

**Item 1 – Cover Page**

# DiMeo Schneider & Associates, L.L.C.

500 W. Madison, Suite 3855

Chicago, IL 60661

312-853-1000

[www.dimeoschneider.com](http://www.dimeoschneider.com)

March 30, 2012

This Form ADV, Part 2A (the “Brochure”) provides information about the qualifications and business practices of DiMeo Schneider & Associates, L.L.C. (“DSA”). If you have any questions about the contents of this Brochure, please contact Scott Blim at 312-853-1000 or [sblim@dimeoschneider.com](mailto:sblim@dimeoschneider.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

DiMeo Schneider & Associates, L.L.C. is a registered investment adviser (SEC File Number 801-48820). Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about DSA is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Brochure, dated March 30, 2012, does not contain any material changes from our last annual update one year ago. However, each year, pursuant to SEC Rules, we will ensure clients receive a summary of all material changes, if any, to this and subsequent Brochures within 120 days of our fiscal year end.

Our Brochure is available free of charge to any interested party by contacting Scott Blim, Chief Compliance Officer, at 312-853-1000, or [sblim@dimeoschneider.com](mailto:sblim@dimeoschneider.com); additionally it may be found on our web site [www.dimeoschneider.com](http://www.dimeoschneider.com).

This and other information about DSA is available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), including: information about any persons affiliated with DSA who are registered, or are required to be registered, as investment adviser representatives.

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#### **Item 4 – Advisory Business**

DSA provides investment consulting and investment management services designed to meet a broad array of investor needs for institutional and individual clients.

##### **Ownership and Management -**

DSA has been a wholly-owned subsidiary of National Financial Partners Corp. (“NFP”) since September, 2000. (Please refer to Item 10 herein for more information about NFP.) As part of and since that acquisition, NFP and DSA have had a permanent Management Agreement with DiMeo Schneider & Associates Management, Inc., an Illinois corporation (“DSA Management”), to manage the operations of DSA.

The sole owners and employees of DSA Management (“Partners”) are Robert A. DiMeo, William A. Schneider, Michael S. Benoit, Matthew P. Porter, Douglas M Balsam, Matthew R. Rice, Chad A. Tischer, and James B. Modelski.

Under the terms of the Management Agreement, DSA Management is responsible for directing and supervising the operations of DSA, and is generally responsible for all management decisions except those affecting the amount of compensation DSA Management receives from DSA.

##### **DSA’s consulting services include -**

1. **Asset Allocation Studies** – Assistance is provided in the development and preparation of asset allocation studies and investment policy statements. These services typically involve analyzing a client’s liquidity requirements, performance goals and risk tolerance levels as described to DSA by the client.
2. **Asset Liability Analysis** – Asset liability analysis focuses on issues of asset mix and future contribution funding for defined benefit plans given certain actuarial projections.
3. **Participant-Directed Plan Services** – DSA provides certain services specifically designed to meet the needs of participant-directed plans. These services include assistance in determining the type and number of investment alternatives to be offered to participants; development of criteria to be used in selecting service providers; evaluation of the relative merits of bundled or unbundled recordkeeping/investment service providers; evaluation of proposals received from prospective service providers; and participant education, which may include enrollment seminars and written educational materials. Depending on the particular situation, some clients may pay a fee to DSA for certain written

educational materials, either as an explicit fee or as part of a bundled fee arrangement.

4. **Vendor Searches** – DSA assists clients in evaluating and comparing vendors that provide actuarial, recordkeeping, and trust services.
5. **Investment Manager Searches** – DSA recommends independent investment managers from among those included in its various databases that appear to be suitable for the client based upon information made available by the client (including client's goals and financial needs) and by the managers.
6. **Mutual Fund Searches** – DSA suggests mutual funds for clients from among those included in its various databases. Mutual fund recommendations are made on the basis of information provided by the client and publicly available information.

DSA does not have financial relationships with any financial or investment organizations in any aspect besides a few being clients. For example, we may provide investment consulting services for the 401k plan of a bank. The fees paid to us are only for consulting services provided; otherwise, we receive no cash compensation from money management firms.

7. **Investment Manager and Fund Performance Monitoring and Evaluation Reports** – DSA will provide performance reports on a quarterly basis for funds and/or separately managed accounts. The performance reports provide clients with a summary of assets at the beginning and end of the period, including any additions or withdrawals, and industry standard time-weighted rates of return. The reports may also include graphic and tabular presentations of performance (including comparisons to appropriate market indices, inflation, and stated goals), as well as market cycle comparisons, performance attribution and risk/return analysis.

DSA creates performance evaluation reports based upon custodial data for client accounts and information obtained and analyzed from a wide variety of sources. Although the information collected by DSA is believed to be reliable, DSA does not independently verify all information nor does DSA guarantee the accuracy or validity of such information.

8. **Historical Performance Evaluation Reports** – DSA provides historical asset performance evaluations for funds and/or managed accounts. Such reports may contain the same types of information as the current reports described above in item 7.

9. **Participant Education** – DSA provides a range of education/communication services including enrollment meetings, printed materials, and various custom programs.
10. **Performance Attribution Reporting** – Performance attribution reports provide quantitative data regarding an investment manager's effectiveness with respect to market timing, style implementation, economic sector, and industry and investment selection.

**Limits of DSA's Responsibility on the Provision of Consulting Services described above** – DSA does not perform any discretionary trading with respect to these client accounts. In addition, DSA does not render, nor is it responsible for rendering, any legal, accounting, or actuarial services to clients. DSA's consulting services are limited to recommendations and are not binding on the client. Clients retain absolute discretion over (and therefore responsibility for) the implementation of any DSA recommendations, so clients should fully evaluate such recommendations. DSA does not assume any responsibility for the conduct or investment performance, either historical or prospective, of any manager or fund recommended by DSA and selected by a client. Moreover, the prior performance of a manager or fund is not necessarily indicative of such manager's or fund's future results.

**DSA's investment management services include -**

1. **Disciplined Portfolio Advisor ("DPA")** - This internal program is designed for investors who may fall below our typical minimum account size and are either affiliated with existing clients of DSA or friends of the firm. An investor in the DPA program can access our best ideas on asset allocation, manager selection, and portfolio rebalancing by investing in particular low-cost mutual funds and ETFs. As a result the investor will have a well-diversified portfolio similar to one of the hypothetical model portfolios created, monitored, and approved by our Investment Committee. The DPA model portfolios are appropriate for either taxable or tax-exempt clients who wish to pursue one of the following broad investment strategies: cautious, conservative, balanced, moderately aggressive, and aggressive. DSA exercises investment discretion in implementing each investor strategy and rebalancing the portfolios as appropriate. DSA has quarterly conference calls to inform all DPA investors about the performance of the hypothetical model portfolios and to highlight current economic developments.

Importantly, it is the responsibility of each investor in the DPA program to be actively involved in and formally approve the selection of the appropriate model portfolio strategy. Further, it is the investor's responsibility to notify us of any

changes to the information provided on their Confidential Investor Profile. Investors have daily access to a personalized web site detailing their portfolio; they receive monthly statements from their custodian; and they receive electronic quarterly performance reports from DSA.

Separate from but similar to the internal DPA program described above, DSA created and monitors model portfolios that are accessible only to clients of our parent company and its affiliates (the “NFP - DPA Program”). The portfolio construction of these models is very similar, but a key distinction of the NFP -DPA Program is that each NFP affiliate retains sole responsibility for determining the needs of their client and in choosing which model may be appropriate. DSA does not have direct knowledge of, nor direct communication with, the underlying client of NFP.

2. **Limited Power of Attorney (“LPOA”) Responsibilities** – Some clients have a written agreement with their custodian/broker that grants DSA certain responsibilities. This may include an ability to transfer assets between accounts owned by the client as requested; to execute portfolio trades pre-approved by the client; and to directly obtain fees earned by DSA from the respective client accounts held by the custodian/broker.
3. **CIOutsource Program** – Established in response to client requests for DSA to assume discretionary management authority over their investment accounts, DSA performs this service after establishing investment objectives, mandates, parameters, and restrictions with the client as reflected in a written agreement. The nature of our authority is unique in each situation and so are the fees we charge for such services. In some cases DSA is paid a performance fee based on our ability to create account performance in excess of an agreed benchmark over a prescribed timeframe, as specifically stated in a written agreement.
4. **Customized Services** – Consistent with our goal to satisfy the unique and special needs of our clients, we have accepted certain other responsibilities involving a measure of discretionary control as defined by written agreement.

## **Assets Under Advisement -**

We believe the best way to assess the scale of an investment consultant's business is through the measurement of their client assets under advisement ("AUA"). This metric is technically different, and follows a more expansive definition (as demonstrated below), than the assets under management ("AUM") figures required by the SEC on Form ADV, Part 1 [Item 5.F(2)]. The following numbers are as of December 31, 2011:

|   |                            |
|---|----------------------------|
| CIOutsource Program & Customized Discretionary Services | \$ 937,500,000             |
| Internal DPA Program                                    | + 69,000,000               |
| NFP - DPA Program                                       | <u>+ 125,900,000</u>       |
| Discretionary AUM                                       | \$ 1,132,400,000           |
| Non-discretionary (LPOA) Clients                        | <u>+ 3,623,400,000</u>     |
| Total AUM   | \$ 4,755,800,000           |
| Non-discretionary Consulting Clients                    | <u>\$ + 31,004,200,000</u> |
| TOTAL AUA   | <u>\$ 35,760,000,000</u>   |

## **Item 5 – Fees and Compensation**

Typically DSA charges a quarterly fee based on either a fixed dollar amount or a fee based on a percentage of the client's assets to which DSA's services relate. Each client fee arrangement is individually negotiated depending on the nature of DSA's engagement and the client's distinct situation including the size of their AUA and other factors. Clients may pay the agreed upon fee in advance or in arrears. Some clients give us the authority to automatically deduct our fees from their accounts, and others elect to be invoiced.

The fees charged by DSA are separate and distinct from fees and expenses charged by other investment managers and mutual funds which are recommended to clients, and furthermore they are exclusive of all other costs a client may incur with respect to custodians, brokers, and other third party service providers.

Our investment advisory contract allows the client or DSA to terminate the relationship by providing written notice in the manner described in the contract, and any fees paid in advance will be refunded on a pro-rata basis.

Some clients enter into commission recapture agreements with their custodian/broker. Under those arrangements, the broker/dealer will remit to the client a portion of the brokerage commissions it earns on the client's securities transactions. The client may elect to have such amounts remitted to DSA, in which case 100% of those recaptured fees are



specifically applied against the advisory fees charged to clients by DSA for services rendered. DSA does not recommend broker/dealers to clients in exchange for research provided to DSA by such broker/dealers.

Roughly similar to the arrangements immediately above, and to provide economic benefit to clients, DSA has an agreement with Charles Schwab & Co., Inc. ("Schwab") whereby DSA takes initial receipt of a share of the Servicing Fee earned by Schwab for certain purposes described in the italicized paragraph below. The agreement DSA has with Schwab contractually requires DSA to make the following disclosure:

*Schwab pays to DSA a significant percentage of the service fees Schwab receives on the total assets of clients invested in Schwab's Mutual Funds OneSource service in recognition of certain shareholder servicing that is performed by DSA in respect of those assets. The amount of OneSource service fees that Schwab receives varies from 25 to 40 basis points annually depending on the particular OneSource fund, so the amount of Schwab's payment will vary depending on the amount of client assets invested in a particular fund. Because DSA receives an economic benefit, DSA has a potential conflict of interest in recommending to clients that they (i) use Schwab as custodian; (ii) invest their assets in OneSource funds; and (iii) invest in a OneSource fund that has a higher service fee than other OneSource funds.*

However, to eliminate any potential conflict of interest, 100% of the Servicing Fee received by DSA on each client account is applied against the respective advisory fee owed to DSA by such client. This is a benefit to clients as it serves to reduce their costs. The Schwab relationship is important to DSA as described in Item 12 of this Brochure.

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

In one particular situation, DSA has a performance fee arrangement with a qualified client where such fees were subject to individualized negotiation. In that case and in any prospective client situation, DSA will structure the performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (the "Advisors Act") in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, DSA shall include realized and unrealized capital gains and losses. In the interest of fair disclosure, performance-based fee arrangements can create unique incentives for an adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement; and such can also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. However, DSA has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to

prevent this conflict from influencing the allocation of investment opportunities among clients. The one particular situation we have now is managed by a Principal of the firm, and the client's portfolio is reviewed regularly and approved by the discretionary sub-committee of the ten-member Investment Committee.

## **Item 7 – Types of Clients**

DSA provides conflict-free investment consulting and management services to retirement plan sponsors, nonprofit organizations, institutions and private families. Various minimum account sizes or fee levels will apply depending on the type of client.

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

DSA currently has 24 experienced professionals on our investment research teams. We have 12 individuals dedicated to Traditional Investment Manager research and 12 dedicated to Alternative Investments. The more important research effort comes from our Chief Investment Officer and the Investment Committee. It is that research effort that has led directly to our evolutionary improvements to the traditional asset allocation model, The Frontier Engineer™ and to our proprietary rebalancing overlay, The Portfolio Engineer™. The firm's Investment Committee consists of seven senior professionals of the firm in addition to three senior members of the research staff.

We maintain a proprietary database of over 600 managers that either our clients use and/or are under consideration for our recommended lists. We also constantly screen a database of over 2,200 private managers and 17,500 mutual funds to maintain a "stable" of top candidates. We cover all asset classes and styles and do not charge any fees for managers to be included in our database. In addition to our proprietary database, we also purchase data from outside vendors.

We perform on-site visits, meet with managers in our office, and conduct due diligence telephone calls with managers. In these manager meetings, we emphasize areas that can't be ascertained by quantitative performance analysis: organizational structure, product-

specific information, infrastructure, philosophy-buy/sell discipline, portfolio construction, performance, trading, and compliance.

DSA generally monitors the following asset classes for clients:

### **Traditional Asset Classes**

- Global Fixed Income
  - Cash
  - U.S. Treasury Inflation-Protected Securities
  - U.S. Investment U.S. Grade Nominal Bonds
  - Custom Liability LDI Bond (or derivative-based) Portfolios (for Pension Plans)
  - Foreign Bonds
  - High Yield Bonds
- Global Equities
  - U.S. Equities (large, mid & small cap)
  - Foreign Developed Equities
  - Emerging Market Equities

### **Alternative Asset Classes**

- Real Assets
  - Real Estate
  - Commodity Strategies
  - Natural Resources
  - Timberland
  - Infrastructure
  - Other Niche Real Asset Opportunities
- Hedge Funds
  - Equity Hedge Strategies
  - Event-Driven Strategies
  - Macro Strategies
  - Relative Value Strategies
  - Multi-Strategy Funds
  - Funds of Underlying Hedge Funds
- Private Equity
  - Venture Capital Funds
  - Buyout Funds
  - Other Niche Private Equity Strategies
  - Funds of Underlying Private Equity Funds

In any investment market strategy there is a risk of loss that clients should be prepared to bear, including loss of principal and the risk of not achieving your investment objectives. Our work in helping clients develop an investment strategy goes beyond portfolio structure. It is common for us to be involved in what we call the “three levers”:

1. Revenue (Inflows)
2. Spending (Outflows)
3. Investment Returns (Target Return)

Each client’s unique circumstances can lead to the recognition that one of the levers is more rigid or flexible. We believe it is impossible to appropriately structure a portfolio without a clear understanding of each lever and its relative impact on the client. This leads to a discussion of not just a client’s **willingness** to take risk, but just as importantly their **ability** to take risk. More than ever, we think it is critical to thoroughly understand what risk really means for a client and how to budget for that risk within an investment strategy.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of DSA or the integrity of DSA’s management. DSA has no information applicable to this Item.

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

DSA may act as a solicitor for other investment advisers, including sponsors of wrap fee programs, and receive a portion of the advisory fee charged by the other investment adviser or wrap fee program sponsor. The compensation arrangement is disclosed to the client in the Solicitor’s Disclosure Statement.

As mentioned in Item 4 of this Brochure, DSA is an affiliate of NFP. NFP is a leading provider of benefits, insurance and wealth management services. NFP owns 100+ affiliates, all of whom may refer clients to DSA via the NFP Program. Some of these NFP affiliates are registered as investment advisers and/or broker-dealers, but DSA does not have any arrangements with those other affiliates that are material to DSA’s advisory business or its clients. More information about NFP may be found at [www.nfp.com](http://www.nfp.com).

## **Item 11 – Code of Ethics**

DSA has a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and business entertainment items, and personal securities trading procedures, among other things. All persons at DSA must acknowledge their understanding of and compliance with the Code of Ethics on an annual basis.

DSA anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which DSA has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which DSA has a position of interest. DSA's supervised persons are required to follow the Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of DSA may trade for their own accounts in securities which are recommended to and/or purchased for DSA clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of DSA will not interfere with making decisions in the best interest of advisory clients. Employee trading is continually monitored under the Code of Ethics. Clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Scott Blim.

## **Item 12 – Brokerage Practices**

In any situation where DSA has discretionary authority, all portfolio transactions are placed with the broker agreed to by the client.

Regarding the provision of consulting services on non-discretionary accounts, DSA may recommend clients establish brokerage arrangements with the institutional divisions of Charles Schwab, Fidelity, or other registered broker-dealers (collectively the "BDs"). An institutional brokerage account holder receives a level of service that is not typically available to a retail investor. These services may include: brokerage, custody, research, and access to mutual fund and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. The BDs are compensated by account holders through commissions and other

transaction-related fees. On behalf of its clients, DSA has negotiated a favorable fee rate schedule with the BDs. Ultimately the client chooses which custodian and/or broker to use.

The BDs may also make available certain products and services that benefit DSA, but may not benefit its clients directly. Broadly speaking, this may include ongoing assistance in managing and administering client accounts, and in helping DSA manage and develop its business enterprise. The BDs may discount or waive the fees it would otherwise charge for some or all of these products and services. DSA will provide more details upon request in furtherance of its goal to be conflict-free on both an actual and perceived basis.

### **Item 13 – Review of Accounts**

Client accounts are reviewed by a Principal and/or senior professional of the firm on a quarterly basis, or when changes in client circumstances or market conditions dictate. The quarterly reviews are usually done in person or over the phone, depending upon the preferences of the client. Client service teams typically include a Principal, a co-Consultant, Analyst, and Service Administrator. Senior Consultants may do partial work on a number of clients and we carefully monitor the workload of each Senior Consultant to ensure client satisfaction.

Typically regular reports on client accounts are prepared and provided to clients on a quarterly basis. Generally these reports include information relating to the composition, cost, and market value of the client's portfolio, including the amount of any unrealized gains and losses, as well as the performance comparison information to industry indices and other relevant benchmarks.

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

DSA may compensate persons for client referrals in compliance with Rule 206(4)-3 of the Investment Advisers Act of 1940. In addition, DSA receives referrals from professionals (e.g., attorneys and accountants), or introducing broker-dealers and their registered representatives. DSA may refer its clients to the professionals who refer clients to DSA.

## **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. DSA urges clients to carefully review such statements and compare such official custodial records to the account statements we provide. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

DSA receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, DSA observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to DSA in writing.

## **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, DSA does not have any authority to, nor does it, vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. DSA may provide limited advice to clients regarding the voting of proxies.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about DSA's financial condition. DSA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.