

# **Gardner & Robertson, Inc.**

## **Form ADV-Part 2 Firm Brochure**

107 South 1<sup>st</sup> Street  
Richmond, VA 23219  
804-205-1260 - Phone  
804-591-1546 - Fax

March 22, 2012

This brochure provides information about the qualifications and business practices of Gardner & Robertson, Inc. If you have any questions about the contents of this brochure, please contact us at 804-205-1261. This information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration as a Registered Investment Advisor does not imply a certain level of skill or training.

Additional information about Gardner & Robertson, Inc. also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov)

## **Item 2- Material Changes**

There have been material changes to the Gardner & Robertson, Inc. (G&R) ADV Part 2A since the January 13, 2011 annual update and the September 29, 2011 update of the ADV Part 2A.

The office of G&R has moved to 107 South 1<sup>st</sup> Street, Richmond, VA 23219. The new telephone number is 804-205-1260 and the new fax number is 804-591-1546. The email address of Mr. Thomas Robertson is trobertson@gr-garp.com.

Thomas C. Robertson, President and Chief Investment Officer of G&R, resigned as an employee of Anderson & Strudwick, Inc. on June 30, 2011.

On September 12, 2011, Ashland Partners & Company LLP certified that G&R has complied with all the composite construction requirements of the Global Investment Performance Standards (GIPS) standards on a firm-wide basis for the periods January 1, 1998 through December 31, 2010; and designed its policies and procedures to calculate and present performance results in compliance with the GIPS standards as of December 31, 2010.

Starting in 2012, G&R has been offering an Equity Income strategy in addition to its Growth At a Reasonable Price (GARP) portfolio strategy.

In November 2011, G&R purchased the 50% share ownership of Mr. Charles Gardner and now Mr. Thomas Robertson is the sole owner of G&R.

In December, 2011, G&R made a payment to the Internal Revenue Service to settle all prior tax liabilities.

The Securities and Exchange Commission has taken the position that G&R should disclose its balance sheet as long as G&R has a negative net worth. The negative net equity at G&R does not directly affect any of our client accounts, as G&R, Inc. does not maintain custody of any client assets.

The SEC now requires of all investment advisors an ADV Part 2B, which is called the brochure supplement. This supplement provides biographic information on your investment manager, Thomas Robertson. This is included at the end of this updated ADV Part 2.

The Securities and Exchange Commission has adopted rules regarding how we disclose information regarding our advisory business. This includes an entirely new format for our ADV Part 2, which is the disclosure document that we provide to all our new clients and also offer to all our existing clients once per year. The following is the new format for the ADV Part 2A.

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## **Item 4-Advisory Business**

Gardner & Robertson, Inc. (G&R), a SEC-registered investment advisor, was formed in late 1997 to manage individual accounts on a fee basis. All accounts are discretionary with G&R having limited trading authorization. G&R has been owned by Thomas C. Robertson since November 2011. Mr. Gardner retired in March 2009.

G&R provides discretionary portfolio management services. The total client assets, under management at G&R, are \$53 million as of December 30, 2011. G&R has approximately 135 different accounts with 103 households.

G&R manages individual equity accounts for individuals, pensions, and endowments. It does not manage any investment company or hedge fund accounts. It offers two investment strategies and it also will customize accounts for clients. G&R's original strategy is to invest primarily in equities using a Growth at a Reasonable Price (GARP) investment strategy. Its GARP strategy utilizes a disciplined methodology of reviewing companies for investment. The process reviews companies' balance sheets, cash flows, long term growth and current stock market valuation. Its newer strategy is an Equity Income portfolio strategy. This portfolio management approach utilizes the same Growth at a Reasonable Price discipline with a greater emphasis on dividend income and less emphasis on growth.

Advisory services can be tailored for individuals. Individual accounts can request G&R to hold individual securities for tax reasons or for any other reason and also to make trades for tax purposes. The portfolio manager will increase cash positions or increase holdings in income oriented securities at a client's direction. A small number of accounts discuss most of the trades to be made in their accounts with the portfolio manager and often make their own decisions. Some accounts utilize margin debt in their accounts. Clients may also direct the manager to not invest in certain individual securities. G&R avoids investments in tobacco manufacturers since many clients do not want to own tobacco manufacturers. While G&R generally accommodates client requests, it excludes these accounts from its composite performance reports if they do not represent the GARP or Equity Income strategies.

G&R also offers a subscription based research service (model portfolio). After G&R buys or sells securities in client accounts, G&R updates its model portfolios and supplies this information to the research subscribers. G&R does not review or manage those accounts utilizing the model portfolios, and those accounts are not included in G&R's assets under management.

G&R participates as a sub-advisor in a WRAP program sponsored by Sterne Agee. These accounts are managed in the same manner as all other accounts at G&R.

## **Item 5-Fees and Compensation**

G&R charges a quarterly fee for its advisory services at the annual rate of 1.0% of assets under management for the first \$1 million and 0.5% for amounts over \$1 million. G&R's fee schedule is negotiable. G&R's fee does not include transactional charges, which vary depending on where the account is held. A client can choose to be billed or have the fees charged to his account at the custodian chosen.

G&R manages accounts, which are held at four brokerage firms.

Fees are billed on a calendar quarterly basis in advance at the beginning of each quarter or at the time the account is opened through the end of that quarter. If a client closes an account prior to the end of the quarter, the client will be refunded a pro rata amount based upon the number of days left in the quarter. In the WRAP accounts and for accounts held at one custodian, the custodian calculates the investment fees and these fees are deducted directly from the client's account. G&R computes the investment management fees for accounts held at other custodians. The management fees at accounts held at Schwab are deducted from the client's account on a calendar quarterly basis in advance at the beginning of each quarter. Three accounts, which are held at Fidelity, are on an old contract and are billed directly in arrears on a quarterly basis. Whenever G&R computes the management fee and the fees are deducted from the account, an accounting or invoice, itemizing the fee, the formula and the assets under management, is sent to the client.

G&R does not require any advance notice to terminate an agreement.

Each custodian has various fees for many services, including IRA custodial fees, check writing fees, wire transfer fees, account termination fees, etc. All of these custodians are required to provide the client with a copy of these miscellaneous fee schedules when an account is opened. There are additional fees that are charged by mutual fund and exchange traded funds directly. More information on the amount of fees for these products can be found in the fund's prospectus, which should be provided by the custodian.

Neither G&R nor any supervised employee receives any commissions from the sale or purchase of securities or other investment products to G&R clients.

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

This is not applicable as G&R does not have any performance based fees.

## **Item 7- Types of Clients**

G&R manages individual accounts for individuals, pensions, and endowments. It does not manage any investment company or hedge fund accounts. The minimum account size is \$100,000, but this minimum has been waived in individual cases for reasons such as other relationships or anticipated additions to the account.

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

G&R uses a fundamental analysis approach. While it does not utilize technical analysis, it does review relative strength, price and earnings momentum, earnings surprises, and other factors that have been associated with superior performance. G&R utilizes a Growth at a Reasonable Price (G.A.R.P) strategy. The companies, that meet our criteria, have a superior balance sheet, generally have an above average return on equity, have a long term record of superior growth in revenues and earnings and have a modest valuation relative to their historic performance, their historic valuations and valuations of similar securities. The Chief Investment Officer may use his investment judgment to over-ride various criteria. G&R also believes in the use of diversification to reduce risk. While it does not invest in all economic sectors, it does invest in many different industries and economic sectors with accounts generally owning at least 25 individual companies. G&R does not believe there is any value in over-diversification. It invests in large capitalization (market capitalization over \$50 billion), mid-sized capitalized companies (market capitalization of \$10 to \$50 billion) and some smaller companies. G&R accounts are typically most heavily weighted to mid-sized market capitalization companies. The GARP strategy has a greater emphasis on growth and the Equity Income strategy has greater emphasis on dividend income, but both utilize a Growth at a Reasonable Price approach with a strong emphasis on solid balance sheets.

G&R strongly believes heavy trading is detrimental to performance. The turnover in holdings in accounts at G&R is low.

Risk factors: One risk of our strategy is that some times the market consensus is correct and there is a reason for the apparent under-valuation of certain companies. Also under-valued securities will sometimes stay under-valued for very long periods of time. Common stocks are more volatile than bonds.

G&R invests almost exclusively in common equities (stocks). Stocks, in general, are significantly more volatile than bonds and short-term cash investments. According to Morningstar's Ibbotson's SBBI Classic Yearbook, stocks (S&P500), from 1926 through 2008, had standard deviation of returns of 20.6% versus only 9.4% for long term U. S. Government Bonds.

Investing, in any security, involves the risk of loss. Clients should be aware of the risk of loss of capital. Investments in equity securities involve greater risks than an investment in many other investments. G&R believes equities offer some protection against the potential ravages of inflation. According to Morningstar's Ibbotson's data from 1926 through 2008, stocks of large companies (S&P500) generated 9.6% annual average returns versus inflation of 3.0% per year. Long term U. S. Government Bonds generated annual average returns of 5.7% per year during the same time period. Past performance is no guarantee of future performance.

### **Item 9-Disciplinary Information**

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events (i.e., criminal and/or civil action, administrative proceedings, self-regulatory proceeding) that would be material to your evaluation of them or the integrity of their management. G&R has no information to report or disclose.

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

G&R is not engaged in other financial industry activities. No employee of G&R is registered with any broker-dealer or other financial firm. Thomas Robertson was registered as a broker with Anderson & Strudwick, a registered broker dealer, until December 31, 2010 and was an employee of Anderson & Strudwick until June 30, 2011.

### **Item 11- Code of Ethics**

G&R has developed a written Code of Ethics to reinforce and enhance our ethical way of doing business. The Code addresses how we handle potential conflicts of interest between us and our clients including how we handle trading of securities in our personal accounts. The Code also outlines the duties of the Chief Compliance Officer and discusses our policies for insider trading, fair dealing with our clients, competitors and suppliers, and our responsibility to our employees.

We will provide a copy of our Code of Ethics to any of our clients or prospective clients upon request.

G&R employees may invest alongside our clients in the same securities and the same strategies that G&R manages for our clients. This may create a conflict of interest in that G&R could recommend securities that G&R or its employees already own, thereby pushing up the price. We have developed procedures to address this potential conflict of interest. First, employees of G&R may not buy securities that are being considered for potential purchase in our client's accounts until after the security has been purchased in the client's accounts. Likewise, employees of G&R may not sell a security that is being considered for potential disposition in our clients' accounts until after the security has been sold in the clients' accounts. However, if the employee account is a part of the G&R strategy pursuant to an executed advisory agreement with G&R, then the employee account may purchase and sell securities at the same time as our clients. This will ensure that all accounts, including the personal employee account, receive the same average price for the transaction.

## **Item 12- Brokerage Practices**

The clients of G&R are free to select their own brokerage firm or custodian. G&R has no prime brokerage accounts. G&R may suggest clients use Charles Schwab & Co. for their custodian and directed brokerage due to effective trade execution platform, ability to aggregate client trades and ease of operations by reducing the number of individual custodians.

The S. E. C. has required all investment advisors to discuss "soft dollar" payments. G&R does not participate in soft dollar payments. Soft dollars are earned by money management firms who direct commission business to brokers. These soft dollars are used to pay for research and other services. G&R does not direct commission business to brokers for soft dollar. Clients of G&R chose the brokerage firm to which G&R directs their transactions. Generally all transactions for G&R clients are paid through a fee paid to the custodian (brokerage firm) rather than commissions on individual transactions.

G&R uses trade aggregation as often as possible. Trade aggregation or blocking of orders is the process of entering trades in one security for numerous accounts in one order. This allows the advisor and the brokerage firm to execute transactions in a timely, equitable and efficient manner. All clients participating in the trade receive the same average price. These block trades are done at each of the brokerage firms in which there are a significant number of G&R accounts. To treat each client fairly, G&R has a trade rotation system. Each new block trade starts with a different brokerage firm.



### **Item 13- Review of Accounts**

The Chief Investment Officer reviews all accounts and the companies or stocks held by accounts. Whenever the Chief Investment Officer determines that a security should be sold or reduced or a new investment should be made, then all accounts are reviewed and changes are implemented in all applicable accounts at that time. Each account is reviewed at the time of changes and at least once quarterly.

Each client receives a report quarterly disclosing performance returns over various time periods in comparison with the S&P500, a listing of current security holdings and market values. The custodians send confirmations of trades and account statements at least quarterly.

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

G&R does not currently compensate any person for client referrals. Solicitors are being paid directly by the custodians or brokerage firms. Mr. Gardner, who retired in 2009, receives a portion of the fees from accounts that he solicited for G&R while he worked at G&R.

### **Item 15- Custody**

G&R does not maintain custody of client fund or securities. G&R prepares client reports that we send to clients on a quarterly basis. Custodians also send clients reports on at least a quarterly basis. G&R urges our clients to compare the account statements they receive from their custodian with reports prepared by G&R to verify accuracy.

## **Item 16- Investment Discretion**

G&R has limited trading authorization over all accounts under its management. A client may request certain securities to not be purchased or sold or make other restrictions or requests. While G&R tries to follow these instructions and it believes it has done so, it retains limited trading discretion in all accounts. G&R will not take any accounts without having limited trading authorization. We believe this is in the client's best interest and also protects G&R.

## **Item 17- Voting of Client Securities**

G&R will vote proxies for client securities as specified in the clients' contracts. G&R will vote proxies in a manner that places the interests of the client first. Clients may contact us with any questions about a particular proxy or solicitation.

## Item 18- Financial Information

Gardner & Robertson, Inc.  
Balance Sheet  
As of December 30, 2011  
Unaudited/Accrual Basis

Assets;

Current Assets:

Checking/Savings

\$ 7,042

Total Current Assets:

\$ 7,042

Fixed Assets- Equipment and furniture

\$ 9,446

Total Assets

\$ 16,488

Liabilities and Equity:

Current Liabilities:

Accounts Payable

\$151,737

Total Liabilities

\$151,737

Equity

(\$ 135,249)

Total Liabilities and Equity

\$ 16,488

Gardner & Robertson, Inc. has no financial commitments that impair its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding.

# **Gardner & Robertson, Inc.**

## **Form ADV Part 2B- Brochure Supplement**

**Thomas C. Robertson, CFA**  
**President**

107 South 1<sup>st</sup> Street  
Richmond, VA 23219  
804-205-1261 - Phone  
804-591-1546 - Fax

March 22, 2012

This brochure supplement provides information about Thomas C. Robertson that supplements the Gardner & Robertson, Inc. brochure. You should have received a copy of that brochure. Please contact Thomas Robertson if you did not receive Gardner & Robertson, Inc.'s brochure or if you have any questions about the contents on this supplement.

Additional information about Thomas C. Robertson is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov)

## **Educational Background and Business Experience**

### **Thomas C. Robertson, CFA**

Year of birth: 1945

Bachelor of Science in Commerce – University of Virginia (1968)

Mr. Robertson has been President of Gardner & Robertson (G&R) since its founding in 1997. From April 1, 1981 to June 30, 2011 Mr. Robertson was an employee of Anderson & Strudwick, Inc. a Richmond, Virginia based brokerage firm. During his period at Anderson & Strudwick, Mr. Robertson served the firm in various capacities, including its President, Chief Executive Officer, Director of Research, Director of Compliance, and Chief Financial Officer, as well as a registered representative. From June 30, 1968 through March 31, 1981, Mr. Robertson was employed by First and Merchant's National Bank, Richmond, VA. He served as a Trust Investment Officer and Director of Investment Research.

Chartered Financial Analyst (CFA) designation, issued by the CFA Institute:

Candidate must meet one of the following requirements:

- Undergraduate degree and 4 years of professional experience involving investment decision-making, or;
- 4 years qualified work experience (full time, but not necessarily investment related).

Educational requirement: 250 hours of self-study for each of the 3 levels.

Examination type: 3 course exams.

## **Disciplinary Information**

There is no disciplinary information to disclosure.

## **Other Business Activities**

Mr. Robertson has been a member of the Board of Directors of AutoInfo, Inc., a non-asset based transportation services company, since January, 1999. There are no business relationships between G&R, Inc. and AutoInfo, Inc. This business activity represents less than 10% of Thomas Robertson's time and income.

## **Additional Compensation**

Mr. Robertson receives Board of Director fees from AutoInfo, Inc.

## **Supervision**

Mr. Robertson is the sole supervisor for G&R.