

**SLAYDEN DIEHL & COMPANY**  
**INVESTMENT MANAGEMENT**

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This brochure provides information about the qualifications and business practices of Slayden Diehl & Company. If you have any questions about the contents of this brochure, please contact us at 214-219-9701. 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 Slayden Diehl & Company is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## MATERIAL CHANGES

The Firm has not had any material changes since the last update filing completed on 3/31/10.

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## **COMPANY PROFILE**

Slayden Diehl & Company ("the Firm") is a Dallas based registered investment management firm. The Firm was founded in 1980 by Slayden Diehl who remains the sole owner and principal. The Company was organized for the sole purpose of serving the investment needs of corporations, endowments, foundations, public funds and individuals by providing portfolio management services. Slayden Diehl & Company is not affiliated with any other corporation, brokerage firm, mutual fund or bank. The only business of the Firm is to provide a highly personalized investment management service, generally not found in large institutions, which is based on sound fiduciary principles and tailored to the specific needs of each client.

## **ADVISORY SERVICES OFFERED**

Our Firm meets with each potential client to review their investment objectives and risk tolerance to develop a comprehensive investment management portfolio tailored specifically to their profile.

Our Firm has developed strong working relationships with many research organizations on Wall Street. The combination of experienced portfolio management and informed research sources facilitates the identification of productive investment opportunities. Portfolio management is supported by an administrative staff equipped with a computerized client accounting system.

Our challenge as a Firm is to construct portfolios for our clients that are designed to achieve investment objectives in full consideration of and consistent with the risk tolerance profile established when each client relationship is established. The result, we believe, is an investment management service that is prudent yet imaginative and flexible.

The client at their discretion and upon written notice can impose restrictions on the type of securities selected by the manager for their portfolios.

## **ASSETS UNDER MANAGEMENT**

As of December 9, 2011 the Firm manages \$49,512,138 in client assets. Twenty one (21) households and forty- one accounts are served by the Firm on a discretionary basis. Assets under Management are calculated utilizing a third party vendor software program, Advent-Axys Software. (Advent Software, Inc., 2011)

## FEES AND COMPENSATION

The fees charged according to the client's agreement and outlined in this brochure are either deducted directly from the client's account or can be paid by check. Clients are permitted to choose which method they prefer to pay fees. This method can be changed upon written notice to the Firm. Fees are charged by account or portfolio on a quarterly basis. Other expenses that may be charged and deducted from the client's account include any applicable custodian fees charged by the firm that holds the client's assets. These firms may include brokerage firms, banks or trust companies. All fees are paid in advance and should the client decide to terminate the relationship at any time, management fees will be refunded to the client on a prorated basis. The client's refund will be calculated using the days remaining in the billing period as a percentage of total billing period days. This means that if the client were billed for a full quarter but terminated the account after one month, the client would be eligible for a refund on the remaining 60 days in the billing cycle.

The Firm does not receive compensation for the sale of securities or other investment products.

The Firm does not accept any performance based fees. Performance based fees are fees based on a share of the capital gains or capital appreciation of the assets of the client.

## PORTFOLIO MANAGEMENT FEE SCHEDULE

|           |                                 |
|-----------|---------------------------------|
| .80 of 1% | .....on first \$500,000         |
| .60 of 1% | .....on second \$500,000        |
| .50 of 1% | .....on assets over \$1,000,000 |

Minimum Fee on Overall Account .....\$5000

One-fourth (1/4) of the computed annual fee schedule is billed at the beginning of each quarter based upon the market value of the assets on the last business day of the preceding quarter.

Fees may be negotiated at the Firm's discretion.

## **TYPES OF CLIENTS**

The Firm provides portfolio management services to individuals, qualified corporation pension and profit sharing plans, trusts, estates and charitable organizations, as well as IRAs and 401(k) participants.

There are no specific requirements or minimums for establishing an account.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

In the context of the client's overall objectives, risk parameters and financial requirements, Slayden Diehl & Company views its number one professional duty as preserving the integrity of the client's capital base. Our second priority is to enhance the value of the capital base and provide income required by the client.

Our first and most important decision is the allocation of assets within the portfolio. Each portfolio's assets are allocated among equities(common, preferred, closed end funds), fixed income investments (municipal bonds, notes, zero coupon bonds), corporate debt (convertible corporate zero coupon bonds, bonds), cash and cash equivalents, and exchange traded funds (ETF) in accordance with the client's risk tolerance, income requirements and longer term financial objectives. We do not recommend the use of margin or engage in frequent trading of portfolios.

Equity investments selected generally fall into two broad categories. One category is growth type equities which are characterized by above average earnings growth, high returns on invested capital, high unit growth and dominant positions in growing markets. The second category is value-oriented equities which are characterized by understated assets, strong balance sheets and good cash flow.

Fixed income securities are selected based on a risk adverse approach which primarily focuses on high quality intermediate term maturity securities due to the increased volatility in today's fixed income markets.

Cash and cash equivalent investments are directed toward high quality, short-term money instruments and money funds which are judged essentially "risk free" and which provide a competitive money market rate of return.

A key to the Firm's approach to investments is the early recognition of changes taking place in the investment environment which are related to the economy, particular industries and specific companies. Identifying these changes permits the timely selection of securities. We attempt to take advantage of the inefficient sectors of the markets. Sound opportunities will be selected which are not currently over-researched by Wall Street or over-owned by institutions, but which could enjoy a change of perception in the market due to future developments.

The relatively small size of assets managed by Slayden Diehl & Company permits more flexibility in selection of potential investments. Since a meaningful security position is smaller for the Firm than for larger institutions, the universe of possible investments is much greater for us than the larger institutions. In addition to the largest capitalization companies, we can consider many promising smaller capitalization situations. Also, our size advantage often allows us to find more productive ways to invest in many larger companies through less actively traded convertible bond and convertible preferred issues.

Our investment philosophy creates portfolios which are quite distinctive from other investment managers. Normally, investments are made with the idea of owning them at least a year. While we do not consider ourselves market timers, we do make gradual shifts in our security positions based on market environment. Funds should be committed to the equity and/or bond markets only when it is perceived that significant gains are achievable. Otherwise, large commitments to cash, cash equivalents or short bonds should be maintained. We feel strongly that flexibility and responsiveness to change are our greatest strengths.

Clients should be aware that investing in securities involves a risk of loss. Investments are subject to fluctuations in the market and can be affected by economic factors such as rates of inflation, interest rates and changes in the economy. There is no guaranty of performance when investing in the securities markets. Past performance of a particular security may not be indicative of future performance. Client's should be aware of these risks and should review their portfolio with their advisor should they have questions regarding any securities position and risks associated with their investment in that position. While management of the client's portfolio may involve consideration of tax implications related to the purchase and sale of securities, Slayden Diehl and Company does not offer tax advice and recommends that the client utilize the services of a CPA or tax attorney for tax advice.



## INVESTMENT PROCESS

Slayden Diehl & Company is an equity-oriented balanced manager stressing a flexible investment approach. The overall investment philosophy is to manage portfolios actively and to base all portfolio management decisions on fundamental analysis of the economy, industries and individual companies. Also considered is the relative attractiveness of stocks, fixed income investments and cash equivalents. The asset mix decision is a function of the particular objectives of each client in terms of total return, income needs and risk level tolerance. Client guidelines and objectives are committed to writing and the portfolios are managed continually within designated client parameters.

Our objective is to maximize total portfolio returns over a full market cycle (3-5 years) consistent with the client's investment objectives and risk constraints. Avoiding large losses in a down market is particularly important in producing superior long term results.

In order to protect the client's capital base and avoid large losses, we consider sell decisions to be critical to the management process. Sell decisions are primarily based on fundamental and technical considerations.

When we purchase a security, we make certain key fundamental assumptions relating to the company's outlook regarding, but not limited to, (1) quarterly earnings, (2) financial positions, (3) product and/or service, and (4) management. A negative change of substance in any area will cause the sale of a stock. In addition, when stocks are purchased, a target price is established. The attainment of this price level will, unless overruled by other significant changes in interpretation and evaluation, result in the sale of the stock.

We continually monitor the trading patterns of our security positions. A sample of factors watched include a security's price/volume relationship, price actions relative to the market, industry group, similar companies and current price actions relative to historical data. In addition, we would sell a position if the overall market risk and the relative attractiveness of alternative investments so dictate.

Slayden Diehl & Company's investment policy is formulated without the cumbersome consensus building necessary with committee decision making. The firm is structured

organizationally so that portfolio management is not restricted by performing administrative duties. Any information regarding the financial market or individual securities can be reacted to instantaneously if the situation mandates. Each portfolio is assured participation in all strategic investment themes. Funds are not commingled and each individual portfolio is separately managed. Thus, client investments are not structured to any prearranged packaged investment portfolio. All accounts are reviewed in the aggregate weekly to assure close adherence to internal guidelines consistent with client objectives.

### **DISCIPLINARY INFORMATION**

The Principal of Slayden Diehl & Company, Slayden Diehl, does not have any disciplinary history with regard to registration with the U. S. Securities and Exchange Commission ("SEC") or with the Financial Industry Regulatory Authority ("FINRA"). (U. S. Securities and Exchange Commission, 2011) (Financial Industry Regulatory Authority, 2011). The Firm does not employ any other persons who provide investment advice.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Neither the Firm nor any of its registered agents maintain registrations with a broker dealer or with any other financial services firms such as future commission's merchants or commodity pool operators. In addition, neither the Firm nor any of its agents select other investment advisers for clients.

### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

The Advisor has adopted a Code of Ethics Policy to prohibit conflicts of interest from personal trading by advisory personnel and has established standards of conduct expected of its advisory personnel. The Advisor has set forth in the Code of Ethics Policy statements of general principals, required course of conduct, reporting obligations, and review and enforcement of the Code of Ethics Policy. The Advisor will provide a copy of the Code of Ethics Policy to its clients or prospective clients upon written request.

Employees may from time to time have a position or interest in securities owned or recommended to its advisory clients. Applicant will comply with its obligation of best execution, full disclosure and other applicable rules. Applicant monitors all of its employee's trading and account activity to ensure neither the Firm nor its employees investment activities conflict with its duty to place the interest of its clients before the Firm's or its employee's own interests.

**BROKERAGE PRACTICES**

Clients who utilize the portfolio management services of Slayden Diehl & Company have in most cases established accounts with other financial services firms who function as custodian and may have selected a broker of record or have an established relationship with a broker to complete buys and sells for their account. In the event the client selects the broker it is the client's responsibility to negotiate the commission with the broker. In the event the client selects the broker, Slayden Diehl & Company may be unable to achieve the most favorable execution of client transactions.

Slayden Diehl & Company obtains a Power of Attorney from each account holder to enable transactions to be completed through their broker of record as instructed by the Firm.

Transactions in securities, buys and sells, are completed on an agency basis which means that all commissions and fees associated with that transaction are clearly disclosed on the trade confirmations for the client account. Transactions are not completed on a principal basis except with regard to municipal bond transactions. The Firm does not permit agency cross trades to be done for the portfolios managed by the Firm. The Firm does monitor for best execution.

The Firm does receive research materials and other products or services other than execution from a broker dealer or a third party in connection with client securities transactions. In order to obtain access to research reports utilized in the portfolio management process, the Firm has an agreement with Morgan Keegan & Company Inc. (Morgan Keegan & Company, 2011) to direct securities trades for execution in return for payment of costs related to the purchase of research as well as to cover the costs of implementation and use of the Advent Axys Software program. The Advent AXYS Software program is utilized to efficiently facilitate the investment decision making process. There are currently thirty nine (39) reports utilized by the Firm in the decision making process.

Commissions directed for research materials and other products or services are for the benefit of the Firm's clients. Neither the Firm, nor its principles receive any other personal or corporate benefits as a result of these directed commissions.

This arrangement can produce an incentive to use one broker's services over another regardless of transaction cost. The Firm does not believe that clients pay more for executions through this arrangement but believes that in most cases clients would actually pay less.

When aggregating orders, each client gets an average price.

Slayden Diehl and/or the employees of the Firm regularly own investment positions which are also held by client portfolios. For portfolio management and personal financial requirements, Slayden Diehl and/or Firm employees may buy or sell investment positions held in common with client portfolios. These portfolio changes are executed in a manner that does not disadvantage client portfolios. If an event occurs necessitating the complete liquidation of an investment position the Firm's client's positions will be liquidated first.

The Firm provides written reports to clients on a quarterly basis.

### **REVIEW OF ACCOUNTS**

Slayden Diehl, the President of Slayden Diehl & Company, conducts the following reviews of accounts; best execution, purchase and sale review, portfolio appraisal, portfolio summary, year to date performance by asset class, unrealized and realized gain and loss review.

### **CLIENT REFERRALS AND OTHER COMPENSATION**

The Firm does not choose brokers or make recommendations as to the broker of record for accounts of clients unless the client requests the Firm do so. The Firm does not receive economic benefit from a non-client in connection with giving advice to clients. The Firm does not pay referral fees to any person outside of the Firm either directly or indirectly for client referrals.

### **CUSTODY**

The Firm does not have custody of client assets or cash. Custody of client assets or cash is maintained at the firm of client choice. Those custody arrangements are with various banks, trust companies and brokerage firms. Custodians of customer funds and securities include Frost National Bank, Merrill Lynch, Robert Baird & Company, Westwood Trust, J.P. Morgan, Credit Suisse, Bank of America and Southwest Securities.

Custodians prepare statements, confirmations and tax documents for each client and are responsible for sending those documents to clients directly. The Firm receives duplicate copies of statements and confirmations, at minimum on a quarterly basis, or monthly if produced by the custodian. Clients are encouraged to compare their custodial statements with any reports produced by the Firm. After review, should clients have questions or concerns regarding these reports, they should communicate those concerns to the Firm.

## **INVESTMENT DISCRETION**

The investment management of client accounts is to be done on a discretionary basis by Slayden Diehl & Company. A limited power of attorney is granted to the Firm for the purpose of executing transactions on behalf of clients. Discretion is defined as empowering a broker or adviser to buy and sell without the client's prior knowledge and consent. (FINRA, 2011)

## **VOTING CLIENT SECURITIES**

The Firm does not vote client securities. The clients should receive notice of corporate actions requiring a voting consent from the custodian of their account and should seek instruction from the broker of record for their account as how to vote their proxies.

## **FINANCIAL INFORMATION**

Applicant does not require or solicit prepayment of more than \$500 in fees per client six months or more in advance. The Applicant does not have custody of customer securities, cash or cash equivalents, and therefore does not have the obligation to prepare and provide a balance sheet for the most recent fiscal year. The Applicant does provide investment management on a discretionary basis and does not have a financial condition that would reasonably impair its ability to meet contractual commitments to clients. The Applicant has not been the subject of a bankruptcy petition at any time during existence.

## **CLIENT ADMINISTRATION AND RELATIONS**

Client communication is an essential element of the investment management service offered by Slayden Diehl & Company. Effective portfolio management rests with a clear understanding of a client's objectives. To develop and maintain successful long-term relations, intensive account attention and continuous dialogue are mandatory. Working as a team, Slayden Diehl & Company professionals are easily accessible to clients for questions or account information. At Slayden Diehl & Company, the client is dealing with the individual who is responsible and accountable for portfolio management. There are no committees formulating investment policy or security buy lists. Committee decision making often lacks the creativity and flexibility to be of specific practical use to a client's needs. Slayden Diehl & Company desires to shorten the distance between the client and those who make the investment decisions. We want the client to be in direct communication with the person responsible.

Client reviews are scheduled to coincide with client requirements. The agenda for client review meetings would include, among other things, an overview of the economy, market outlook, client portfolio results, a review of client objectives and a review of portfolio structure. Client review meetings provide an appropriate setting in which the client and the portfolio manager can fine-tune investment guidelines in order to more effectively achieve client financial goals.

Each portfolio is priced and appraised weekly. Time weighted investment performance is calculated weekly for each portfolio showing results for the current year. Quarterly, each client receives a report which includes a Portfolio Summary, Portfolio Appraisal, a summary of Purchases and Sales and a Performance Summary. Annually, a Realized Capital Gains and Losses schedule and a schedule of all sources of income are provided and dated to coincide with the client's tax year. Slayden Diehl & Company does not provide tax advice. It is recommended that you contact your CPA or tax attorney for advice. Slayden Diehl & Company strives to work closely with each client to customize the channel of communication which works best to serve their needs.

There are no arrangements with any issuer of securities.

## **BIOGRAPHY**

Slayden Diehl was born in Nashville, Tennessee on March 1, 1938 and has made Dallas, Texas his home since 1965. He received his Bachelor of Mechanical Engineering degree from Cornell University in 1961. While completing undergraduate studies at the university, he was also registered at the Cornell Graduate School of Business where he completed courses in Political Science, Management, Marketing, Economics and Finance. In 1961, he was elected to the Pi Tau Sigma National Honorary Mechanical Engineering Society.

Mr. Diehl served a two year tour of duty as a Lieutenant in the U.S. Army Ordinance Corps. While stationed at Redstone Missile Command in Huntsville, Alabama, he was responsible for reinstrumentation of the McGregor Missile Range, a training facility for anti-aircraft missile units near El Paso, Texas. Mr. Diehl received the Army Commendation Medal in 1963 as a result of his work on this project.

Prior to establishing Slayden Diehl & Company as a registered investment management firm in 1980, Mr. Diehl worked fifteen (15) years in the securities industry as a securities broker, portfolio manager and investment counselor.

From 1965 to 1977, he was a securities broker with Rotan Mosle, Inc. Mr. Diehl provided brokerage and counseling services to both individual and institutional accounts.

In 1977, he joined Portfolio's Inc., a subsidiary of Schneider, Bernet & Hickman, a regional brokerage company. At Portfolio's Inc. he provided portfolio management and investment counseling services to both individual and institutional clients. During his tenure at Portfolios, Inc., Mr. Diehl gained additional experience assisting clients in the definition of their financial goals and then structuring investment programs to achieve these goals within the context of the client's particular circumstances.

In 1980, he established Slayden Diehl & Company to provide quality, professional and personalized investment management services to a select clientele.

Slayden Diehl, since forming in 1980 has had no other business activity or supervision provisions.

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