



# Loyola Asset Management LLC

## Client Brochure

*This brochure provides information about the qualifications and business practices of Loyola Asset Management LLC. If you have any questions about the contents of this brochure, please contact us at (305) 377-1941 or by email at: [info@loyola-asset.com](mailto:info@loyola-asset.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 Loyola Asset Management LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Loyola Asset Management LLC's CRD number is: 153255*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

Loyola Asset Management has no material changes to report at this time from the previous annual ADV Amendment filed on March 24, 2012.

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

This firm has been in business since August 19, 2010, and the principal owner is Alvaro R. Castillo.

### B. Types of Advisory Services

Loyola Asset Management LLC (hereinafter "LAM") offers the following services to advisory clients:

#### *Investment Supervisory Services*

LAM offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. LAM creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

LAM evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. LAM will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

#### *Selection of Other Advisors*

LAM may direct clients to third-party money managers. LAM will be compensated via a fee share from the advisors to which it directs those clients. The fees shared will not exceed any limit imposed by any regulatory agency. Before selecting other advisors for clients, LAM will always ensure those other advisors are properly licensed or registered as investment advisor.

## ***Financial Planning***

Financial plans and financial planning may include, but are not limited to: investment planning, life insurance; cash flow analysis, financial modeling, opinion of value, tax concerns; retirement planning; college planning; and debt/credit planning. These services are based on a percentage of assets fees or hourly fees and the final fee structure is documented in Exhibit II of the Financial Planning Agreement.

## ***Services Limited to Specific Types of Investments***

LAM limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, real estate, hedge funds, third party money managers, REITs, private placements, and government securities. LAM may use other securities as well to help diversify a portfolio when applicable.

## **C. Client Tailored Services and Client Imposed Restrictions**

LAM offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent LAM from properly servicing the client account, or if the restrictions would require LAM to deviate from its standard suite of services, LAM reserves the right to end the relationship.

## **D. Wrap Fee Programs**

LAM participates in wrap fee programs; which is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. LAM does not manage the investments in the wrap fee program. LAM does not manage those wrap fee accounts any differently than non-wrap fee accounts. A portion of the fees paid to the wrap account program will be given to LAM as a management fee.

## **E. Amounts Under Management**

LAM has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Total Assets Under Management	Date Calculated:
\$82,573,501.00	\$72,641,406.00	\$155,214,907.00	07/19/2013

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## Item 5: Fees and Compensation

### A. Fee Schedule

Clients may choose one of the following fee schedules, which will also be specified in the Investment Advisory Contract.

#### *Investment Supervisory Services Fees*

Total Assets Under Management	Annual Fee
\$25,000 - \$500,000	2.00%
\$500,001 - \$1,000,000	1.50%
Above \$1,000,000	1.10%

These fees are negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Fees are paid quarterly in arrears, and clients may terminate their contracts with thirty days' written notice. Because fees are charged in arrears, no refund policy is necessary. Clients may terminate their accounts without penalty within 5 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

#### *Performance Based Fees*

LAM is not currently compensated on a performance fee basis. LAM may introduce a negotiated fee structure to qualified investors in the future. If implemented there would be an asset based management fee on all assets under management. These fees would be payable quarterly in arrears. In addition, qualified investors may be charged a performance based fee on 15%-20% of net profits above a high water mark. The high water mark would be determined on an annual basis. The performance fee would be charged in arrears on an annual basis. Lower fees for comparable services may be available from other sources.

#### *Financial Planning Fees*

##### *Percentage of Assets Fees*

Depending upon the complexity of the situation and the needs of the client, the rate for creating client financial plans is between 0.25% and 3.00% of assets. Fees are paid in arrears upon completion. Because fees are charged in arrears, no refund is necessary.

The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

### ***Hourly Fees***

Depending upon the complexity of the situation and the needs of the client, the hourly fee for these services is between \$150 and \$500. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Fees are paid in arrears upon completion. Because fees are charged in arrears, no refund is necessary. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

## **B. Payment of Fees**

### ***Payment of Investment Supervisory Fees***

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid quarterly in arrears.

Advisory fees may be invoiced and billed directly to the client with payments due quarterly. Clients may select the method in which they are billed.

### ***Payment of Performance Based Fees***

Performance Based fees would be withdrawn directly from the client's accounts with client written authorization. Performance fees would be paid annually in arrears.

### ***Payment of Financial Planning Fees***

Hourly Financial Planning fees are paid via debit account or wire transfer in arrears upon completion. Because fees are charged in arrears, no refund is necessary.

Fixed Financial Planning fees are paid via debit account or wire transfer in arrears upon completion. Because fees are charged in arrears, no refund is necessary.

## **C. Clients Are Responsible For Third Party Fees**

Clients may be responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by LAM. Please see Item 12 of this brochure regarding broker/custodian.

## **D. Prepayment of Fees**

LAM collects its fees in arrears. It does not collect fees in advance.

## **E. Outside Compensation For the Sale of Securities to Clients**

Investment Adviser Representatives (IAR) of LAM may be also registered representatives with Western International Securities. In their role as registered representatives IAR may accept compensation for the sale of securities to LAM clients.

### **1. *This is a Conflict of Interest***

LAM typically invests in ETFs and mutual fund institutional shares but occasionally, when they feel it is in the client's best interest, they will recommend or invest in mutual funds or other securities that pay commissions. LAM will apply any commissions that are received from the sale of these investments as an offset to the Investment Advisory fee that LAM charges its clients (no double dipping).

### **2. *Clients Have the Option to Purchase Recommended Products From Other Brokers***

Clients always have the option to purchase LAM recommended products through other brokers or agents that are not affiliated with LAM.

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

LAM may manage accounts that are billed on performance based fees (a share of capital gains on or capital appreciation of the assets of a client) as well as accounts that are NOT billed on performance based fees. Managing both kinds of accounts at the same time presents a conflict of interest because LAM or its supervised person's have an incentive to favor accounts for which LAM and its supervised persons receive a performance-based fee. LAM addresses the conflicts by ensuring that clients who have performance based accounts would not receive preferential treatment. LAM provides best execution practices and upholds its fiduciary duty for all clients.

Clients that are paying a performance based fee should be aware that investment advisors have an incentive to invest in riskier investments when paid a performance based fee due to the higher risk/higher reward attributes.

## **Item 7: Types of Clients**

LAM generally provides investment advice and/or management supervisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans
- ❖ Corporations or Business Entities

### *Minimum Account Size*

There is an account minimum, \$100,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

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

### **A. Methods of Analysis and Investment Strategies**

#### *Methods of Analysis*

LAM's methods of analysis include charting analysis, fundamental analysis, technical analysis, and cyclical analysis.

**Charting analysis** involves the use of patterns in performance charts. LAM uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Technical analysis** involves the analysis of past market data; primarily price and volume.

**Cyclical analysis** involved the analysis of business cycles to find favorable conditions for buying and/or selling a security.

#### *Investment Strategies*

LAM uses long term trading, short term trading, short sales, margin transactions, and options writing (including covered options, uncovered options, or spreading strategies).

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **B. Material Risks Involved**

#### *Methods of Analysis*

**Charting analysis** strategy involves using and comparing various charts to predict long and short term performance or market trends. The risk involved in solely using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in

stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

**Cyclical analysis** assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold : 1) the markets do not always repeat cyclical patterns and 2) if too many investors begin to implement this strategy, it changes the very cycles they are trying to take advantage of.

### ***Investment Strategies***

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading, short sales, margin transactions, and options writing generally hold greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

LAM generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it will utilize short sales, margin transactions, and options writing. Short sales, margin transactions, and options writing generally hold greater risk of capital loss and clients should be aware that there is a material risk of loss using any of those strategies.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Representatives of LAM are also registered representatives. From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. LAM always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of LAM in their capacity as a registered representative.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Alvaro Castillo is Series 3 licensed and is therefore qualified to sell commodities and/or future contracts. LAM always acts in the best interest of the client.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Representatives of LAM are also insurance agents. From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. LAM always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of LAM in their capacity as an insurance agent. .

### **D. Selection of Other Advisors or Managers and How This Advisor is Compensated for Those Selections**

LAM does not utilize nor select other advisors or third party managers at this time. All assets are managed by LAM management. However, we may utilize third party advisors or managers from time to time if it's appropriate.

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

### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

### **B. Recommendations Involving Material Financial Interests**

LAM does not recommend that clients buy or sell any security in which a related person to LAM has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of LAM may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of LAM to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. LAM will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of LAM may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of LAM to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients.

## Item 12: Brokerage Practices

### A. Factors Used to Select Custodians and/or Broker/Dealers

The Custodian was chosen based on their relatively low transaction fees and access to mutual funds and ETFs. LAM will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

#### 1. *Research and Other Soft-Dollar Benefits*

LAM receives research, product, or service other than execution from a broker-dealer or third-party in connection with client securities transactions ("soft dollar benefits"). These research or brokerage services are eligible services under Section 28(e) of the Securities Exchange Act of 1934.

#### 2. *Brokerage for Client Referrals*

LAM receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

#### 3. *Clients Directing Which Broker/Dealer/Custodian to Use*

LAM allows clients to direct brokerage. LAM may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost clients money because without the ability to direct brokerage LAM may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices. Not all investment advisers allow their clients to direct brokerage.

### B. Aggregating (Block) Trading for Multiple Client Accounts

LAM maintains the ability to block trade purchases across accounts. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

## Item 13: Reviews of Accounts

### A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews

Client accounts are reviewed quarterly by the Chief Compliance Officer, the Principal and/or the investment advisor representatives, all will review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at LAM are assigned to these reviewers.

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All financial planning accounts are reviewed upon financial plan creation and plan delivery by the Compliance Officer, the Principal and/or investment advisor representatives. There is only one level of review and that is the total review conducted to create the financial plan.

#### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

#### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least monthly a written report that details the client's account which will come from the custodian.

Clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

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

#### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

LAM typically invests in ETFs and mutual fund institutional shares but occasionally, when they feel it is in the client's best interest, they will recommend or invest in mutual funds or hedge funds that pay commissions. LAM and its supervised persons may accept compensation for the sale of securities or other investment products, including asset based sales charges, referral or service fees from the sale of these funds to its clients. However, LAM will apply any commissions that are received from the sale of these investments as an offset to the Investment Advisory fee that LAM charges its clients (no double dipping).

#### **B. Compensation to Non -Advisory Personnel for Client Referrals**

LAM will compensate non-advisory personnel based on a percentage of net revenue. Clients will never be charged higher fees in association with the referral compensation.

## **Item 15: Custody**

LAM does not take custody of client accounts at any time. Custody of client's accounts is held primarily at the Custodian. Clients will receive account statements from the custodian and should carefully review those statements.

## **Item 16: Investment Discretion**

For those client accounts where LAM provides ongoing supervision, LAM maintains discretionary authority over client accounts with respect to the securities to be bought and sold and the amount of securities to be bought and sold. All buying and selling of securities is explained to clients in detail before an advisory relationship has commenced. The client provides LAM discretionary authority via a limited power of attorney in the Investment Advisory Contract and in the contract between the client and the custodian.

## **Item 17: Voting Client Securities (Proxy Voting)**

LAM will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

LAM does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither LAM nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

LAM has not been the subject of a bankruptcy petition in the last ten years.