

## Alcosta Capital Management, Inc.

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March 27, 2024

This brochure provides information about the qualifications and business practices of Alcosta Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at the telephone number and/or e-mail address above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Alcosta Capital Management, Inc. is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training. The verbal and written communications of an investment advisor provide you with information you need to determine whether to hire or retain the advisor.

Additional information about Alcosta Capital Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **PART 2A**

### **ITEM 2: MATERIAL CHANGES**

## **Alcosta Capital Management, Inc.**

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### **Item 2: Material Changes**

This Brochure dated March 27, 2024, was filed as an annual amendment to Alcosta's ADV Part 2A and replaces Alcosta's Brochure dated November 16, 2023. This item of the Brochure identifies any material changes that have occurred since Alcosta's last annual update, which was dated March 28, 2023:

Item 5: Fees and Compensation – this section has been updated to include the descriptions and fee schedules of the Income and Capital Preservation investment strategies.

Please contact us at (888) 267-6729 or [info@alcostacapital.com](mailto:info@alcostacapital.com) if you would like a copy of our updated Part 2. Additional information about us is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 4: Advisory Business**

### **Who we are**

Alcosta Capital Management, Inc. (referred to as “we,” “our,” “us,” or “Alcosta”), has been registered as an investment adviser since November 2003. Our principal officer is Erick E. Ormsby. Alcosta is owned by Erick E. Ormsby.

### **Investment Advisory Services**

We offer discretionary management of investment portfolios. Client portfolios typically include U.S. listed stocks and investment grade bonds. We have three model portfolios with different risk characteristics. This allows us to select a portfolio that meets the needs of the individual client. The following are our current model portfolios:

#### **Growth**

This portfolio is managed with an objective of maintaining an approximate allocation of greater than 90% in growth stocks over the long-term. Depending on market conditions the actual amount in growth stocks can fluctuate significantly.

#### **Growth & Income**

This portfolio is managed with an objective of maintaining an approximate allocation of 75% in growth stocks and 25% in fixed income or cash over the long-term. Depending on market conditions the actual amounts can fluctuate significantly.

#### **Balanced**

This portfolio is managed with an objective of maintaining an approximate allocation of 60% in growth stocks and 40% in fixed income or cash over the long-term. Depending on market conditions the actual amounts can fluctuate significantly.

#### **Income**

This portfolio is managed with an objective of maintaining an approximate allocation of 40% in growth stocks and 60% in fixed income or cash over the long-term. Depending on market conditions the actual amounts can fluctuate significantly.

#### **Capital Preservation**

This portfolio is managed with an objective of maintaining an approximate allocation of 20% in growth stocks and 80% in fixed income or cash over the long-term. Depending on market conditions the actual amounts can fluctuate significantly.

Clients may place restrictions on investments in certain securities or types of securities. For existing clients, please let us know if there have been any changes in your financial situation or investment

objectives, and whether you wish to impose any reasonable restrictions on the management of the account or reasonably modify existing restrictions.

We do not provide portfolio management services to a wrap fee program.

## Financial Planning

Upon a client's request and/or at our discretion, we offer financial planning services. Financial plans are provided for educational purposes only. Past plans have included a discussion of any or all of the following topics: client assets, income and expenses.

## Assets under management

As of December 31, 2023, we manage assets of approximately \$173,465,854 on a discretionary basis.

## Item 5: Fees and Compensation

### Investment Management Services

#### Advisory Fees & Billing Practices

Fees for all accounts are paid quarterly in advance and are due on the first day of the calendar quarter. Fees are based on the account's asset value as of the last business day of the prior calendar quarter, and are prorated for accounts opened during the quarter.

#### **Growth**

<u>Value of Account Assets</u>	<u>Annual Fee</u>
First \$250,000	2.00%
Amounts from \$250,000 to \$500,000	1.65%
Amounts from \$500,000 to \$1,000,000	1.35%
Amounts over \$1,000,000	1.10%

#### **Growth & Income, Balanced**

<u>Value of Account Assets</u>	<u>Annual Fee</u>
First \$250,000	1.85%
Amounts from \$250,000 to \$500,000	1.50%
Amounts from \$500,000 to \$1,000,000	1.25%
Amounts over \$1,000,000	1.00%

#### **Income, Capital Preservation**

<u>Value of Account Assets</u>	<u>Annual Fee</u>
First \$250,000	1.10%

Amounts from \$250,000 to \$500,000	0.90%
Amounts from \$500,000 to \$1,000,000	0.75%
Amounts over \$1,000,000	0.60%

Alcosta is currently not accepting new clients to invest in the Income and Capital Preservation strategies.

Additionally, although Alcosta has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances, and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition and reports, among other factors. The specific annual fee schedule is identified in the contract between Alcosta and each client. Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm. Lastly, pre-existing advisory clients are subject to the advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum advisory fees differ among clients and some clients may pay a lower fee than the fee schedules above.

We require that you provide authorization for us to deduct our fees directly from your investment account. Important information about the deduction of management fees:

- You provide authorization for us to deduct fees when you sign our contract.
- You will receive a statement from your custodian which shows your holdings and fees deducted.
- You are responsible for reviewing the accuracy of the fees being billed, as the custodian will not do so.

You may end our advisory relationship by providing 30 days written notice. We will prorate the advisory fees earned through the termination date and send you a refund of the prepaid, unearned portion of your fee. We process refund payments within 30 days of the termination date and will send you a check or refund your investment account.

#### Other Costs Involved

In addition to our advisory fee shown above, you are responsible for paying fees associated with investing for your account. These fees include:

- management fees for ETFs. These are fees charged by the managers of the ETF and are a portion of the expenses of the ETF.
- brokerage costs and transaction fees for any securities or fixed income trades. These are generally charged by your custodian and/or executing broker.

Additional information about brokerage costs and services is provided in “Item 12: Brokerage Practices.”

We believe the fees mentioned above are competitive; however you may be able to obtain similar services from other sources at a lower price.

## Financial Planning

Financial Planning Services are offered to clients who have already established an account with us. Financial planning clients are already acting on the recommendations of Alcosta Capital and we are already receiving compensation as an investment manager. These services do not generate a separate fee.

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

We do not receive performance fees for managing accounts.

### **Item 7: Types of Clients**

Our clients are typically individuals, trusts and pension plans.

Generally we require that investment advisory clients maintain \$500,000 under management with us. However, we may waive that minimum at our sole discretion.

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

Methods of Analysis: Quantitative and fundamental.

Using proprietary and third-party analytics, we identify U.S. stocks with the highest risk-adjusted returns. We then apply a number of screens to measure for relative strength, to produce a target list of stocks for in-depth fundamental analysis. We then subject these top-performing stocks to several qualitative evaluations to determine earnings, revenue and profit margin potential. In that analysis, we seek companies with earnings that are projected to grow faster than the overall economy. We then select those stocks we believe offer the highest potential for price appreciation. Additionally, the majority of the stocks we own have annual revenues of at least \$200 million and market caps above \$2 billion. We diversify portfolios with approximately 20 – 40 stocks representing a range of industries and sectors. Based on each client's risk tolerance and time horizons, we may add a diversified mix of high quality corporate, municipal or government bonds. Bonds are typically investment grade and maturities are generally less than 15 years.

The material risks associated with our client accounts are typically in line with the risks associated with the overall market. The typical turnover for the stock portion of our accounts is about 100% which is a typical rate for similar managers following our type of investment strategy. We tend to hold profitable positions longer than unprofitable positions so the tax impact of the strategy is not overly adverse.

Client accounts typically hold U.S. listed equities and investment grade bonds. These types of securities do not typically involve unusual risks beyond those generally associated with the general stock and bond markets.

All investments involve different degrees of risk. You should be aware of your risk tolerance level and financial situations at all times. Investing in securities involves the risk of loss. You should be prepared

to bear potential losses. We cannot guarantee the successful performance of an investment and we are expressly prohibited from guaranteeing accounts against losses arising from market conditions.

## **Item 9: Disciplinary Information**

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of the investment advisor and each investment advisor representative providing investment advice to you. We have no information of this type to report.

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

Neither Alcosta nor Erick Ormsby has any outside financial industry affiliations.

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

### **Code of Ethics**

We have adopted a set of enforceable guidelines (Code of Ethics), which describes unacceptable conduct by Alcosta and our associated persons. Summarized, this Code of Ethics prohibits us from:

- placing our interests before yours,
- using nonpublic information gathered when providing services to you for our own gains, or
- engaging in any act, practice or course of business that is, or might be considered, fraudulent, deceptive, manipulative, or in violation of any applicable law, rule or regulation of a governmental agency.

Please contact us if you would like to receive a full copy of this Code of Ethics.

### **Personal Trading for Associated Persons**

We may buy or sell some of the same securities for you that we already hold in our personal account. We may also buy for our personal account some of the same securities that you already hold in your account. It is our policy not to permit our associated persons (or their immediate relatives) to trade in a way that takes advantage of price movements caused by your transactions.

We may restrict trading for a particular security for our accounts or those of our associated person if there is a pending trade in that security in a client account. Trades for our accounts (and those of our associated persons) will be placed as part of a block trade with client trades, or individually after client trades have been completed. Additional information about block trades is provided in the Aggregation of Orders



section of “Item 12: Brokerage Practices.” When our trades are placed after our client trades, we may receive a better or worse price than that received by the client.

Alcosta and its associated persons may purchase or sell specific securities for their own account based on personal investment considerations without regard to whether the purchase or sale of such security is appropriate for clients.

All investment personnel are required to report all personal securities transactions to us quarterly.

## **Item 12: Brokerage Practices**

### **Selection of Brokers**

In selecting brokers to execute portfolio transactions, we make a good faith judgment of about which broker would be appropriate. We take into consideration not only the available prices and rates of brokerage commissions, but also other relevant factors that may include (without limitation):

- the execution capabilities of the broker/dealer,
- research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis),
- custodial and other services provided by the broker/dealer that are expected to enhance our general portfolio management capabilities,
- the size of the transaction,
- the difficulty of execution,
- the operational facilities of the broker-dealers involved,
- the risk in positioning a block of securities, and
- the quality of the overall brokerage and research services provided by the broker/dealer.

When we select the broker/dealer for a transaction, we may cause you to pay a higher commission for effecting a transaction than another broker/dealer would have charged for effecting that transaction. We do this if we determine in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided by the broker/dealer. The determination is viewed in terms of either the particular transaction or our overall responsibilities to you.

### **Recommendation of a Broker**

We recommend one primary broker dealer to our clients, National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity"). We have made this selection based on the factors listed above. Although a client may request a different broker or dealer other than Fidelity, it is not likely that we will accept that brokerage relationship. In essence, we require our clients to:

- Independently evaluate Fidelity to ensure you are comfortable with the services they can provide

- to you
- Select Fidelity as your broker custodian

We recommend Fidelity because we believe Fidelity offers investment advisers like us an excellent blend of services, pricing, and security selection that are beneficial to our clients and the services we provide to you. Based upon the types of securities we purchase and sell for client accounts, we believe Fidelity provides best execution and competitive commissions on transactions in equity securities, ETFs, and mutual funds.

Alcosta has an arrangement with Fidelity through which Fidelity provides Alcosta with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist Alcosta in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help Alcosta manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom Alcosta may contract directly.

Alcosta is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

## Directed Brokerage

We generally do not permit a client to use directed brokerage accounts. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. If a client were to direct us to use a particular broker-dealer or other custodian, a client may pay higher brokerage commissions and transaction costs than those charged by Fidelity.

## Aggregation of Orders

There are occasions on which portfolio transactions will be executed as part of concurrent authorizations to purchase or sell the same security for another client or one or more of our associated persons.

We may choose to block (aggregate) trades for your account with those of other client accounts and personal accounts of persons associated with Alcosta. When we place a block trade, all participants included in the block receive the same price per share on the trade. The price is calculated by averaging

the price of all of the shares traded. Due to the averaging of price over all of the participating accounts, aggregated trades could be either advantageous or disadvantageous. Commission costs are not averaged. You will pay the same commission whether your trade is placed as part of a block or on an individual basis. The objective of the aggregated orders will be to allocate the executions in a manner that is deemed equitable to the accounts involved.

## Trade Error Resolution

In the event that there is a trade error, we request that Fidelity correct the error by using a trade error account in Alcosta's name. At no time will the client pay any penalty or incur a loss for a trade error that is due to Alcosta. Because all trade errors are cleared through our error account, we will incur any losses associated with the correction.

## Soft Dollars

"Soft dollars" are typically generated when an investment advisor enters into an agreement with an executing broker to receive a portion of the commissions generated by the advisor's client trades. The soft dollars are allocated to the investment advisor and can then be used to purchase items or services. The investment advisor has a fiduciary duty to its clients to obtain best execution, on an overall basis, for any securities transactions.

We do not use soft dollars as described above. The SEC recently changed the wording of certain questions on the Form ADV and has indirectly changed the definition of soft dollars. Due to the new wording, the receipt of goods and/or services from a third party in connection with providing advice to clients could be seen as "soft dollars." The additional services we receive from Fidelity, as described above, would fall under this description of soft dollars. Our arrangement with Fidelity does present a conflict of interest as we have an incentive to select a broker-dealer based on our interest in receiving these services. We review our relationship with broker-dealers and the associated costs to you as part of our obligation to act in your best interest and take into account the factors listed above under the heading Selection of Brokers.

## Item 13: Review of Accounts

On at least a quarterly basis, Erick Ormsby, President, assesses the portfolios for adherence to the appropriate model strategy. Additional reviews may be triggered by a change in a client's financial circumstances or investment objectives. Clients receive quarterly reports which contain the following information: performance against benchmark, cost basis, unrealized/realized profits/losses and market commentary.

Financial plans are discussed with clients upon client request.

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

We may also engage solicitors to provide client or investor referrals. We pay these solicitors a portion of the fees we earn for managing the client or investor that was referred. If you are referred by a solicitor, this practice will be disclosed in writing and we will comply with applicable rules or statutes.

## **Item 15: Custody**

We have authority to debit fees directly from client accounts. For this reason only, we are deemed to have custody of those assets. In order to avoid additional regulatory requirements in these cases, we follow the procedures outlined in “Item 5: Fees and Compensation.” Clients should receive quarterly statements directly from their qualified custodian of the account that details all transactions in the account. We urge clients to carefully review such statements and compare the official custodial records to the account statements that we may provide to them. The information in our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

We do not accept physical custody of client assets.

## **Item 16: Investment Discretion**

You may provide discretionary authority for us to manage your assets. Discretionary authority means that you are giving us a limited power of attorney to place trades on your behalf. This limited power of attorney does not allow us to withdraw money from your account, other than advisory fees if you agree to give us that authority.

You grant us discretionary authority by completing the following items:

- Sign a contract with us that provides a limited power of attorney for us to place trades on your behalf. Any limitations to the trading authorization will be added to this agreement.
- Provide us with discretionary authority on the new account forms that are submitted to the broker/dealer acting as custodian for your account(s).

Clients may request we do not purchase certain stocks.

## **Item 17: Voting Client Securities**

We do not accept the authority to vote proxies on your behalf and we do not provide guidance about how to vote proxies. You will receive proxies and other related paperwork directly from your custodian.

## **Item 18: Financial Information**

We do not charge or solicit pre-payment of more than \$1200 in fees per client six months or more in advance. We have never filed for bankruptcy and are not aware of any financial conditions that are reasonably likely to impair our ability to meet our contractual obligations to clients.

## **BROCHURE SUPPLEMENT**

### **ITEM 1: COVER SHEET**

Erick E. Ormsby

**Alcosta Capital Management, Inc.**

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(888) 267-6729

April 22, 2022

This Brochure Supplement provides information about Erick E. Ormsby that supplements the Alcosta Capital Management, Inc. Brochure. You should have received a copy of that Brochure. Please contact Erick Ormsby, President at (888) 267-6729 or [eo@alcostacapital.com](mailto:eo@alcostacapital.com) if you did not receive Alcosta Capital Management, Inc.'s Brochure or if you have any questions about the content of this supplement.

Additional information about Erick E. Ormsby is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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### **Item 2: Educational Background and Business Experience**

Erick E. Ormsby was born in 1969. He received a BS in Economics from University of California, Davis in 1993.

Mr. Ormsby has been the President of Alcosta Capital Management, Inc., a registered investment advisor, since December 2002.

### **Item 3: Disciplinary Information**

Registered investment advisors are required to disclose any material facts regarding any legal or disciplinary actions that would be material to your evaluation of each investment advisor representative providing investment advice to you. There is no information of this type to report.

### **Item 4: Other Business Activities**

Mr. Ormsby is not involved in any other business activities.

**Item 5: Additional Compensation**

Mr. Ormsby does not receive any economic benefit from any non-client for providing advisory services.

**Item 6: Supervision**

Mr. Ormsby, President, is the owner and sole person providing investment advice on our behalf. His telephone number is (888) 267-6729.