

# Disclosure Brochure

May 25, 2012

## **SJM Fiduciary Advisors, LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of SJM Fiduciary Advisors, LLC (hereinafter "SJM"). If you have any questions about the contents of this brochure, please contact Preston D. McSwain at (617) 217-2700. 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 SJM Fiduciary Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

SJM Fiduciary Advisors, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This Item of the Disclosure Brochure discusses only the material changes that have occurred since the firm's last annual amendment. SJM does not have any material changes to report.

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## Item 4. Advisory Business

SJM was founded in January 2012 by its principal owner, Preston D. McSwain, in order to provide a full range of investment consulting, advisory and wealth planning services to its clients. Prior to engaging SJM to provide any of the foregoing services, the client is required to enter into one or more written agreements with SJM setting forth the terms and conditions under which SJM renders its services (collectively the “*Agreement*”). As of May 15, 2012, SJM had \$ 213,527,039 of discretionary assets under management.

This Disclosure Brochure describes the business of SJM. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of SJM’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on SJM’s behalf and is subject to the firm’s supervision or control.

### Wealth Management Services

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SJM provides clients with wealth management services which may include the discretionary or non-discretionary management of investment portfolios as well as a broad range of consulting and financial planning services, depending on the individual needs of the client.

SJM primarily allocates clients’ investment management assets among certain independent investment managers (“*Independent Managers*”). *Independent Managers*’ may invest client assets in individual debt and equity securities, alternative investments and mutual funds as well as other securities depending on the needs of the client. In addition, SJM may recommend that clients who are “accredited investors” as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the clients’ investment objectives.

SJM tailors its advisory services to the individual needs of clients. SJM consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients’ investment needs. SJM ensures that clients’ investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify SJM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon SJM’s management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in SJM’s sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## Use of Independent Managers

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As mentioned above, SJM primarily recommends that clients authorize the active discretionary management of a portion of their assets by and/or among certain *Independent Managers*, based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between SJM or the client and the designated *Independent Managers*. SJM renders services to the client relative to the discretionary and/or non-discretionary selection or recommendation of *Independent Managers*. SJM also monitors and reviews the account performance and the client's investment objectives. SJM receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When recommending or selecting an *Independent Manager* for a client, SJM reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that SJM considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, SJM's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by SJM, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to SJM's written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than SJM. In such instances, SJM may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

## Item 5. Fees and Compensation

### Wealth Management Fee

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SJM provides wealth management services for an annual fee based upon a percentage of the market value of the assets being managed by SJM. SJM's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. SJM does not, however, receive any portion of these commissions, fees, and costs. SJM's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by SJM on the last day of the previous quarter. The annual fee varies between (0.10% - 1.00%), depending upon the market value of the assets under management and the type of wealth management services to be rendered.

In addition, SJM, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (e.g., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### Fees Charged by Financial Institutions

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As further discussed in response to Item 12 (below), SJM does not recommend that clients utilize the brokerage and clearing services of any one particular financial institution for investment management accounts. The firm works with clients to determine which broker-dealer or other financial institution is appropriate for their needs. Financial institutions include, but are not limited to, any broker-dealer suggested by the firm or directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*"). SJM may only implement its investment management recommendations after the client has arranged for and furnished SJM with all information and authorization regarding accounts with the appropriate *Financial Institutions*.

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers*, custodial fees, brokerage commissions, transaction fees, charges imposed directly by a mutual fund or exchange-traded fund (ETF) in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to SJM's fee.

SJM's *Agreement* and the separate agreement with any *Financial Institutions* authorizes SJM or *Independent Managers* to debit the client's account for the amount of SJM's fee and to directly remit that management fee to SJM or the *Independent Managers*. Any *Financial Institutions* recommended by SJM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the

account including the amount of management fees paid directly to SJM. Alternatively, clients may elect to have SJM send an invoice for payment.

### **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between SJM and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. SJM's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to SJM's right to terminate an account. Additions may be in cash or securities provided that SJM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to SJM, subject to the usual and customary securities settlement procedures. However, SJM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. SJM may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

### **Item 6. Performance-Based Fees and Side-by-Side Management**

SJM does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.



## Item 7. Types of Clients

SJM generally provides its services to individuals, trusts, estates, family limited partnerships and institutions.

### **No Account Size or Minimum Fee**

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SJM does not impose a minimum portfolio size or minimum annual fee as a condition for starting and maintaining a relationship with SJM. Certain *Independent Managers* may, however, impose more restrictive account requirements and varying billing practices than SJM. In such instances, SJM may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

### Investment Strategies and Methods of Analysis

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SJM consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. SJM then designs a plan based on these needs which is focused on helping clients achieve their investment goals. In furtherance of this plan, the firm may prepare a formal Investment Policy Statement as requested by the client. The firm also utilizes analytical tools, research software, and traditional and alternative manager databases in order to provide its clients with investment strategies that match their goals.

To implement the investment plans, SJM generally allocates client assets among *Independent Managers*. *Independent Managers* may invest client assets in individual debt and equity securities, alternative investments and mutual funds as well as other securities depending on the individual needs of the client.

The firm may utilize, among other methods, fundamental and technical analysis. Fundamental analysis involves the fundamental financial condition and competitive position of a company. SJM will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that SJM will be able to accurately predict such a reoccurrence.

### Risks of Loss

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#### *Use of Independent Managers*

As stated above, SJM primarily selects, or recommends the use of, *Independent Managers* for its clients. SJM will continue to do ongoing due diligence of such managers, but such selections or recommendations rely, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, SJM does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

### *Market Risks*

The profitability of a significant portion of SJM's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that SJM will be able to predict those price movements accurately.

### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Item 9. Disciplinary Information**

SJM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. SJM does not have any required disclosures to this Item.

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

SJM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. SJM does not have any required disclosures to this Item.

### Item 11. Code of Ethics

SJM and persons associated with SJM (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with SJM’s policies and procedures.

SJM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). In accordance with Section 204A of the Investment Advisers Act of 1940 (the “Advisers Act”), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by SJM or any of its associated persons. The *Code of Ethics* also requires that certain of SJM’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in SJM’s *Code of Ethics*, none of SJM’s *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of SJM’s clients.

When SJM is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when SJM is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact SJM to request a copy of its *Code of Ethics*.

### Item 12. Brokerage Practices

As discussed above in Item 5, SJM generally does not recommend that clients utilize the brokerage and clearing services of any one particular *Financial Institution*. The firm works with clients to determine which *Financial Institution* is appropriate for their needs.

In the event SJM does suggest a particular *Financial Institution* after reviewing the client's needs, the factors which SJM considers includes the respective financial strength, reputation, execution, pricing, research and overall service provided by the *Financial Institution*.

The commissions paid by SJM's clients comply with SJM's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where SJM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, if any, execution capability, commission rates, and responsiveness. SJM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

SJM periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct SJM in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and SJM will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by SJM (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, SJM may decline a client's request to direct brokerage if, in SJM's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless SJM decides to purchase or sell the same securities for several clients at approximately the same time. SJM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among SJM's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among SJM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that SJM determines to aggregate client orders for the purchase or sale of securities, including securities in which SJM's *Supervised Persons* may invest, SJM generally does so in accordance with applicable rules.

promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. SJM does not receive any additional compensation or remuneration as a result of the aggregation. In the event that SJM determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, SJM may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.



## Item 13. Review of Accounts

### Account Reviews

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SJM monitors its clients' investment management portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Where SJM provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by the Managing Member of SJM, Preston D. McSwain. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with the firm and to keep SJM informed of any changes thereto. The firm contacts ongoing investment advisory clients at least annually to review its previous services and recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### Account Statements and General Reports

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for their accounts. Clients may also receive reports from SJM that includes relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis or as otherwise agreed upon with the client. Clients should compare the account statements they receive from their custodian with any supplemental reports they receive from SJM and/or the *Independent Managers*.

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

SJM is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, SJM is required to disclose any direct or indirect compensation that it provides for client referrals. SJM does not have any required disclosures to this Item.

### Item 15. Custody

SJM's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize SJM through such *Financial Institution* to debit the client's account for the amount of SJM's fee and to directly remit that management fee to SJM in accordance with applicable custody rules.

As previously stated, any *Financial Institutions* recommended by SJM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to SJM. In addition, as discussed in Item 13, SJM also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from SJM.

### Item 16. Investment Discretion

SJM is given the authority to exercise discretion on behalf of clients. SJM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. SJM is given this authority through a power-of-attorney included in the agreement between SJM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). SJM may take discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.

### Item 17. Voting Client Securities

SJM is required to disclose if it accepts authority to vote client securities. SJM does not vote client securities on behalf of its clients. Clients' proxies are voted either by the *Independent Managers* or the clients themselves.

### Item 18. Financial Information

SJM is not required to disclose any financial information pursuant to this Item due to the following:

- The firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past ten years.

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