

# ValuEngine Capital Management LLC Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of ValuEngine Capital Management LLC. If you have any questions about the contents of this brochure, please contact us at (321) 215-4015 or by email at: [paulh@valuenginecapital.com](mailto:paulh@valuenginecapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about ValuEngine Capital Management LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). ValuEngine Capital Management LLC's CRD number is: 175004.*

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*Registration does not imply a certain level of skill or training.*

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## Item 2: Material Changes

The material changes in this brochure from the last annual updating amendment of ValuEngine Capital on 3/21/2017 are described below. Material changes relate to ValuEngine Capital's policies, practices or conflicts of interests.

- ValuEngine Capital Management LLC has updated the firm phone number (Cover page)
- ValuEngine Capital Management LLC has updated the date of annual updating amendment (Item 2)
- ValuEngine Capital Management LLC has updated its billing practices to arears billing (Item 5)
- ValuEngine Capital Management LLC has updated The investment strategies have been (Item 8B)
- ValuEngine Capital Management LLC has updated the material risks (Item 8C)
- ValuEngine Capital Management LLC has updated the relationship with third party (Item 10C)
- ValuEngine Capital Management LLC has updated its block trading activity (Item 12B)
- ValuEngine Capital Management LLC has updated other compensation (Item 14A)
- ValuEngine Capital Management LLC has updated their fee schedule (Item 5)

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

ValuEngine Capital Management LLC (hereinafter "VE Cap Management") is a Limited Liability Company organized in the State of Florida.

The firm was formed in November 2014, and the principal owner is Paul Eric Henneman.

### B. Types of Advisory Services

#### *Portfolio Management Services*

VE Cap Management offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. VE Cap Management creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels). Portfolio management services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

VE Cap Management evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. VE Cap Management will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

VE Cap Management seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of VE Cap Management's economic, investment or other financial interests. To meet its fiduciary obligations, VE Cap Management attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, VE Cap Management's policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is VE Cap Management's policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent among its clients on a fair and equitable basis over time.

### ***Selection of Other Advisers***

VE Cap Management may direct clients to third party money managers. VE Cap Management will charge its management fee separately from the advisors to which it directs those clients. The combined fees will not exceed any limit imposed by any regulatory agency. Before selecting other advisors for clients, VE Cap Management will always ensure those other advisors are properly licensed or registered as an investment advisor.

### ***Services Limited to Specific Types of Investments***

VE Cap Management generally limits its investment advice to mutual funds, real estate funds (including REITs), equities and ETFs (including ETFs in the gold and precious metal sectors). VE Cap Management may use other securities as well to help diversify a portfolio when applicable.

## **C. Client Tailored Services and Client Imposed Restrictions**

VE Cap Management offers the same suite of services to all of its clients. However, specific client investment strategies and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels). Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent VE Cap Management from properly servicing the client account, or if the restrictions would require VE Cap Management to deviate from its standard suite of services, VE Cap Management reserves the right to end the relationship.

## **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and other administrative fees. VE Cap Management does not participate in any wrap fee programs.

## **E. Assets Under Management**

VE Cap Management has the following assets under management:

<b>Discretionary Amounts:</b>	<b>Non-discretionary Amounts:</b>	<b>Date Calculated:</b>
\$8,000,000.00	\$0.00	September 2017

## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Portfolio Management Fees*

Total Assets Under Management	Annual Fee
\$0 - \$500,000	1.75%
\$500,000 - \$1,000,000	1.50%
\$1,000,000 - \$5,000,000	1.30%
\$5,000,000 - And Up	1.15%

VE Cap Management bills clients account on a monthly basis based on the annualized management fee. These fees are generally negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Clients may terminate the agreement without penalty for a full refund of VE Cap Management's fees within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract generally with 14 days' written notice.

### B. Payment of Fees

#### *Payment of Asset-Based Portfolio Management Fees*

Asset-based portfolio management fees are withdrawn directly from the client's accounts, by the custodian, with client's written authorization on a monthly basis. Clients may select the method in which they are billed. Fees are paid in arrears.

#### *Selection of Other Advisers: Fees*

Third Party Managers are withdrawn separately from VE Cap Management fees and are withdrawn directly from client's accounts by the custodian, with client's written authorization. Fees are deducted per the third party manager's contract with the client.

### C. Client Responsibility For Third Party Fees

Clients are responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and

distinct from the fees and expenses charged by VE Cap Management. Please see Item 12 of this brochure regarding broker-dealer/custodian.

#### **D. Prepayment of Fees**

VE Cap collects its fees in arrears. It does not collect fees in advance.

#### **E. Outside Compensation For the Sale of Securities to Clients**

Neither VE Cap Management nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

VE Cap Management does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

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

VE Cap Management generally provides advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals

#### ***Minimum Account Size***

There is no account minimum for any of VE Cap Management's services.

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

#### **A. Methods of Analysis and Investment Strategies**

##### ***Methods of Analysis***

VE Cap Management's methods of analysis include fundamental analysis, quantitative analysis and modern portfolio theory.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Quantitative analysis** deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

**Modern portfolio theory** is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various asset.

### *Investment Strategies*

VE Cap Management uses long term trading, short term trading and short sales as part of its two primary strategies: the ValuEngine View Strategy and the ValuEngine Diversified Strategy.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **B. Material Risks Involved**

### *Methods of Analysis*

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Quantitative Model Risk:** Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

**Modern Portfolio Theory** assumes that investors are risk adverse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

### *Investment Strategies*

VE Cap Management's use of short sales generally holds greater risk, and clients should be aware that there is a material risk of loss using any of those strategies.

The **ValuEngine View Strategy** is the product of a sophisticated stock valuation model that was first developed by ValuEngine's academic research team. It utilizes a three factor approach: fundamental variables such as a company's trailing 12-month Earnings-Per-Share (EPS), the analyst consensus estimate of the company's future 12-month EPS, and the 30-year Treasury yield are all used to create a more accurate reflection of a company's fair value. A total of eleven additional firm specific variables are also used. The ValuEngine View portfolio is constructed by integrating this model along with some basic rules for market capitalization and industry diversification. The portfolio has 16 stocks and is balanced once each month. An equal amount of capital is allocated to each stock. The risk involved in using this method is that past performance data, analysts' consensus regarding future performance, and the current treasury yield, even when combined with firm-specific variables, may not result in accurate valuation of a company. This strategy also encompasses the risks of the specific securities (see below) in which the portfolio is invested.

The **ValuEngine Diversified Strategy** invests in a variety of asset classes in order to provide investors with returns and a high-dividend yield coupled with significantly lower risk than single-asset products. The ValuEngine Diversified Strategy may include ETFs focused on commodities, stock indices, REITs, bonds, emerging markets, and other suitable products. By reaping the benefits of diversification, the ValuEngine Diversified Strategy seeks to remain resilient during times of market volatility. The ValuEngine Diversified Strategy is designed for investors seeking management for their IRA and other retirement funds as well as those whose risk-profile is not suitable for our other strategies. The risks specific to this strategy include lack of liquidity and the broader risks associated with the underlying assets, particularly commodities, REITs, and emerging markets.

The **ValuEngine REIT Strategy** invests in REITs (Real Estate Investment Trusts) of all types in order to provide investors with exposure to real estate markets (both residential and commercial). REITs historically have offered strong returns through both relatively high dividend payments and stock price appreciation. The risks specific to this strategy are discussed in the "REITs" description in item 8C below.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short term trading** risks include liquidity, economic stability, and inflation, in addition to the long term trading risks listed above. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

**Short sales** entail the possibility of infinite loss. An increase in the applicable securities' prices will result in a loss and, over time, the market has historically trended upward.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

VE Cap Management's use of short sales generally holds greater risk of capital loss. Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below are not guaranteed or insured by the FDIC or any other government agency. VE Cap does not use leveraged or inverse ETF's.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond "fixed income" nature (lower risk) or stock "equity" nature.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed "electronic shares" not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

**REITs & other real estate funds** face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither VE Cap Management nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither VE Cap Management nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Paul Eric Henneman is President of ValuEngine Inc. From time to time, he may offer clients advice or products from those activities and clients should be aware that these services may involve a conflict of interest. VE Cap Management always acts in the best interest of the client and clients are in no way required to the services of any representative of VE Cap Management in connection with such individual's activities outside of VE Cap Management.

ValuEngine, Inc. is a financial research company, writing about and publishing stock reports, as well as overall market analysis. ValuEngine, Inc does not manage any funds, only publishes financial related research

#### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

VE Cap Management utilizes third-party investment advisers. VE Cap Management charges its management fees separately from and in addition to the third party manager's management fees.

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

#### **A. Code of Ethics**

VE Cap Management has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. VE Cap Management's Code of Ethics is available free upon request to any client or prospective client.

#### **B. Recommendations Involving Material Financial Interests**

VE Cap Management does not recommend that clients buy or sell any security in which a related person to VE Cap Management or VE Cap Management has a material financial interest.

#### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of VE Cap Management may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of VE Cap Management to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. VE Cap Management will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

## **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of VE Cap Management may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of VE Cap Management to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, VE Cap Management will never engage in trading that operates to the client's disadvantage if representatives of VE Cap Management buy or sell securities at or around the same time as clients.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

Custodians/broker-dealers will be recommended based on VE Cap Management's duty to seek "best execution," which is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. Clients will not necessarily pay the lowest commission or commission equivalent, and VE Cap Management may also consider the market expertise and research access provided by the broker-dealer/custodian, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers that may aid in VE Cap Management's research efforts. VE Cap Management will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian.

VE Cap Management will recommend clients to use Interactive Brokers and Schwab.

#### ***1. Research and Other Soft-Dollar Benefits***

While VE Cap Management has no formal soft dollars program in which soft dollars are used to pay for third party services, VE Cap Management may receive research, products, or other services from custodians and broker-dealers in connection with client securities transactions ("soft dollar benefits"). VE Cap Management may enter into soft-dollar arrangements consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will benefit from soft dollar research, whether or not the client's transactions paid for it, and VE Cap Management does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. VE Cap Management benefits by not having to produce or pay for the research, products or services, and VE Cap Management will have an incentive to recommend a broker-dealer based on receiving research or services. Clients should be aware that VE Cap Management's acceptance of soft dollar benefits may result in higher commissions charged to the client.

## **2. *Brokerage for Client Referrals***

VE Cap Management receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

## **3. *Clients Directing Which Broker/Dealer/Custodian to Use***

VE Cap Management will require clients to use a specific broker-dealer to execute transactions. Not all advisers require clients to use a particular broker-dealer.

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

VE Cap Management maintains the ability to block trade purchases and sales across accounts. When more than one account is trading a particular stock or ETF on the same day, block trading may be used to get identical pricing on the trades. Declining to block trade can cause more expensive trades for clients.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All client accounts for VE Cap Management's advisory services provided on an ongoing basis are reviewed at least monthly by Paul E Henneman, Managing Partner or the assigned investment adviser representative with regard to clients' respective investment policies and risk tolerance levels.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client of VE Cap Management's advisory services provided on an ongoing basis will receive a monthly report detailing the client's account, including assets held, asset value, and calculation of fees. This written report will come from the custodian.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

VE Cap Management does not receive any economic benefit, directly or indirectly from ValuEngine Inc or any third party for advice rendered to VE Cap Management's clients.

### **B. Compensation to Non – Advisory Personnel for Client Referrals**

VE Cap Management does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

When advisory fees are deducted directly from client accounts at client's custodian, VE Cap Management will be deemed to have limited custody of client's assets and must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

## **Item 16: Investment Discretion**

VE Cap Management provides discretionary and non-discretionary investment advisory services to clients. The Investment Advisory Contract established with each client sets forth the discretionary authority for trading. Where investment discretion has been granted, VE Cap Management generally manages the client's account and makes investment decisions without consultation with the client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, what securities to buy or sell, or the price per share.

## **Item 17: Voting Client Securities (Proxy Voting)**

VE Cap Management will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

VE Cap Management neither requires nor solicits prepayment of more than \$500 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither VE Cap Management nor its management has any financial condition that is likely to reasonably impair VE Cap Management's ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

VE Cap Management has not been the subject of a bankruptcy petition in the last ten years.

## **Item 19: Requirements For State Registered Advisers**

### **A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background**

VE Cap Management currently has only one management person: Paul Eric Henneman. Education and business background can be found on the individual's Form ADV Part 2B brochure supplement.

### **B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)**

Other business activities can be found on the Form ADV Part 2B brochure supplement.

### **C. Calculation of Performance-Based Fees and Degree of Risk to Clients**

VE Cap Management does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

**D. Material Disciplinary Disclosures for Management Persons of this Firm**

There are no civil, self-regulatory organization, or arbitration proceedings to report under this section.

**E. Material Relationships That Management Persons Have With Issuers of Securities (If Any)**

See Item 10.C and 11.B.