

# LourdMurray Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of LourdMurray (“We”). If you have any questions about the contents of this brochure, please contact us at 1-(800)780-9858. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about LourdMurray is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

LourdMurray's most recent update to Part 2A of Form ADV was made in October 2013. Beginning Q2 2014, all clients will be billed quarterly at the end of each calendar quarter (in arrears).

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## **Item 4 – Advisory Business**

LourdMurray was founded in 2006 by B. Blaine Lourd under the name Lourd Capital Management. Palmer Murray joined the company on October 8, 2012 as President and Co-owner. On July 22, 2013 the company formally began operating under the DBA name LourdMurray replacing Lourd Capital Management.

LourdMurray provides investment supervisory services to various categories of institutional and individual clients. Our services are implemented on a discretionary or non-discretionary basis, managed by us and separate account managers in some cases. Our investment recommendations typically include the use of registered mutual funds and exchange traded funds but may also include the use of separate investments in equities, bonds, cash-equivalents, and other instruments. LourdMurray will provide investment consulting services that relate to matters such as allocation of assets among different assets classes, portfolio diversification, managing portfolio risk, and other general economic and financial topics.

Under certain circumstances, LourdMurray may recommend third party separate account managers to clients for specific and specialized asset classes. Third party separate account managers would typically be authorized by clients to have full investment discretion, trading authority, and shall have sole responsibility for the implementation of the investment program with respect to the client's account for which investment discretion has been delegated. In such cases, the client signs a tri-party advisory agreement with the third party separate account manager. LourdMurray will monitor the performance of these managers. We will not place orders for transactions in the client's account or otherwise exercise trading authority over the account at any time when the account is being managed by a third party separate account manager. In addition, in some cases the tri-party agreement authorizes LourdMurray to terminate separate account managers.

If LourdMurray utilizes third party separate account managers when managing client portfolios, we may be deemed to provide advice on other investment managers. Separate account managers considered for our clients will be subjected to a due diligence process. Factors considered will include, but not be limited to: independence and reputation of custodian utilized by the manager, reputation and history of the manager, performance record, philosophy, continuity of management, client services, level of diversification, commitment to a particular investment mandate, awareness of after tax performance objectives, minimum dollar investment requirement, fees, the administration, recordkeeping and reporting services provided by a manager. Information with respect to separate account managers (e.g., performance figures, investment style, etc.) will be obtained from tracking organizations, business publications, investment managers, personal interviews and other sources which we believe are reliable.

LourdMurray provides business consulting to other financial intermediaries such as banks, advisers and foundations. In some of these business consulting services, LourdMurray receives compensation.

LourdMurray also provides investment consultation services on an hourly or fixed fee basis. When requested, LourdMurray will consult on existing investment portfolios, strategies, alternative

investment opportunities, investment manager performance and other general economic and financial topics.

In addition, LourdMurray provides pension consulting through both Fiduciary and non-Fiduciary consulting and advisory services for qualified retirement plans. The Fiduciary services include Investment Policy development, investment selection and monitoring, model portfolio development, plan sponsor investment advice, and compliant document creation and retention. Non-Fiduciary services entail plan design consulting, general investment education for participants, vendor search and monitoring, fee benchmarking and enrollment support. Depending on the client's demographics and needs, LourdMurray can be named an ERISA section 3(21) limited scope or 3(38) full scope Fiduciary.

As of March 6, 2014 LourdMurray managed approximately \$2.59 billion on a discretionary basis and \$321 million on a non-discretionary basis on behalf of approximately 406 clients.

## **Item 5 – Fees and Compensation**

For investment supervisory services, compensation is derived as an annual fee based upon the percentage of assets under management. The compensation method is explained and agreed with the clients in advance before any services are rendered. The compensation for our services ranges up to 1% of the market value of assets under management. Fees may be negotiated on a case by case basis with the client, and are determined based upon a number of factors including the amount of work involved, the assets placed under management and the attention required to manage the account. Alternatively, LourdMurray may consider a fixed fee in lieu of an asset based management fee as negotiated with the client.

For current LourdMurray clients, fees are generally billed quarterly in advance as agreed upon with the client. As of October 1, 2013, fees for new clients are billed quarterly at the end of each calendar quarter (in arrears). Beginning Q2 2014, all clients will be billed quarterly at the end of each calendar quarter (in arrears). Fees will generally be deducted directly from the client's brokerage account pursuant to a written agreement. Investment advisory services begin the date the client signs the investment management agreement ("Agreement"). Fees will be adjusted pro rata based upon the number of calendar days in the calendar quarter that the Agreement is effective.

Either LourdMurray or the client may terminate the Agreement at any time. Notice of termination must be given to the other party in writing as described in the client's investment management agreement. Upon termination, the fees charged for advisory services will be pro-rated and a refund for any unearned fees will be issued. The client is responsible to pay for services rendered until the termination of the Agreement. The client can cancel the Agreement without penalty within the first five days after the signing of the Agreement.

Clients should be aware of their responsibility to verify the accuracy of the fee calculation submitted to the custodian by LourdMurray, as the custodian will not determine whether the fee has been properly calculated. LourdMurray often utilizes mutual funds to implement its recommended investment strategy. LourdMurray clients who are invested in mutual funds are paying two advisory fees; a

management fee to LourdMurray and indirectly a separate advisory fee to the investment advisor of the mutual fund. A description of these fees and expenses are available in each fund's prospectus.

LourdMurray's fees are for advisory services only and do not include other costs that the client may incur including but not limited to transaction fees, commission, or other management fees charged by non-affiliated third parties including separate account managers that are recommended to clients.

LourdMurray's hourly fee for investment consultation services is \$500 per hour with a \$1,000 minimum. Fees are payable either in advance or in arrears as agreed to with the client. If requested by the client, LourdMurray will consider a flat fee amount in lieu of its hourly fee. A client may cancel the investment consultation services and receive a full refund if LourdMurray is notified of the cancellation within five business days after signing an agreement. If cancellation occurs thereafter, the client is responsible only for expenses incurred to that point. In such an event, an itemized invoice will be provided documenting the expenses that have been incurred.

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

LourdMurray does not charge performance fees. Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to LourdMurray.

## **Item 7 – Types of Clients**

LourdMurray provides investment supervisory services to various categories of institutional and individual clients. Generally, the minimum dollar value of assets required to set up an investment advisory account is \$5,000,000. However, LourdMurray has discretion to waive the account minimum.

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

### **Analysis Methods**

When considering prospective investments and constructing client portfolios we perform both holdings and returns based analytics. Consistent with our investment philosophy described below, we look for mutual funds with low management fees, low turnover, a maximum number of holdings relative to comparable benchmark indexes, pure asset class exposure, and low cash percentages. We also consider securities overlap in the funds and their aggregate global market coverage.

Returns-based analysis includes comparisons to benchmark returns, correlations to benchmarks, tracking error, multi-factor regressions, rolling returns, and best/worst return behavior. We monitor the asset class vehicles relative to their benchmarks to make sure they have very low tracking error and high correlations.

### **Investment Philosophy and Strategies**

We believe that investing in individual stocks and bonds is overly speculative and introduces unnecessary company specific risk to portfolios. We stress the importance of long-term investing using diversified mutual funds for most or all of an investment portfolio. We believe sustainable returns are

driven by prudent asset allocation, not by a manager's individual stock picking skill. The empirical statistics regarding 'active' money managers indicates that on a risk adjusted basis, after accounting for fees and taxes, the overwhelming majority of investors are better off investing in index funds, exchange traded funds (ETFs), and 'passive' investment vehicles. As such, we use investment vehicles which effectively deliver asset class returns in a diversified, cost, and tax efficient manner. We also believe global diversification is paramount to equity investing. We seek to gain exposure to a large portion of listed securities for our clients in a cost efficient manner.

Managed portfolios are constructed based on the appropriate level of risk tolerance and financial objectives per client. Risk is defined as the deviation from an observable mean outcome or standard deviation. Equity exposure is based on the amount of risk determined to be appropriate for each client. Portfolios may range from all equity to all fixed income. When managing taxable portfolios we use tax-advantaged equity vehicles, which are funds using techniques to limit capital gains distributions, and tax-exempt bonds as appropriate.

The equity portion of the portfolio seeks to capture exposure to a significant portion of listed stocks around the world with a slight overweight to US companies relative to non-US companies. This level of diversification ensures that our clients avoid company specific risk exposure and effectively receive global capital market returns. Our investment strategies also tend to slightly overweight exposure to small capitalization stocks or stocks that are perceived to have low market prices as compared to their enterprise book value. These characteristics have historically provided premiums relative to the general US stock markets' returns.

Bonds in the portfolio serve to dampen the volatility of equities and provide incremental yield. We typically only recommend investment grade bonds with short term maturities as we believe that investing in long term and junk bonds adds proportionately more risk than return. We buy registered mutual funds and direct issues in investment grade corporate bonds, government and agency debt, US Treasury inflation protected securities, and investment grade municipal bonds (credit ratings of BBB or better).

In certain instances, when beneficial for their clients, LourdMurray will use a limited allocation to alternative strategies as compliment to traditional equity and bond investments. Alternative asset classes have historically professed little to no correlation to traditional asset classes such as Equities and Fixed Income, with low volatility and high and high returns. However, the benefits of such alternatives are less clear after considering higher fees and tax costs. LourdMurray will consider alternative asset classes in cases where they are consistent with our risk-factor based investment philosophy, are beta-driven (not focused seeking manager alpha), could increase overall expected return, and/or reduce portfolio volatility. All strategies are reviewed for performance contribution to the total portfolio, incremental costs, tax impact and liquidity constraints.

We typically do not use hedge funds, structured products, and managed futures, as the research we believe in shows their costs typically outweigh the benefits, especially for taxable investors.

## **Risk of Loss**

All investing involves a risk of loss and past performance is no guarantee of future results. We seek to prevent catastrophic losses by avoiding esoteric privately placed or hedge fund investments and choose to invest in publicly listed securities and investments that are priced daily. We also invest in diversified mutual funds and separate accounts that together provide exposure to over 9,000 securities worldwide, so individual company bankruptcies have little impact on portfolios. The fixed income portion of our clients' portfolios consist mostly of short-term, high quality bonds which have historically been a safe haven for investors during equity market downturns and hold their value during such periods. We attempt to assemble the appropriate balance of high risk, high return assets and low risk, low return assets, so that the combination of investments fits appropriately for each client's risk appetite.

Our client on-boarding process involves in-depth discussions about the best/worst return behavior of prospective portfolios. We use back-tested index data to include significant market downturns in the 1970s through the most recent times and show clients historical 1, 3, 5 and 10 year worst, best, and average returns to provide perspective on portfolio behavior. We believe that investor behavior and discipline are critical factors in an investor's end return experience; they must be able to ride out market fluctuations and remove emotion from the investment process. We attempt to educate our clients to improve investment discipline by setting reasonable expectations through this advanced modeling process, so that clients can stick to their investment strategy despite changes in markets.

## **Item 9 – Disciplinary Information**

LourdMurray and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

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

An affiliate of LourdMurray provides fee based consulting services for certain legacy clients. This service includes personal financial consulting, business consulting and personal and corporate management consulting. This service is not actively marketed to LourdMurray clients.

LourdMurray also provides services that include the processing and reconciling of self-directed transactions for certain legacy clients. LourdMurray does not actively offer these services. This service does not include investment advice.

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

LourdMurray and its employees may buy and sell the same securities that may be recommended to clients. To avoid any potential conflicts of interest involving personal trades, LourdMurray has adopted a Code of Ethics ("Code"), which includes a formal personal securities transaction and insider trading policies and procedures. LourdMurray's Code requires, among other things, that Employees:

- Act with integrity and in an ethical manner with the public, clients and prospective clients; Place the interests of clients, and the interests of LourdMurray above one's own personal interests;
- Attempt to avoid actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;



- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Comply with applicable provisions of the federal securities laws.

LourdMurray's Code also requires Employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide LourdMurray with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such Employees have a direct or indirect beneficial interest.

A copy of LourdMurray's Code shall be provided to any client or prospective client upon request.

## **Item 12 – Brokerage Practices**

In the course of providing our services, we (and the separate account managers we may select to manage a portion of the clients' assets) will execute trades for our clients (directly or through the funds) through broker-dealers. When a client has given us broker discretion, there is no restriction on the brokers we may select to execute client transactions. Our general guiding principle is to trade through broker-dealers who offer the best overall execution under the particular circumstances. With respect to execution, we consider a number of factors, including the actual handling of the order, the ability of the broker-dealer to settle the trade promptly and accurately, the financial standing of the broker-dealer, the ability of the broker-dealer to position stock to facilitate execution, our past experience with similar trades, and other factors which may be unique to a particular order. Based on these judgmental factors, we may trade through broker-dealers that charge fees that are higher than the lowest available fees.

In addition, broker-dealer fees may vary and be greater than those typical for similar investments if we determine that the research, execution and other services rendered by a particular broker merit greater than typical fees.

We may aggregate numerous clients' purchases or sales as a single transaction. Transactions are usually aggregated to seek a lower commission, lower costs, or a more advantageous net price. The benefits, if any, obtained as a result of such aggregation, are generally allocated pro-rata among the accounts of the clients which participated in the aggregated transaction.

The separate account managers we choose may have different principles or policies with respect to execution of trades and selection of brokers. A separate account manager's policies and procedures in this area are among the factors that we will consider in choosing a manager.

Clients that restrict us to using a particular broker/dealer (or direct us to use a particular broker/dealer) for executing their transactions generally will be unable to participate in aggregated orders and will be precluded from receiving the benefits of trade aggregation, if any. In addition, those clients that direct brokerage transactions to a particular broker/dealer may be disadvantaged because they may not obtain allocations of new issues of securities purchased by us through other brokers/dealers. We will generally execute aggregated orders for non-directed clients before we execute orders for clients that direct brokerage. We may also execute trades for non-directed clients through the same broker/dealer to which other clients' direct brokerage.

There may be conflicts of interest over time devoted to managing any one account and the allocation of investment opportunities among all accounts managed by us. We will attempt to resolve all such conflicts in a manner that is generally fair to all of our clients.

Absent an existing brokerage relationship, LourdMurray will assist the client with developing a relationship with Fidelity Brokerage Services, LLC (“Fidelity”). LourdMurray has negotiated rates with Fidelity on behalf of clients and currently believes the commission rates and services charged are competitive and in-line with discount brokerage services offered by large and reputable discount brokers.

As part of the institutional program offered by Fidelity, LourdMurray receives benefits that it would not receive if it did not provide investment advice to clients. While there is no direct affiliation or fee sharing arrangement between Fidelity and LourdMurray, economic benefits are received by LourdMurray which would not be received if LourdMurray’s clients did not utilize Fidelity. Although it may be perceived as a conflict of interest, these benefits do not depend on the amount of transactions directed by LourdMurray to Fidelity. Benefits received by LourdMurray from Fidelity may include: access to research and financial analytics, access to analyst reports, a dedicated trading desk that services LourdMurray’s clients, a dedicated service group and an account services manager dedicated to the LourdMurray’s accounts, access to a real time order matching system, ability to aggregate client trades, electronic download of trades, portfolio management software, access to an electronic interface, duplicate and batched client statements, confirmations and year-end summaries, the ability to have advisory fees directly debited from client accounts, a quarterly newsletter, access to mutual funds, ability to have loads waived for LourdMurray’s clients who invest in certain loaded funds when certain conditions are met and maintained, and the ability to have custody fees waived.

On occasion Fidelity may invite LourdMurray’s employees to attend certain industry functions, research related events or other peer group events. Fidelity may pay for travel, lodging or other similar expenses. Employees are required to seek the CCO’s authorization prior to attendance.

## **Item 13 – Review of Accounts**

Client accounts will be continuously and regularly supervised by LourdMurray’s portfolio management team which is overseen by Blaine Lourd and Palmer Murray. These reviews are designed to monitor and analyze client transactions, positions, and investment levels. Particular attention is given to changes in company fundamentals, industry outlook, market outlook and price levels, allocation drift and manager style drift.

For allocation drift, the Portfolio Managers will use Tamarac, a portfolio rebalancing software to monitor portfolios on a regular basis. The Portfolio Managers will run a series of specific searches that will identify portfolios that may need action to be taken. Once a portfolio has been identified, it will be determined whether or not specific actions must be taken. These searches will look for the following, but not limited to, portfolios that are out of tolerance, specific cash management requirements that need to be met, and loss harvesting opportunities.

LourdMurray will provide clients with quarterly reports that will address asset allocation, securities holdings and account performance. Clients will also receive monthly account statements from their broker-dealer or custodian.

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

LourdMurray does not directly or indirectly compensate any person for client referrals.

LourdMurray receives analytical portfolio allocation software from Dimensional Fund Advisors (“DFA”). LourdMurray utilizes this software to conduct regression and efficient frontier analysis, establish portfolio diversification parameters and analyze optimal portfolio construction. LourdMurray utilizes the software to create holdings and performance reports or marketing presentations provided to existing or prospective clients. In addition, DFA provides access to their professional staff to assist in creating or running reports. The receipt of DFA’s software and access to other such resources may cause a conflict of interest and give LourdMurray incentive to recommend DFA Funds over other investment options.

## **Item 15 – Custody**

All clients’ accounts are held in custody by unaffiliated broker/dealers or banks. LourdMurray can access many clients’ accounts through its ability to debit advisory fees. For this reason LourdMurray is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare their custodial statements to any account information provided by LourdMurray.

LourdMurray is also deemed to have custody of certain client accounts as a result of acting as Co-Trustee or Trustee to the client’s related accounts. In order to comply with Rule 206(4)-2 (Custody Rule) under the Advisers Act, all such accounts annually undergo a surprise audit by an independent certified public accountant.

## **Item 16 – Investment Discretion**

When a client agrees to discretionary management, LourdMurray will be responsible for asset allocation and selecting separate account managers. The only limitations on the investment authority will be those limitations imposed in writing by the client.

If we retain separate account managers for the client we typically reserve discretion to fire the managers on our client’s behalf. Clients should review the disclosure document(s) of any third party separate account manager hired for more information on their policy with regard to investment or brokerage discretion.

Accounts we manage on a discretionary basis may receive different executions when purchasing or selling securities than accounts managed on a non-discretionary basis due to the fact that LourdMurray must wait to receive client authorization before placing a trade order.

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

LourdMurray votes proxies for all discretionary and non-discretionary accounts unless instructed otherwise by the client. We have engaged a Proxy Administrator to identify applicable client proxies,

vote the proxies in the best interest of clients, and submit completed proxies promptly and properly to the issuer.

Our policy is to instruct our Proxy Administrator to vote your proxies in the interest of maximizing shareholder value. To that end, LourdMurray will instruct the Proxy Administrator to vote in a way that LourdMurray believes, consistent with its fiduciary duty, will cause the issue to increase the most or decline the least in value. In some instances, we may determine that a proxy will have little, if any, impact on shareholder value in which case we may elect to refrain from voting. Consideration will be given to both the short and long term implications of the proposal to be voted on when considering the optimal vote.

If we determine that LourdMurray is facing a material conflict of interest in voting a client proxy we may choose to remove ourselves from the voting process for that particular ballot or take the voting recommendation of an independent third party who shall determine the vote that will maximize shareholder value.

Our complete proxy voting policy and procedures are memorialized in writing and are available for your review. In addition, our complete proxy voting record is available to our clients. Please contact LourdMurray if you have any questions or if you would like to review either of these documents.

In the event LourdMurray and the client have explicitly agreed that LourdMurray shall not exercise proxy-voting authority over client securities, the obligation to vote client proxies shall at all times rest with client. Client shall not be precluded from contacting us for advice or information about a particular proxy vote. However, we shall not be deemed to have proxy-voting authority solely as a result of providing such advice to client.

Should we inadvertently receive proxy information for a security held in the client's account, we will immediately forward such information on to the client. We will not take any further action with respect to the voting of such proxy. Upon termination of our Agreement with a client, we shall make a good faith and reasonable attempt to forward proxy information inadvertently received by us on behalf of the client to the address of record.

## **Item 18 – Financial Information**

LourdMurray is not aware of any financial condition that is expected to affect its ability to manage client accounts.