

**Portfolio Evaluations, Inc.**  
**Part 2A of Form ADV**  
**The Brochure**

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Updated: 2011

This brochure provides information about the qualifications and business practices of Portfolio Evaluations, Inc. If you have any questions regarding the contents of this brochure, please contact us at (973) 538-4347. 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 PEI is also available on the United States Securities and Exchange Commission website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Portfolio Evaluations, Inc. is a Registered Investment Advisor. Registration as an Investment Advisor does not imply a certain level of skill or training.

## Material Changes

Portfolio Evaluations, Inc.’s (PEI) last update to Part 2 of Form ADV was made in March 2010. PEI’s business activities have not changed materially since the time of that update. However, on July 28, 2010, the United States Securities and Exchange Commission (SEC) published “Amendments to Form ADV” which required significant changes to the content and format of Part 2 of Form ADV. This brochure, which reflects those changes, is materially different from brochures used by PEI in prior years.

In the past, PEI has offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC rules, PEI will ensure that clients receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business’ fiscal year. PEI may further provide other ongoing disclosure information about material changes as necessary.

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## Advisory Business

Portfolio Evaluations, Inc. (referred hereafter as “PEI”) was established in 1992 by Attila Toth, Michael Sasso, and Richard Torbinski. PEI is owned equally by these three individuals. From its inception the firm has focused on providing fiduciaries with an objective, independent third party evaluation of their investment portfolios, thereby assisting with the fulfillment of a prudent process.

PEI is a privately owned firm. It does not have any affiliated companies. Nor has the ownership or business structure of the firm changed since its inception.

PEI is incorporated as a Subchapter S corporation in the State of New Jersey. Our headquarters is in Warren, New Jersey. Currently, PEI maintains regional offices in Atlanta, Chicago, Dallas, and Los Angeles.

It is the mission of PEI to provide unbiased, independent advice and fiduciary services to help our clients achieve their investment objectives and manage fiduciary risk by delivering comprehensive and expert financial guidance with the highest degree of professionalism. We are committed to providing our clients with the tools and resources necessary for the building and maintaining of profitable investment programs and prudent fiduciary processes.

PEI provides the following services to our clients.

- Investment Fiduciary Pursuant to Section 3(21)(A) of ERISA
- Development and Review of Investment Policy Statement (IPS)
- Development and Review of Investment Committee Charter
- Investment Performance Evaluation & Monitoring
- Comparative Plan Benchmarking
- General Investment Consulting and Fiduciary Best Practices Services
- Investment and Legislative Alerts
- Fiduciary Online Resource Center
- Investment Manager Searches
- Asset Allocation Analysis
- Asset Liability Management
- Fee Benchmarking Analysis
- Vendor Searches
- Custodian Searches
- Fiduciary Education

## **Fees and Compensation**

PEI is compensated by fixed fees for performing its services. PEI fees for services provided are calculated under one of the following scenarios:

- Hourly charges range from \$240 - \$450.
- One-Time Project. Fixed fee priced on scope of project.
- Full Retainer. Fixed annual fee priced on scope of services and length of relationship.
- Fees are negotiable.

For project work, fees charged are specific to each client and are outlined in the client agreement. For retainer clients, fees are billed quarterly, semi-annually, or annually in advance based on agreement with the client.

PEI clients wishing to terminate a contract must provide 180-days advance written notice for any reason. Upon the termination of an agreement, the client shall pay PEI for all of the services it has provided or otherwise would have provided within the 180-day advance written notice period in accordance with the fee schedule or such other fee schedule then in effect.

Notice must be sent to:

Portfolio Evaluations, Inc.  
Attn: Fana Horenbein – Controller  
15 Independence Boulevard  
4<sup>th</sup> Floor  
Warren, NJ 07059

All of PEI's revenue is generated from direct billing to our clients. PEI does not accept commissions, revenue sharing, referral bonuses or similar arrangements under any circumstance.

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

PEI does not charge performance-based fees.

## **Types of Clients**

PEI provides investment and fiduciary consulting services on defined contribution plans, defined benefit plans, endowments and foundations, non-qualified plans, Taft-Hartley plans, and board designated funds. Our clients include corporations, non-profits, endowments & foundations, government agencies, tribal governments, and unions.

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

PEI's methods of analysis include our investment manager research and investment performance monitoring. PEI has clients whose portfolios may be invested in mutual funds, separate accounts, collective trusts, commingled trusts, hedge fund-of-funds, and individual stocks and bonds.

### Investment Manager Research

PEI has a research team dedicated to the monitoring and selection of investment managers. PEI analysts are assigned one or more asset classes for which they are responsible for screening, monitoring, and selecting top managers, as well as ongoing due diligence. These assignments include:

- Equity

- Hedge Funds & Alternatives
- Money Market Funds
- Fixed Income
- Stable Value
- Hybrid/Balanced
- Real Estate

Every quarter, each analyst presents a formal update on their screening process and manager recommendations. Managers can be removed at any time if circumstances change.

PEI monitors and evaluates over 1,000 investment products with over 150 investment management firms for its clients. PEI conducts 3-4 due diligence meetings per week, or 150-200 per year. Approximately half of those sessions are conducted at our home office in Warren, NJ. PEI maintains contact at least on a quarterly basis with the managers our clients have invested with.

#### Investment Performance Monitoring

PEI's performance measurement and monitoring reports provides fiduciary due diligence process on managers. Each report has the following sections: Executive Summary, Economic & Market Review, Investment Policy & Objectives, Asset Allocation Summary, Plan Performance Summary, Plan Growth Summary, Investment Risk/Return Analysis & Statistics, Fund Style Diagrams, Expense Ratio Analysis, and Investment Manager Profiles. PEI tracks approximately 100 different portfolio characteristics including: returns, risk, risk-adjusted performance, assets under management, sector weightings, market capitalization, valuation, expenses, credit quality, duration, maturity, style (returns and holdings based), asset allocation, regional weightings, and turnover.

When analyzing performance of an investment portfolio, PEI uses several criteria, such as:

- Did the fund achieve its expected return and investment objectives?
- Did the investment manager abide by the plan's IPS?
- What contributed to the portfolio's total return?
- Did the manager stay within the funds respective style?
- How does performance of the investment compare to their respective peer group and benchmark indices?
- How does the investment manager control the different kinds of risks associated with an investment portfolio?
- How does the fund's expense ratio compare to its peer group?

Based on these and other criteria, PEI develops a report for all the different asset classes that comprise an investment portfolio. Each report is uniquely customized to reflect compliance with a client's investment policy statement.

### Risk of Loss

While PEI rigorously follows accepted investment principles, all investments have the potential risk of loss and clients need to be prepared for this possibility.

## **Disciplinary Information**

Neither PEI, nor any member of our firm, has ever been fined, disciplined, or suspended by the SEC, the NASD, any regulatory agency or exchange, association, or government agency. PEI has never had litigation of any kind filed against the firm.

## **Other Financial Industry Activities and Affiliations**

PEI does not maintain additional financial industry affiliations. PEI does not have any broker / dealer relationships or any relationships with other financial organizations. No PEI employees is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

PEI has always been 100% independent and has never had ties to any other financial organization in order to operate completely conflict-free.

## **Code of Ethics, Participation or Interest in Client Transactions & Personal Trading**

PEI has adopted the CFA Institute Code of Ethics and Standards and also has a Gift Policy. PEI employees are obligated to acknowledge and agree to each document on a yearly basis. Breach of these practices will result in internal investigation and disciplinary action up to and including termination.

Copies of these policies are made available upon request to any client or prospective client.

## **Brokerage Practices**

PEI does not participate in any brokerage practices.

PEI does not select or recommend broker-dealers for client transactions.

PEI does not receive soft-dollar benefits from broker-dealers.

## **Review of Accounts**

PEI's consultants review client accounts on an annual, semi-annual, or quarterly basis. The timeframe of when reviews are conducted is determined by the contractual obligation agreed to between PEI and the client. All performance monitoring reports include an executive summary,

investment due diligence analysis, plan asset analysis, and the client's Investment Policy Statement.

PEI is capable of conducting meetings in person or via teleconference with the method of delivery determined by the contractual obligation agreed to between PEI and the client. All reports are written and are made available to the client in hard copy and electronic forms.

## **Client Referrals and Other Compensation**

PEI does not pay for any referrals, nor does PEI accept any other compensation from investment managers, vendors, or other parties related to client accounts.

## **Custody**

PEI does not have custody of client assets.

## **Investment Discretion**

PEI will not take discretion over any client accounts or assets.

## **Voting Client Securities**

PEI does not have the authority for proxy voting of client services. PEI may provide investment advisory services relative to a client's proxy voting.

## **Financial Information**

PEI operates as a private entity and therefore does not disclose financial information. PEI has never filed for bankruptcy nor has ever found itself in a financial situation which would affect its ability to service clients.