with inaccurate or false information, or fail to provide material information, the quality and applicability of the Managed Account service may be materially impacted. Additionally, NGC may utilize data and information from one or more third party data providers in order to evaluate and analyze securities. If such data and/or information were to prove inaccurate, false or otherwise materially compromised, the Managed Account service may be materially impacted.

### **Cyber Security Risk**

With the increased use of technologies such as the internet to conduct business, NGC is susceptible to operational, information security, and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and may arise from external or internal sources. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information; corrupting data, equipment, or systems; or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users).

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### ITEM 9: DISCIPLINARY INFORMATION

NGC has no disciplinary information to report.

### ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Principal executive officers, other employees and independent contractors of NGI may be Registered Representatives (“RR”) of NGS and/or Investment Adviser Representatives of NGC. Additionally, certain individuals are or may be licensed as insurance agents or brokers for one or more affiliated insurance companies.

When acting as an Investment Advisor Representative (“IAR”), individuals associated with NGC operate under a strict fiduciary standard. Apart and aside from NGC’s fee-for-service investment consulting business, when acting in both IAR and RR capacities, individuals associated with NGC and NGS are said to be acting in a “dual capacity.”

Employees of NGI are not provided additional compensation for the sale of securities or investment advisory services. Independent Contractors associated with NGC have written agreements in place pertaining to their services offered and compensation paid to them by NGC. Each Independent Contractor is held to the same ethical standards as employees and are required to comply with applicable policies and procedures including NGI Code of Ethics.

NGI and its affiliates may provide recordkeeping, plan administration and/or custodial services to unaffiliated asset managers and/or their affiliates. These asset managers pay fees for these services directly to applicable Newport affiliates. In addition, these asset managers may provide sponsorship and/or attend NGI’s annual conference that brings together thought leaders within the retirement industry. NGC may or may not recommend their investment strategies to clients. NGC neither prefers nor avoids asset management firms who have any such relationships when determining whether an investment strategy meets NGC’s manager selection and monitoring criteria as described herein. The Firm will keep supporting documentation as to why any given investment strategy was recommended to clients that are provided investment consulting services through NGC.

NGC does not receive any direct or indirect compensation from asset managers for the selection of their investment strategies.

### ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

#### Code of Ethics

Pursuant to the Investment Advisers Rule 204A-1, Newport has adopted various policies, including a Code of Ethics (the “Code”) to address the potential for self-dealing and conflicts of interest which may arise with respect to personal securities trading by employees, officers and other affiliated individuals (“Access Persons”). The Code not only applies to Access Persons but also members of their immediate family (as defined in the Code), which includes relatives living in the Access Persons principal residences. The Code and other polices cover, among other things, the protection of confidential information, including the client’s non-public information;

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the review and monitoring of the personal securities accounts of certain NGI personnel for evidence of manipulative and insider trading; and training of personnel.

NGC acts as an investment consultant on the retirement plan for several mutual fund companies. Independently, NGC evaluates the funds of these companies for consulting clients. NGC manages this conflict of interest by separating NGI employees who provide service to the retirement plan from those who evaluate the funds. The individuals who provide service to the retirement plans and the individuals that evaluate the funds do not receive compensation based on the revenue that the firm receives as an investment consultant.

NGI employees responsible for developing the asset allocation models and the algorithms that derive the basis for the Managed Accounts may participate in the Managed Account service offered to NGI's employees. As described above, the Managed Accounts are limited to the investment options available within each unique Plan. In some cases NGC may be engaged as a 3(38) advisor with full discretion in choosing the investment menu for a Plan.

### Personal Trading Policy

Newport has adopted a uniform insider trading policy and personal securities reporting requirement to identify and mitigate other conflicts of interest.

In general, this policy covers personal trading of all Newport employees deemed as "Access Persons" of the Firm and includes the following restrictions on personal trades:

- NGI's Access Persons under the Code are subject to additional, specific requirements with respect to their personal securities transactions, including disclosure of all securities holdings on an annual basis, certain reporting on transactional and quarterly basis and post review of transactions for certain designated securities and offerings.
- A director, officer or employee of NGC shall not buy or sell securities for their own personal portfolios where their decision is substantially derived, in whole or in part, from information received by reason of their employment unless the information is also available to the investing public upon reasonable inquiry.

You may obtain a copy of NGI's Code of Ethics by writing to the address listed on the cover page.

### ITEM 12: BROKERAGE PRACTICES

- A. NGC does not receive "soft dollars benefits" to utilize research, research related products and/or other services obtained from broker-dealers.
- B. NGC does not recommend broker-dealers for client referrals.
- C. NGC does not recommend, request or require clients to direct NGC to execute transactions through a specified broker-dealer.

### ITEM 13: REVIEW OF ACCOUNTS

#### A-B. Reviews and Reviewers of Plan Accounts

Participant Accounts can generally be accessed at any time from NGI's participant access website.



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Assets in Participant Accounts are monitored, rebalanced and reallocated on a periodic (approximately quarterly) basis, based on NGC's proprietary algorithm.

No less than once per year, NGC will test a sample set of Participant Accounts to validate the Managed Account service is correctly implementing and adjusting Participant Accounts. The testing will entail two series of tests.

The first series of testing will validate that Participants are assigned an appropriate strategy given the information provided by the Participant. Our tests target 99% accuracy with a 95% confidence level for pass/fail outcomes. A sample size of no more than 300 will be required for the tests (determined by the Bayes Success-Run Theorem). This testing will validate that three outputs are in line with our expectations:

1. All Participants have a target and projected retirement income calculated to ensure a goal is established for each Participant.
2. No Participant is allocated to greater than 95% equity or less than 5% equity to ensure allocations satisfy a diversified portfolio in accordance with Department of Labor QDIA guidance.
3. The total equity percentage of Participant Accounts is within our acceptable range of 15 percentage points above or below the base glide path at five distinct points: 10 years before retirement, 5 years before retirement, at retirement, 5 years after and 10 years after retirement.

The second series of tests will test to validate that Participant Accounts are assigned to the expected asset allocation based upon their currently assigned equity percentage. Twenty five random Participant Accounts will be tested.

1. Each Participant is invested in all of the funds selected to be used in the Participant's currently assigned security portfolio
2. No Participant is invested in an investment option that was not included in the Plan's menu of investment options
3. The total equity percentage of the Account is within an acceptable range of the assigned security portfolio given overall market behavior over the past three months
4. The allocation to each security is within an expected range of the target allocations for the Participant

Any defects detected in the testing will be addressed within two business days of detection with NextCapital, NGI and NGC for resolution.

Defined contribution plan sponsors and/or investment fiduciaries are expected to uphold their fiduciary duty to review and monitor the performance of investments offered with the plan. NGC has no discretion or duty to monitor these funds.

### C. Frequency of Reports

The Plan's fiduciaries will receive an annual due-diligence package to assist with prudent oversight of the Managed Account service within the Plan. The review will summarize changes to capital market assumptions, glidepath modification and asset allocation



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methodology. Plan fiduciaries are expected to review this information as provided to confirm if the Managed Account service remains a prudent asset allocation solution for the Plan.

### ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

- A. NGC receives no direct or indirect economic benefits from any outside sources for providing investment advice or other consulting services to our clients as it pertains to the Managed Account service.
- B. NGC does not directly or indirectly compensate any person who is not a supervised person for client referrals as it pertains the Managed Account service.

### ITEM 15: CUSTODY

NGC does not provide custodial services to or maintain custody for its clients. Clients designate and appoint a qualified custodian. Clients must ensure that copies of monthly/quarterly/annual custodial statements are forwarded directly to them from the custodian, and should periodically compare those statements to reports if/as provided by NGC. NGC records may differ from custodial statements based on accounting procedures, valuation methodologies and other reporting related processes.

As defined under the SEC Investment Advisers Act of 1940 Rule 206(4)-2, NGC may be deemed to have custody if a client provides the custodian with written authorization to directly debit advisory fees from client accounts and forward management fees to the firm. Because NGC may have authorization to directly debit the client's account(s) for payment of advisory fees NGC is said to exercise limited custody over client assets.

NTC, as a qualified custodian, may provide custodial services to Plans that are recordkept by NGI. NTC and are wholly owned subsidiaries of Newport Group, Inc.

### ITEM 16: INVESTMENT DISCRETION

NGC accepts discretionary authority to manage assets on behalf of Participants who enter into an agreement as described above. Discretion is limited to the assets within employer-sponsored plans that utilize the Managed Account service. A Participant's execution of a Participant Agreement (or the designation of the Managed Account service as a QDIA by the Plan's fiduciaries) grants NGC discretionary authority over the Participant's Account.

Discretionary trading authority permits NGC to direct Account allocations among the Plan's menu of investment options, so that NGC may promptly implement a Participant's personalized savings and investment strategy, and make ongoing changes as NGC believes appropriate. Those changes may include periodic rebalancing of asset classes when one or more asset classes have disproportionately increased or decreased in value.

### ITEM 17: VOTING CLIENT SECURITIES

NGC does not obtain or exercise any proxy voting authority over an Account's securities. Consequently, NGC shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a Participant's Account.

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## ITEM 18: FINANCIAL INFORMATION

NGC does not require or solicit prepayment of more than \$1,200 in fees per Participant, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. NGC does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to Participants, and has not been the subject of a bankruptcy proceeding.

## ITEM 19: PRIVACY POLICY

<b>Facts</b>	<b>What does Newport do with your Personal Information?</b>
<b>Why?</b>	Financial companies choose how they share your personal information. Federal and state 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.
<b>What?</b>	<p>The types of personal information we collect and share depends on the product or services we provide to you. This information can include:</p> <ul style="list-style-type: none"> <li>• your name, date of birth, address and social security number</li> <li>• your account balance and transaction history</li> <li>• certain personal preferences and investment choices</li> <li>• employment, education, medical history and marital status</li> <li>• website usage including browsing history and domain name</li> </ul>
<b>How?</b>	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 we choose to share this information; and whether you can limit this sharing.

Reasons we can share your personal information	Does Newport share this Information?	Can you limit this sharing?
<b>For our everyday purposes</b> Such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus.	Yes	No
<b>For our marketing purposes</b> To offer other 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.	Yes	No
<b>For our affiliates' everyday business purposes</b> Information about your creditworthiness.	No	We don't share
<b>For our affiliates to market to you</b>	No	We don't share

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For nonaffiliates to market to you	No	We don't share
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<b>Questions</b>	Call the Privacy Policy Line at 888-913-3600 or go to <a href="https://www.newportgroup.com/contact/privacy-policy-inquiry/">https://www.newportgroup.com/contact/privacy-policy-inquiry/</a> .
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<b>Who We Are</b>	
<b>Who is providing this notice?</b>	Newport Group, Inc. and its affiliates. A list of our affiliates is below.

<b>What We Do</b>	
<b>How does Newport protect my personal information?</b>	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. To learn more about security at Newport, please <a href="#">click here</a> .
<b>How does Newport collect my personal information?</b>	<p>We collect your personal information, for example, when you:</p> <ul style="list-style-type: none"> <li>• open an account or an account is opened on your behalf, for example, by your employer</li> <li>• provide account information or give us your contact information</li> <li>• take a distribution from your account</li> <li>• make or change an investment choice</li> </ul> <p>We also collect your personal information from others, such as your employer, affiliates and other companies.</p>
<b>Why can't I limit all sharing?</b>	<p>Federal law gives you the right to limit only:</p> <ul style="list-style-type: none"> <li>• sharing for affiliates' everyday business purposes – information about your creditworthiness</li> <li>• affiliates from using your information to market to you</li> <li>• sharing for nonaffiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing. See below for more information on your rights under state law.</p>

<b>Definitions</b>	
<b>Affiliates</b>	<p>Companies related by common ownership or control. They can be financial or nonfinancial companies. our affiliates include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Newport Group Securities, Inc.</li> <li>• Newport Trust Company</li> <li>• Newport Consulting, LLC</li> </ul>
<b>Nonaffiliates</b>	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>• <i>We do not share with nonaffiliates so they can market to you</i></li> </ul>
<b>Joint marketing</b>	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>• <i>We do not jointly market</i></li> </ul>

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### Other important information

We collect health and medical information on the behalf of non-affiliated insurance carriers that provide insurance services.

**California Residents:**

For California residents, please [click here](#) to receive additional information on your rights under the California Consumer Privacy Act.

**All Other States and International Laws:**

States and other countries may provide for additional rights regarding your personnel information. You may obtain further information by contacting the Privacy Policy Line at 888-913-3600 or going to <https://www.newportgroup.com/privacy-policy/>.

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