

Investment Adviser Brochure
Form ADV Part 2A

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This brochure provides information about the qualifications and business practices of Disabato Advisers. If you have any questions about the contents of this brochure, please contact us at (312) 474-0900 or info@disabato.com. 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 Disabato Advisers is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Material ChangesAnnual Update

The Material Changes section of this brochure will be updated annually or when material changes occur to the Disabato Advisers brochure.

Material Changes since the Last Update

There have been no material changes to the Disabato Advisers brochure since the prior brochure dated March 31, 2012.

Full Brochure Available

If you would like to receive a hard copy of our brochure, please contact us by telephone at (312) 474-0900 or info@disabato.com.

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Item 4 - Advisory BusinessFirm Description and Principal Owners

Disabato Advisers is an institutional investment consulting firm and adviser to retirement plans, endowments & foundations, healthcare organizations, religious and other charitable organizations, union fringe benefit funds, insurance companies, public funds, and other institutional clients. The firm provides a full range of services that includes:

1. Customized investment policies and strategies;
2. Asset allocation, asset-liability, and strategic capital allocation;
3. Analysis of portfolio and investment structure;
4. Dynamic risk management;
5. Investment manager evaluation and selection;
6. Custodian and record-keeper evaluation and selection;
7. Investment monitoring;
8. Performance evaluation;
9. Communication & education workshops;
10. ESG, socially responsible, and economically targeted investments;
11. Dedicated alternative investment portfolios; and
12. CIO outsourcing and other value-added services.

Disabato Advisers was formed in 2008, but its key employees have been providing investment consulting services since the founding of Disabato Associates in 1994. The firm is entirely owned by its employees. The firm has no subsidiaries or affiliates and its only business activity is investment consulting. Disabato Advisers does not receive commissions, finder's fees, soft-dollars, or any other form of compensation from the investments it recommends.

Consulting Services

1. Customized Investment Policy and Strategy

Disabato Advisers assists clients in the formulation of customized investment strategies that consider a client's investment objectives, risk tolerance, and cash flow requirements relative to appropriate market opportunities. We provide specific investment recommendations, detail governance issues, and provide benchmarks and guidelines for evaluating investment programs.

2. Asset Allocation/Spending Policy/Strategic Capital Allocation

Disabato Advisers uses the latest quantitative techniques to develop optimal asset allocation and asset/liability strategies that meet client-specific risk and return objectives. We use proprietary models to determine an optimal asset allocation under various market conditions and cash flow scenarios. This process is also used to develop the investment structure for custom 401(k) investment options, including custom target-date and QDIA funds.

3. Analysis of Portfolio and Investment Structure

Disabato Advisers analyzes a client's existing investment program and objectives to develop an effective investment structure that achieves optimal diversification within the parameters of size, cost, risk tolerances, existing synergies, and operational efficiencies.

4. Dynamic Risk Management

Disabato Advisers meets with each client on a regular basis to review the strategy and performance of each account. When a particular manager is performing below expectations, or if a different investment approach is needed, Disabato Advisers will proactively recommend and manage the change in the investment strategy.

5. Investment Manager Evaluation & Selection

Disabato Advisers develops client-specific selection criteria, including an analysis of the fit with current investment managers. Each assignment is an open search. We identify and present appropriate candidates, lead the due diligence and selection process, assist in contract & fee negotiations, manage the transition of assets, and establish manager performance objectives and investment guidelines.

6. Custodian and Record-keeper Evaluation & Selection

Disabato Advisers conducts custodian and 401(k) record-keeper searches using a process similar to that for investment managers. Client specific requirements are incorporated in a customized RFP selection process, and emphasis is placed on each vendor's ability to meet the specific needs of our client.

7. Investment Monitoring

On-site due diligence and frequent communications with managers is used to identify problems before they are evident in performance. This detailed manager oversight is a key part of the firm's ability to deliver above average returns.

8. Performance Evaluation

Disabato Advisers conducts detailed performance evaluations using the GIPS Standard process, comparing results to appropriate manager universes, calculating various risk factors, analyzing returns against customized benchmarks, and providing comparisons to style peer groups. The performance reports are fully customizable and clients can select from more than 1,000 standard indexes, customized benchmarks, and universes.

9. Communication & Education Workshops

Disabato Advisers conducts customized educational workshops that keep clients up-to-date on investment strategies, investment opportunities, and capital market developments. Client workshops can be customized to include a broad range of investment topics.

Disabato Advisers also provides on-site participant education programs with custom presentation materials that meet the requirements of ERISA Section 404(c). Our customized participant communication services include 1) description of investment options, 2) announcements of investment changes, 3) general asset allocation guidelines, 4) participant newsletters, 5) DOL participant notices, and 6) group meetings.

10. ESG, Socially Responsible, and Economically Targeted Investments

Disabato Advisers assists clients with the development and implementation of effective environmental, social, and governance (ESG) oriented investment guidelines and proxy voting policies. We have an extensive database of managers and investment alternatives that are designed to meet custom ESG objectives.

11. Dedicated Alternative Investment Portfolios

Disabato Advisers advises clients in alternative asset investments, including hedge funds, private equity, venture capital, direct lending, commodities, real estate, and infrastructure. The interests may include a wide range of investment vehicles including absolute and real return funds, managed futures, and structured investments.

12. CIO Outsourcing and Other Value-added Services

- Fee analysis and negotiations
- Annuity funding and charitable remainder trusts
- Financial impact statements
- Proxy voting for mutual funds and CITs
- Real estate and capital project financing
- Independent fiduciary services

Tailored Relationships

The goals and objectives for each client are established individually and documented in a customized Investment Policy Statement. The table below lists some of the individual projects performed for clients in the last year:

Investment Strategy

Investment policy development
Investment strategy review
Proxy voting & ESG/SRI policies

Investment Program Evaluation

Performance measurement & evaluation
Attribution analysis
Risk and VaR analysis

Asset Allocation

Asset allocation & asset liability modeling
Spending policy analysis
Strategic capital allocation
Surplus management

Investment Manager Selection & Monitoring

Traditional investment strategies
Alternative investment strategies
401(k) & 403(b) plan design & recordkeeping
Custodian/Trustee selection

Investment Structure

Diversification strategies
Investment manager structure
Customized investment options

Cost Containment

Transaction cost analysis
Investment manager fee negotiation
Portfolio transition management

Research

Capital markets
Investment strategies
Investment managers

Participant Communication

Customized newsletters
Communication/retirement seminars
Educational workshops

Service Models

Disabato Advisers allows clients to select from two service models: 1) traditional institutional investment consulting and 2) discretionary or implemented investment consulting, which is sometimes called the “outsourced CIO” approach. The discretionary service model is selected by clients who wish to reduce their fiduciary burden, improve the speed of implementation, and reduce the complexity of investing in private equity and alternative assets.

As a discretionary consultant we are able to react quickly to changes in both the capital markets and individual investment managers. In addition, we are able to handle the details of ancillary investment management services.

Our approach to discretionary investment consulting (outsourced CIO) services can be characterized by the following:

First, we are flexible. We allow clients to include investment managers of their choosing; we recognize that organizations may have business and historical reasons for maintaining a relationship with a particular investment manager.

Second, we allow customization of the investment program. We allow clients to establish customized investment policies that incorporate both traditional and alternative assets and we avoid the conflict of interest that would arise if we required clients to invest in our own multi-manager commingled funds.

Item 5 - Fees and Compensation

Description

Disabato Advisers establishes fees for each client based on the scope of services offered. These fees are negotiated in advance and may be either fixed or a percent of assets. The fees charged by Disabato Advisers will also differ from client to client based on a number of factors, including but not limited to the type and size of the fund, the number of investment portfolios, and the range of services provided. Lower fees for comparable services may be available from other sources.

Our fees are generally invoiced in arrears on a retainer basis, rather than automatically deducted from a client's account; any outstanding fees do not need to be paid unless the work has been completed to the client's satisfaction. Furthermore, a client may terminate the engagement with Disabato Advisers at any time, with fees prorated to the end of the month after notification of termination. If a client has made any advance payments, Disabato Advisers will refund the unearned portion of the advance payment.

Fees and Expenses for Transactions, Custody, Administration, etc.

The fees paid to Disabato Advisers will include only compensation for the consulting services provided by our firm. It is likely that institutional investment portfolios will incur additional fees and expenses for securities transactions, custody, investment management, administration, record-keeping, insurance, legal, auditing, and other services.

Conflicts of Interest

Since Disabato Advisers does not receive any fees, commissions, or other compensation of any kind, either directly or indirectly, from the investments held by our clients, we do not have conflicts of interest that might arise based on the compensation we receive.

Item 6 - Performance-Based Fees

Sharing of Capital Gains

Disabato Advisers does not use performance-based fees because of the potential for conflicts of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client; therefore, our fees are not based on a share of the capital gains or capital appreciation of client accounts.

Item 7 - Types of ClientsDescription

Disabato Advisers generally provides investment advice to institutional clients, which include pension, profit-sharing, and 401(k) retirement plans, endowments & foundations, religious and other charitable organizations, healthcare organizations, union fringe benefit funds, insurance companies, public funds, and other institutional clients. Our client relationships vary in scope, size, and length of service. We do not have any stated account minimums or other criteria.

Item 8 - Methods of Analysis, Investment Strategies and Risk of LossMethods of Analysis

The advice provided by Disabato Advisers is based on industry standard qualitative and quantitative research covering a wide range of investment areas. Our research is conducted entirely by our internal staff and is based on financial databases, personal interviews with leading investment professionals, inspections of corporate activities, research materials prepared by banks, brokers, and other investment firms, corporate rating services, annual reports, prospectuses, and filings with the Securities and Exchange Commission. Other specific sources of information may include Bloomberg, Pertrac Financial, eVestment Alliance, Morningstar, and other data sources.

Investment Strategies

Disabato Advisers uses a comprehensive approach to establish the investment strategy for each client. We employ a variety of asset modeling techniques to perform both deterministic and stochastic asset allocation studies. Our asset allocation models are capable of using the latest Monte Carlo, Black-Litterman, mean-variance, and re-sampling optimization techniques. All of our asset allocation research and studies are conducted in-house by our senior consultants and investment analysts.

All of the inputs for our asset allocation studies are developed in-house based on our own internal projections for the capital markets. A typical investment strategy might follow the following steps, but each project may be different and may not include all of these activities:

Step 1: Review of Objectives and Risk Tolerance

- Consult with client's internal staff
- Develop cash flow and funding requirements
- Quantify expense factors and transition issues

Step 2: Establish Capital Market Assumptions

- Develop baseline capital market assumptions
- Determine restrictions on available asset classes
- Test sensitivity to changing market environments
- Develop multiple asset allocation scenarios

Step 3: Prepare Investment Projections

- Develop deterministic and stochastic projections
- Back test through actual market environments
- Develop VaR analysis and explore worst-case scenarios

Step 4: Detailed Report and Presentation

- Prepare detailed analysis and recommendations
- Describe factors affecting best and worst case results

Risk Management

Disabato Advisers meets regularly with clients to evaluate investment strategies, especially when significant changes occur in the capital markets. We take an active role in reviewing and revising investment strategies and asset allocations.

Risk of Loss

All investment programs have certain risks that are borne by the investor. Typically our clients will face the following investment risks:

- **Market Risk:** The price of a stock, bond, or other security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Interest Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash without significantly affecting its price. Generally, assets are more liquid if many traders are interested in a standardized product. For example, treasury bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance an investment or operate a business will increase risk, because that entity must pay the borrowing cost in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Item 9 - Disciplinary InformationLegal and Disciplinary

Disabato Advisers and its employees have not been involved in any legal or disciplinary actions related to its clients or the operation of its business.

Item 10 - Other Financial Industry Activities and AffiliationsFinancial Industry Activities

Disabato Advisers does not have any subsidiaries, affiliated companies or alliances, and our only business is institutional investment consulting. We do not have any arrangements with any broker-dealer, investment company, other investment adviser, financial planner, commodity pool operator, commodity trading adviser, futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, other pension consultant, real estate broker or dealer, or any other entity that could cause a conflict of interest or impact the services that we provide to clients.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal TradingCode of Ethics

Disabato Advisers has adopted a detailed Code of Ethics that is consistent with SEC Rule 204A-1. The Code of Ethics describes the standard of conduct we require of our personnel and sets forth certain restrictions on activities such as personal trading, gifts and entertainment. All of the employees of Disabato Advisers are required to acknowledge and abide by this Code. A serious violation of the Code of Ethics may result in termination. We will provide our Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions

The employees of Disabato Advisers may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees must comply with the provisions of the Disabato Advisers Policies and Procedures, which stipulates the rules regarding the investment of personal accounts.

Personal Trading

The Chief Compliance Officer of Disabato Advisers is Ms. Tara Prio. She reviews all employee trades at the end of each quarter; her own trades are reviewed by Mr. Ted L. Disabato. The trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are relatively small, and primarily in mutual funds or exchange-traded funds, the trades are not expected to affect the securities markets or interfere with client transactions.

Item 12 - Brokerage PracticesSelecting Brokerage Firms

Disabato Advisers does not have any affiliation with any broker-dealers and does not require that clients use any specific broker-dealer. If a client requests our assistance in selecting a broker-dealer, our recommendations are based on the specific objectives of that client and the characteristics and capabilities of the broker-dealer. Disabato Advisers does not receive fees or commissions from any of these arrangements.

Commission Recapture and Transition Brokers

As part of its regular consulting services, Disabato Advisers does objectively evaluate commission recapture and transition brokers for clients. The evaluation of these brokers is conducted in the same way that Disabato Advisers evaluates investment managers and custodians, which is described in paragraph #5 on page 2.

Soft Dollars and Directed Brokerage

Disabato Advisers does not participate in soft-dollar or directed brokerage programs and does not receive fees or commissions from any of these arrangements.

Item 13 - Review of AccountsPeriodic Reviews

Disabato Advisers generally meets with each client at least once a quarter to formally review their investment portfolios and strategy; account reviews are performed internally more frequently. Disabato Advisers remains in close contact with each client, and additional account reviews will be triggered based on changes in the capital markets or a change in the client's specific situation.

Clients receive a formal written evaluation of investment performance each quarter. These performance evaluation reports will include a statement of net worth, qualitative and quantitative information about the investments, and a summary of objectives and progress towards meeting those objectives.

Investment Committee Review

Generally, the Disabato Advisers Investment Committee meets each week to conduct a review of client investment strategies and projects. The Investment Committee considers each client's current investment portfolios and the likelihood that the performance of each portfolio will contribute to the investment objectives of the client.

Item 14 - Client Referrals and Other CompensationReferrals

Disabato Advisers has been fortunate to receive many client referrals over the years. The referrals generally came from current clients and other industry professionals. The firm does not compensate any referring parties for these referrals. Furthermore, Disabato Advisers does not accept referral fees or any other form of remuneration from other professionals when a prospect or client is referred to them.

Other Compensation

Disabato Advisers receives no economic benefit of any kind from any firm providing services to our clients.

Item 15 - CustodyClient Custody and Account Statements

Disabato Advisers does not have custody of client assets; all client assets are held at a qualified independent custodian, which means that clients will receive account statements, at least quarterly, mailed directly to their address of record by the custodian. Disabato Advisers will typically receive a copy of these custodial statements for use in monitoring client portfolios.

Our clients generally choose their own custodian based on information provided by Disabato Advisers, and we do not receive any portion of the transaction fees or commissions paid by the client to the custodian. Clients should carefully review any statement or other reports they receive from a custodian and compare them to the reports provided by Disabato Advisers.

Item 16 - Investment DiscretionDiscretionary Authority

Disabato Advisers will accept discretionary authority to manage investment portfolios on behalf of clients. Disabato Advisers has the authority to determine, without obtaining specific client consent, the allocation among investment portfolios and in some cases the specific securities to be bought or sold and the amount of securities to be bought or sold. However, Disabato Advisers consults with the client prior to each transaction to obtain concurrence if a blanket trading authorization has not been given.

Discretionary authority facilitates the implementation of investment strategies on behalf of our clients, so that we may promptly implement the investment policy that has been previously approved by the client.

Limited Power of Attorney

Our discretionary clients are asked to execute a limited power of attorney as part of our client agreement so that we may execute transactions that have been previously approved.

Item 17 - Voting Client SecuritiesProxy Votes

Disabato Advisers will accept responsibility to evaluate and vote the proxies received as part of a client's investment in a commingled investment vehicle, like a mutual fund. These votes are based on the client's individual proxy voting policy, rather than a general policy maintained by Disabato Advisers. After the votes are cast, we provide clients with an explanation and a confirmation of each vote.

Disabato Advisers does not typically vote proxies on individual securities, which are generally voted by the investment managers or an independent proxy voting agent hired by the client.

Item 18 - Financial InformationFinancial Condition

Disabato Advisers does not have any financial conditions that would preclude the firm from meeting contractual commitments to its clients. Disabato Advisers is not required to submit a copy of its balance sheet because we do not serve as a custodian for clients, and we do not require prepayment of fees.

Item 19 - Business Continuity PlanGeneral

Disabato Advisers has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services, and/or key personnel.

Disasters

The Business Continuity Plan covers natural disasters such as earthquakes, snowstorms, hurricanes, tornados, and flooding. The Plan also covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, communications line outage, Internet outage, railway accident, and aircraft accident.

Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within two days of a disaster that dictates moving our office to an alternate location.