

**Item 1 – Cover Page**

**Stratford Advisory Group, Inc.**

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**January 23, 2012**

This Brochure provides information about the qualifications and business practices of Stratford Advisory Group, Inc. (“Stratford”). If you have any questions about the contents of this Brochure, please contact us at (312) 798-3200. 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.

Stratford is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about Stratford also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Stratford is 137901.

## Item 2 – Material Changes

This Item of the Brochure will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. The last update of our brochure was March 30, 2011. We have made the following material changes:

As of January 23, 2012, this brochure has been amended to reflect a change in the firm's ownership (Item 4) and affiliations resulting from the change in ownership (Item 10). This information was reported in an amendment to the firm's Form ADV Part 1 that was filed on the IARD system.

(Brochure Date: January 23, 2012)

(Date of Most Recent Annual Updating Amendment: March 30, 2011)

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Our Brochure may also be requested by contacting Christine Horvath, Stratford's Chief Compliance Officer, at (312) 798-3200.

Additional information about Stratford is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Stratford who are registered, or are required to be registered, as investment adviser representatives of Stratford.

## Item 3 -Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 -Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	5
Item 6 – Performance-Based Fees and Side-By-Side Management .....	5
Item 7 – Types of Clients.....	5
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Item 9 – Disciplinary Information .....	7
Item 10 – Other Financial Industry Activities and Affiliations .....	7
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	7
Item 12 – Brokerage Practices .....	8
Item 13 – Review of Accounts.....	9
Item 14 – Client Referrals and Other Compensation.....	9
Item 15 – Custody .....	10
Item 16 – Investment Discretion .....	10
Item 17 – Voting Client Securities.....	10
Item 18 – Financial Information.....	11

## Item 4 – Advisory Business

Stratford has been providing investment and advisory services since our founding in 1982. On December 30, 2011, Stratford became a wholly-owned subsidiary of Pavilion Financial Corporation through a holding company, Pavilion Financial Corporation Holdings Inc.

As of September 30, 2011, Stratford managed approximately \$6.25 million on a discretionary basis and \$28,705 million on a non-discretionary basis.

Stratford is an experienced and objective adviser that provides a full range of investment consulting and advisory services to healthcare organizations, endowments and foundations, defined benefit and defined contribution plans, Taft-Hartley pension and welfare funds, and corporations (operating assets and other taxable funds). Our approach is strategic and we strive to provide investment advice that potentially enhances returns and controls risk.

Stratford provides investment consulting and advisory services on both a non-discretionary and discretionary basis. Under a non-discretionary consulting approach, Stratford makes investment recommendations to the client, but does not have authority to implement such recommendations. Under a discretionary consulting approach, Stratford has the authority to implement certain investment decisions. The extent of this authority is determined by the client.

Below is a summary of Stratford's investment consulting and advisory services.

Stratford is staffed by an experienced team. Our consultants conduct research internally with our manager databases and performance evaluation systems. Our investment professionals have a background that includes investment banking, investment management, and/or securities trading. It is this combination of consulting experience and practical investment insight that we believe gives strength to our client relationships.

Stratford provides customized services to meet the particular needs of each client. Clients may impose restrictions on investing in certain securities or types of securities. Stratford offers a broad spectrum of investment consulting and advisory services including:

1. Investment Strategy and Policy: Stratford assists clients in formulating customized investment strategies that consider investment objectives, risk tolerances, and cash flow needs. Stratford analyzes each client's existing investment program to identify inconsistencies between the client's objectives and their current investment structure. Using various optimization techniques, Stratford will determine an asset allocation strategy that meets a client's specific investment objectives and liabilities.

Stratford also assists clients in developing appropriate investment manager structures within the parameters of fund size, administrative cost, and operational efficiencies. As part of this process, Stratford will develop a written Statement of Investment Policy that establishes specific objectives and controls. This document delineates the client's asset allocation policy, investment restrictions, and target performance characteristics.

2. Asset Allocation and Liability Analysis: Stratford begins this process with a thorough evaluation to identify each client's key risk tolerance and risk preference issues, including appropriate asset classes and maximum and minimum allocations. Stratford defines the client's primary goals, such as: maximizing absolute returns, matching cash-flow characteristics, targeting specific rates of return, or minimizing volatility of a specific metric.

Stratford pays particular attention to the development of the asset allocation model input variables. Our consultants analyze each portfolio using asset-liability models to confirm that the investment portfolios fully reflect a client's risk tolerances, spending policies, and liability structure. This process can also be used to evaluate the objectives and strategy for certain defined contribution investment options, such as targeted maturity and lifecycle funds.

3. Healthcare Capital Allocation Analysis for Healthcare Operating Funds: Stratford applies a strategic modeling process for the asset allocation decision as it applies to the healthcare operating assets. This analysis integrates projected income and balance sheet data into traditional asset/liability management, using both stochastic and deterministic models. This analysis is a powerful tool in assisting healthcare systems with the allocation of capital resources. We have found that this analysis has also shown to be very helpful in predicting when non-compliance with bond covenants may occur.

4. Investment Manager Evaluation and Selection: Stratford performs searches on behalf of our clients for investment managers and mutual funds. Stratford conducts ongoing research to identify a universe of investment managers and mutual funds who have a high probability of outperforming their peers. For each assignment Stratford develops a list of selection criteria, prepares RFP questions, provides detailed written profiles, and makes specific vendor recommendations. Stratford will also assist in fee negotiation, transition management, and contract review.

An important step in the selection process is Stratford's qualitative and quantitative analysis using our extensive database of manager information. This step involves evaluating the history and characteristics of each investment manager.

Stratford confirms that the objectives of the selection process are being achieved. We never receive compensation in any form from the managers we recommend to our clients, and as such we believe that any conflicts are minimized.

5. Alternative Asset Classes: Stratford researches, advises on, and conducts searches for alternative investments. In addition, Stratford performs ongoing due diligence of alternative managers. Our capabilities include but are not limited to the following alternative investment classes: Real Estate, Hedge Funds, Hedge Fund-of-Funds, Private Equity Funds, Private Equity Fund-of-Funds, Infrastructure and Commodities.
6. Manager Monitoring: Onsite due diligence and frequent communications with managers can often identify problems before they are evident in performance. Stratford's specific recommendations, applied experience and assistance with implementation help clients optimize manager performance while minimizing turnover costs and benchmark risks.
7. Performance Measurement and Evaluation: Stratford provides comprehensive performance reports that are customized to the needs of each client. The reports are detailed, yet easy-to-understand, with many graphical presentations. They are fully customizable and clients can select from more than 500 index benchmarks and 60 peer groups. Stratford maintains electronic links with many custodians to ensure that the reports are timely and accurate. Our primary goal is to help clients make informed decisions about their investment portfolios.

Our performance measurement process starts with a client's monthly custodial statements and includes a full reconciliation of the assets. The reports include a complete set of modern portfolio theory (MPT) statistics and a thorough analysis of manager style. These reports are prepared entirely in-house so that clients receive a report that is customized to their particular needs.

8. Custodian and Record-keeper Evaluation and Selection: Stratford conducts custodian and defined contribution plan record-keeper searches using a process similar to that for investment managers. Client specific requirements are incorporated in the selection process. In addition to a review of capabilities, emphasis is placed on each vendor's ability to meet the client service needs of the organization. Fee negotiation is an important element of our custodian and record-keeper search and selection process as are onsite evaluations
9. Socially Responsible Portfolio Construction: Stratford assists clients in developing customized socially responsible and economically targeted investment programs.

Stratford assists in establishing the appropriate structure and procedures for these investment portfolios, along with appropriate benchmark(s) to measure the success of the program.

Stratford helps clients to balance their fiduciary responsibilities and investment objectives with broader goals reflecting particular economic or social objectives. Stratford remains active in socially responsible investment networks and can integrate socially responsible objectives into the services described in the other sections of this Brochure.

10. Transition Management: Stratford analyzes portfolio and manager transitions to determine the most efficient and cost effective method to implement these transitions. This may include the use of third-party transition managers and the in-kind transfer of securities from one manager to another. Stratford will also periodically review client commission costs to determine if commissions are competitive. Additionally, Stratford may assist clients in establishing arrangements with commission recapture brokers in order to reduce commission costs.

11. Defined Contribution and Deferred Compensation Plans Investment Structure Review: Stratford assists clients in the evaluation of the investment options offered to participants in defined contribution and deferred compensation plans.

Stratford evaluates the number of options and the investment styles and asset classes offered in the plan to determine the most appropriate investment structure for participants. Stratford also assists in the evaluation and design of life cycle funds.

12. Employee Investment Communications: Stratford helps clients meet the requirements of ERISA Section 404(c) by assisting in the development of an effective employee communication and education program. Stratford's primary role is as an experienced voice in, 1) editing the description of investment options, 2) drafting announcements of investment changes, 3) evaluating general asset allocation guidelines for participants, 4) editing participant newsletters, 5) drafting special participant notices, and 6) preparing slide presentations for group meetings.

13. Defined Contribution Fee Evaluation: Stratford performs comprehensive cost analysis of defined contribution plans, with a focus on disclosed and undisclosed fees, broker/dealer commissions, zero-cost arrangements, and third-party revenue sharing to determine the true cost of administering the plan. Stratford will examine each component of these costs, whether paid by the company or by their participants, and then Stratford will leverage our extensive experience in these

arrangements to directly negotiate expense reductions. Recovered amounts can then be used to offset internal costs or increase existing investment income.

14. Proxy Voting Analysis: Stratford assists clients in the development of proxy voting policies, the analysis of policy voting records by investment managers, and the evaluation of mutual fund SEC-mandated proxy voting policies.
15. Educational Workshops: Stratford develops and conducts customized educational workshops that keep clients up-to-date on investment strategies, investment opportunities and capital market developments. New committee member workshops are effective in ensuring continuity in an investment program.

## **Item 5 – Fees and Compensation**

Stratford negotiates individual fee arrangements for each client based on the scope of services provided, the complexity of a client's investment objectives, and the degree of discretion the client has given Stratford.

Fees may be charged as a percentage of client assets or as a fixed quarterly fee. In general, fee and payment options are negotiable. Stratford does not charge performance based fees.

Investment consulting client agreements typically may be canceled, by either Stratford or the client, for any reason upon receipt of 60 days written notice subject to negotiated contract terms. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Consulting fees are billed directly to clients as part of a project or retainer agreement for investment consulting services.

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

Stratford does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

Stratford provides a wide array of investment consulting and advisory services to institutional investors. Stratford works with healthcare organizations, endowments and



foundations, defined benefit and defined contribution plans, Taft-Hartley pension and welfare funds, and corporations (operating assets and other taxable funds).

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

Stratford bases its investment advice on internal research, information derived from numerous publicly available information sources, third-party analysis, and quantitative investment tools.

Stratford recommends the hiring of independent investment managers for security selection. The implementation of investment strategy through asset allocation and manager selection is the primary focus of the investment process.

Stratford utilizes a wide array of models that are used in its consulting and advisory activities. Stratford will routinely create quantitative models that integrate various market factors to develop the specific strategy for each client. Where the client authorizes limited discretion, the investment process will be executed in accordance with the client's written investment policy statement.

Stratford's investment advice includes such matters as the allocation of assets among different asset classes, managing portfolio risk and other general economic and financial topics. Stratford will identify professionally managed investment products that are compatible with the client's investment objectives. Stratford consults with clients on a wide range of financial and real asset classes including publicly traded equities, fixed income securities and alternative investments.

Alternative investments include: timberland, natural resource funds, commodities, commodity trading advisors (CTAs), commodity futures, real estate investment trusts (REITs), private real estate, hedge funds (all types), hedge fund-of-funds, private equity funds (all types), and private equity fund-of-funds.

### **Risk Of Loss:**

Investing in securities involves risk of loss that clients should be prepared to bear.

All investments, including mutual funds, present the risk of loss of principal – the risk that the value of securities, when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

## **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 Stratford or the integrity of Stratford's management. Stratford has no legal or disciplinary proceedings pending.

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

Neither Stratford nor any of its management persons are currently engaged in any other financial industry activities for compensation. As indicated under Item 4, Stratford became a wholly-owned subsidiary of Pavilion Financial Corporation through a holding company, Pavilion Financial Corporation Holdings Inc., on December 30, 2011. As a result of this change in ownership, Stratford is now affiliated via common ownership and control with the following entities:

1. Brockhouse & Cooper Inc., a FINRA and IIROC (Canada) regulated agency-only broker dealer and options/futures dealer registered with the SEC and the securities commissions of various Canadian provinces.
2. Brockhouse & Cooper International Inc. – an SEC-registered investment adviser.
3. Pavilion Asset Management Ltd. – an investment adviser that is registered with the securities commissions of various Canadian provinces.

Stratford may make use of the manager research conducted by Brockhouse & Cooper Inc. and vice versa. At times, Stratford may recommend to its clients investment and other services managed or performed by its affiliates. Brockhouse & Cooper Inc., Brockhouse & Cooper International Inc. and Pavilion Asset Management Ltd. operate independently from Stratford, with each having policies and procedures which seek to ensure the confidentiality of information across all affiliates.

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

Clients of Stratford receive experienced consulting and advisory services. Pursuant to regulations under the Investment Advisers Act of 1940, Stratford has adopted policies and procedures, including a Code of Ethics, designed to prevent insider trading and conflicts of interest. Individuals associated with Stratford may buy or sell securities for their personal accounts identical to those recommended to clients. In addition, an associated person may

have an interest or position in certain securities which may also be recommended to a client. However, it is the expressed policy of Stratford that no person employed by Stratford may purchase or sell any security prior to a transaction(s) being implemented for a client, therefore, preventing such employees from benefiting from transactions placed on behalf of client accounts.

As these situations represent a conflict of interest, Stratford has established the following restrictions in order to fulfill its fiduciary responsibilities:

- 1) A Director, officer or employee of Stratford shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of Stratford shall prefer his or her own interest to that of a client.
- 2) Stratford maintains a list of all publicly traded clients. All Stratford associates are prohibited from buying or selling the securities of such clients. This list is reviewed on a regular basis by Stratford's Compliance Officer.
- 3) Stratford emphasizes the unrestricted right of the client to decline to implement any advice rendered.
- 4) Stratford requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 5) Any individual not in observance of the above may be subject to termination.

A copy of Stratford's Code of Ethics is available upon request by contacting Christine Horvath at (312) 798-3200. Stratford also has policies in place to protect against the conflicts of interest which may arise due to the receiving and giving of gifts and entertainment.

## **Item 12 – Brokerage Practices**

Stratford performs searches for independent custodians and brokers for clients. In certain cases, recommended custodians may also be brokers. Stratford's review of brokers and custodians will include firm governance, ethics, operational capacity, portfolio risk controls, fees, client service and other factors. In making recommendations, Stratford considers both qualitative and quantitative factors. While low cost is an important consideration, service and operational factors may warrant inclusion of a broker or custodian that does not offer the lowest available cost. Stratford may, in keeping with the

principles explained in this Item 12, recommend Brockhouse & Cooper Inc., an affiliated company.

Investment managers included in searches performed by Stratford may be granted discretionary authority by clients to select broker-dealers for securities transactions. In these circumstances, Stratford may also assist the client in establishing arrangements with commission recapture brokers.

In addition, in certain instances involving endowments to charitable institutions, Stratford may recommend brokers to facilitate the sale of donor's stock. The charitable institutions are not required to use the recommended brokers. Stratford does not receive any compensation from the brokers for our recommendation.

### **Item 13 – Review of Accounts**

Stratford reviews all client accounts each calendar quarter. The review includes investment strategy, portfolio structure, performance evaluation, asset allocation, investment policy compliance and portfolio rebalancing. The client reviews are conducted by each client's assigned Stratford consultants.

A review of investment policy and strategic asset allocation objectives is conducted annually.

Regular reports that we provide our clients include the quarterly performance evaluation report. These written reports contain information on total fund, portfolio segment and investment manager performance, investment policy compliance, asset allocation and portfolio rebalancing. Stratford may produce several versions of the performance evaluation report, depending on the audience. A detailed version of the report may go to internal management while an executive summary version may go to investment committee members.

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

Stratford does not currently have any arrangements where it is paid cash by, or receives any economic benefit from, a non-client in connection with giving advice to clients. Further, Stratford does not directly or indirectly compensate any person for client referrals.

## **Item 15 – Custody**

Stratford does not maintain custody of any client funds, securities or assets. Clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Stratford urges our clients to carefully review such statements and compare such official custodial records to the account statements that we may provide. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

Stratford provides investment consulting and advisory services on both a non-discretionary and discretionary basis. Under a non-discretionary consulting approach, Stratford makes investment recommendations to the client, but does not have authority to implement such recommendations. Under a discretionary consulting approach, Stratford has the authority to implement certain investment decisions. The extent of this authority is determined by the client.

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

Stratford does not vote proxies for our non-discretionary clients. The Investment Consulting Agreement between Stratford and its non-discretionary clients specifically states that Stratford is prohibited from voting proxies for such clients. In certain situations, however, Stratford may give consulting clients advice or assistance but in these situations will not vote their proxies.

Stratford may vote proxies for its discretionary clients, depending on the level of discretion granted Stratford by the client. Stratford has adopted and implemented policies and procedures that it believes best serve the interests of its clients for whom it votes proxies. These policies and procedures are designed to ensure that proxies are voted in the best interest of clients, in accordance with Stratford's fiduciary duties as an investment adviser, and the SEC's Rule 206(4)-6 under the Investment Advisers Act of 1940. In addition to SEC requirements governing advisers, Stratford's proxy voting policies reflect the long-standing fiduciary standards and responsibilities for ERISA accounts set out in Department of Labor Bulletin 94-2, 29 C.F.R. 2509.94-2 (July 29, 1994), which states that an investment adviser's primary responsibility as a fiduciary is to vote proxies in the best interest of its clients, which in some cases may be the underlying fund beneficiaries.

In those cases where Stratford has the authority to vote client proxies, Stratford's authority is established by its advisory contracts. Stratford's proxy voting guidelines have been tailored to reflect these specific contractual obligations.

As an investment adviser, Stratford is primarily concerned with maximizing the value of its clients' investment portfolios. Stratford normally votes in support of company management, but votes against proposals that Stratford believes would negatively impact the long-term value of its clients' investments. In those instances in which Stratford has been given full discretion with regard to proxies, Stratford has voted and will continue to vote based on its principle of maximizing shareholder value. A copy of Stratford's proxy voting policy can be obtained by contacting Christine Horvath at (312) 798-3200.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Stratford's financial condition. Stratford 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.