



## **1926 Investment Advisors, LLC**

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This brochure provides information about the qualifications and business practices of 1926 Investment Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 314-963-1926 and/or cfm@1926IA.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 1926 Investments Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

There have been no material changes to our business since our last annual update of Form ADV Part 2A in March 2013.

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## **ADVISORY BUSINESS**

### **Advisory Firm Description**

1926 Investment Advisors, LLC ("1926" or the "Firm") has been in business since June 2006. The principal and sole owner is Charles "(Charley)" F. Meyer, Sr.

### **Types of Advisory Services**

1926 works on a fee-only basis with clients to design, implement and manage successful investment portfolios. Our clientele is comprised of individuals, endowments, foundations and religious institutions.

Our service is for clients who want assistance in designing, implementing, and managing investment portfolios. This includes developing the portfolio allocation, risk appropriate investments, placing trades in the client's account, providing clients with portfolio management reports and ongoing measurement of results.

Each client relationship begins with a conversation about our client's expectations, risk tolerance and needs. This information becomes the input data for a set of investment guidelines.

Investment guidelines are the rules that we develop with our clients for investing their money.

Guidelines establish expectations, set boundaries and articulate benchmarks for clients to gauge progress.

Each quarter we document in clear and concise reports how our clients' portfolios are progressing relative to their goals.

1926 outsources some of its portfolio management and some of its administrative responsibilities with another investment advisor. Please see the section titled "Other Financial Industry Affiliations" for further information.

### **Tailored Advisory Services**

Clients may instruct 1926 not to purchase or sell certain investments or participate in a particular sector.

### **Client Assets Under Management**

As of February 28, 2013, total discretionary assets under management were \$108,641,207.00 million and total non-discretionary assets under management were \$1,023,279.00.

## FEES AND COMPENSATION

1926 is a fee-only practice. To minimize conflicts of interest between the Firm and the client, the Firm does not receive commissions or other compensation in relation to any product or service recommended.

The Firm charges its clients an annual fee that is based on the amount of the client's assets under management (see table below). The fee is negotiable, is determined at the time the client signs the client agreement, and is based on the complexity of each client's individual situation. Portfolios generally are aggregated by family.

<u>Portion of Investment Portfolio</u>	<u>Annual Rate</u>
First \$5,000,000	1.00%
Next \$5,000,000	0.80%
\$10,000,000 or more	0.60%

Fees are calculated on a cumulative basis, so that a client with \$6,000,000 under management would pay 1.00% on \$5,000,000 and 0.80% on \$1,000,000. The minimum annual fee is \$5,000, which may exceed 3% of assets for smaller accounts. If this fee exceeds 3% of assets under management, clients are advised that this is not a competitive fee, and that similar services are easily obtained elsewhere at a lower fee. On an exception basis, 1926 may charge a client a fixed fee that is negotiated.

Fees are billed quarterly in arrears at the rate of one fourth of the annual fee shown above, and are typically deducted from clients' accounts. Fees for the previous quarter are calculated based on the average of the prior 3-month end portfolio valuations as determined by the account custodian at the close of market on the last business day of each month. If a client opens an account during a quarter, fees will be calculated using the average of month end portfolio valuations available for that quarter (or the last month's valuation if that is the only applicable valuation), and will be assessed on a pro rata basis.

### Other Fees

Client accounts pay directly for fees assessed by the custodian, such as transaction, wire, exchange, or custodial fees. Please refer to the section "Brokerage Practices" for detailed information on our selection of custodians and brokers as well as our trading practices.

When 1926 recommends a mutual fund for a client's account, three separate fees may be charged to the client, either directly or indirectly. The first fee is 1926's investment management fee where the fund is included in the asset base for the quarterly fee calculation. The second is the set of internal fees charged by the investment company for the fund's investment management, marketing, administration and marketing assistance. These internal expenses are disclosed in each fund's prospectus, which is provided to each client by the custodian. (This set of fees also applies to any money market fund purchased in the client's account.) The third fee may be a transaction fee, which is assessed by the custodian for its service of providing access to a universe of mutual fund families through one account. To avoid such fees a client would be required

to open a separate account with each individual mutual fund company instead of using the custodian recommended by 1926, which would also negatively affect 1926's ability to deliver its services efficiently. Not all mutual fund trades enacted by 1926 incur this transaction fee. When recommending mutual funds for client portfolios, 1926 only recommends no load funds. Some mutual funds may not be purchased directly but rather are required to be purchased by a mutual fund company approved advisor.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

This section does not apply to 1926, as it does not charge performance-based fees.

## **TYPES OF CLIENTS**

1926 provides investment advisory services to individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, and corporations. The Firm has a minimum annual fee of \$5,000 that equates to a minimum account size of \$500,000, although the Firm will accept smaller accounts.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **What you CAN control**

- Reduce Expenses
- Diversify Portfolio
- Minimize Taxes
- Discipline

### **What you CANNOT control**

- Pick winning stocks
- Pick superior managers
- Time the markets
- Financial press




We believe that asset allocation choices make the greatest difference in obtaining long-term performance. We gather detailed information from each client in order to determine the best allocation for each client, tailoring the portfolio to each client's needs.

We generally invest client portfolios in broadly diverse domestic and international equity and fixed income funds. We may also use exchange traded funds, and occasionally common stocks and bonds.

### **Multi Factor Asset Class Investing**

Academic research has demonstrated that focusing on asset class investing is a more efficient way to construct risk adjusted portfolios Vs Active Management or Index Investing.

The primary underpinnings of Multifactor Asset Class Investing are:

-  Grounded in the efficiency of capital markets and implemented through broadly diversified portfolios
-  Captures specific dimensions of risk identified by academic research
-  Minimizes transaction costs and enhances returns through trading and engineering

We invest client portfolios in an appropriate asset allocation, which we reposition as required by market developments, change in fund management or strategy, or change in the client's investment objective or risk tolerance. Our philosophy is not to time the market, but to buy and hold over the long-term and to minimize portfolio turnover.

We do not guarantee the future performance of the account or any specific level of performance, the success of any investment decision or strategy that we may use, or the success of our overall management of the account. The client understands that investment decisions made for the client's account by 1926 are subject to various markets, currency, economic, political and business risks, and that those investment decisions will not always be profitable. The client understands that investing in any security entails risk of loss, which the client should be prepared to bear.

#### **DISCIPLINARY INFORMATION**

1926 has had no legal or disciplinary actions to disclose.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

1926 has entered a non-financial agreement with Dimensional Fund Advisors ("DFA"), another investment advisory firm that manages a collection of proprietary no-load mutual funds. DFA is available to assist with the determination of appropriate investment strategy and appropriate investment selection of DFA funds for 1926 clients. For this administrative assistance, DFA is paid through its internal management fees collected from the mutual funds it manages.

1926 has a preference for utilizing Dimensional Funds in client accounts since they represent a diversified, low-cost investment product to help clients meet their goals. As an Independent Investment Advisor, 1926 may offer access to a wide variety of investment vehicles to meet client needs. Whereas DFA makes the investment decisions inside the funds, 1926 makes the actual decisions regarding allocation of funds.

1926 has contracted on an annual basis with Morningstar, Inc. to provide a complete practice and portfolio management reporting system. This platform is designed to support the core aspects of our practice. It features portfolio management and performance reporting, advance research capabilities and customer relationship management (CRM) tools. Clients have the option to receive secure communications

using a Client Web Portal and document vault. 1926 reconciles client custodial statements and transactions to Morningstar Office on a business daily basis.

1926 has no affiliated entities or material relationships with other financial industries with the exception of the custodial relationship with Fidelity Institutional. This relationship is further discussed under "Brokerage Practices."

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

1926 has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all Firm personnel (collectively referred to as "employees") and focuses on three specific areas where employee conduct has the potential to adversely affect the client:

- misuse of confidential information
- personal securities trading
- outside business activities

Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination with the Firm. Any client or prospective client may request a copy of the Firm's Code of Ethics which will be provided at no cost.

The following basic principles guide all aspects of the Firm's business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients' interests come before employees' personal interests and before the Firm's interests.
- The Firm must fully disclose all material facts about conflicts of interest of which it is aware between itself and clients as well as between Firm employees and clients.
- Employees must operate on the Firm's behalf and on their own behalf consistently with the Firm's disclosures and to manage the impacts of those conflicts.
- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its employees must always comply with all applicable securities laws.

### **Misuse of Non-Public Information**

The Code of Ethics contains a policy against the use of non-public information in conducting business for the Firm. Employees may not convey non-public information nor depend upon it in placing personal or clients' securities trades.



### **Personal Securities Trading**

1926 or individuals associated with the Firm may buy, sell, or hold in their personal accounts the same securities that the Firm recommends to its clients. Such trades must occur at least the trade day after client trades are placed and only with the Chief Compliance Officer's permission. Employees of the Firm may not participate in block trades with clients.

The Firm's Code of Ethics allows the purchase of IPOs or private placements only with prior permission from Mr. Meyer, the Firm's Chief Compliance Officer.

Employees are required to submit reports of personal securities trades on a quarterly basis, and securities holdings annually. These are reviewed by the Chief Compliance Officer to ensure compliance with the Firm's policies.

### **Outside Business Activities**

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed or the employee will be required to cease such activity.

## **BROKERAGE PRACTICES**

### **Selecting Custodians**

In recommending a custodian, 1926 considers:

- the range and quality of the products the custodian offers,
- the technical support provided,
- execution quality,
- commission rates,
- the ability to trade no load mutual funds across various fund families, whether with or without associated transaction fees,
- the financial stability and
- responsiveness to both the Firm and its clients.

1926 recommends its clients open accounts with Fidelity Institutional ("Fidelity") as their account custodian. 1926 enacts most of the trades on behalf of clients through the account custodian in order to avoid "trade away" fees, although on occasion may trade elsewhere. Trading primarily through one broker/dealer may compromise the fiduciary responsibility 1926 has to attain best execution for its clients on a trade by trade basis, but 1926 views its responsibility on a combined custodial and trading basis. 1926 continues to monitor its relationship with Fidelity versus other custodians to ensure that 1926 clients continue to receive custodial and trading services that are competitive.

The Firm has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides the Firm with "institutional platform services." The institutional

platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist the Firm in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help the Firm manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom the Firm may contract directly.

The Firm is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

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

Although 1926 has no formal "soft dollar" arrangements in which commissions generated by client trades are used to purchase services for the Firm, 1926 does receive services and material from Fidelity as a result of being an institutional client. The Firm may receive access to certain Custodians' proprietary account management and data transmission services to enable the Firm to trade clients' accounts electronically. Custodians of the Firm's clients' accounts may also provide the Firm with educational and compliance material, such as newsletters and access to conferences and seminars.

### **Brokerage for Client Referrals**

1926 does not compensate brokers or others for client referrals.

### **Directed Brokerage**

The Firm recommends Fidelity Institutional Wealth Services ("Fidelity") as custodian for clients' accounts. Each client signs a separate agreement with the custodian. However, some clients may choose other custodians or brokers to execute trades through firms with whom they have an existing relationship. In this instance, the Firm may not be able

to meet its fiduciary duty to obtain best execution for transactions enacted for clients. These clients are unable to participate in block trades (please see below) and therefore will receive different prices than those participating in the block trade. These clients also may not have access to the same families of mutual funds available through Fidelity.

### **Order Aggregation**

1926 may aggregate trades for the same issue across many client accounts. In these instances, the trade may be executed during one day in pieces at different prices. At market close all accounts participating in this trade receive an average price per share, averaging the prices obtained across the pieces executed that day. There is no commission advantage to participants in these block trades, as Fidelity charges commissions at the individual account level.

## **REVIEW OF ACCOUNTS**

Mr. Meyer conducts all reviews of managed accounts as a matter of course at least quarterly. These reviews entail looking at portfolio holdings in light of each client's investment objective, cash flows, security pricing and fees. All clients are encouraged to meet with the firm at least annually. Additional reviews may be triggered by events such as a client meeting, change in a client's risk tolerance, financial position or investment objective, change in a company or fund's management, unusual market or economic circumstances or other unforeseen event.

Clients may select from the following formats in defining the written reports and written information they receive from 1926:

- Market comments
- Investment guideline comparison and review
- Statement of transactions
- Statement of assets
- Performance review
- Social investment updates (as appropriate)

Clients are reminded to compare the statements from 1926 with the account statements from their custodian, and to contact both 1926 and the custodian if there are material discrepancies.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

1926 does not provide compensation for client referrals and does not market through third party arrangements. 1926 receives no compensation other than from clients' fees, but does receive benefits from Fidelity Institutional as discussed under "Brokerage Practices."

## **CUSTODY**

The payment of the Firm's fee directly from the client's account is deemed a form of custody by the Securities and Exchange Commission, although all investments and funds are held by an outside custodian. The Firm may direct the movement of funds from one account in the client's name to another account in the client's name, but has no access to client funds or securities except for the deduction of management fees.

All clients are required to use a "qualified custodian" that provides at least quarterly statements directly to each client showing all portfolio holdings and all account activity during the period. Clients should carefully review those statements. Clients should take the time to compare the account statements they receive from the custodian with those they receive from 1926. If the client finds significant discrepancies, the custodian and 1926 should be notified.

## **INVESTMENT DISCRETION**

The client grants the Firm complete discretion (through a Limited Power of Attorney) to determine both the securities purchased and sold and the amounts of those purchases and sales. This limited power of attorney is granted both through the client agreement and the brokerage account application.

Non-discretionary accounts limit the trading authority given to 1926.

## **VOTING CLIENT SECURITIES**

1926 does not vote proxies for securities held in client accounts. Clients receive proxy material directly from their account custodian, and may request assistance from 1926 on any particular proxy matter by contacting the Firm directly in writing or by phone.

## **FINANCIAL INFORMATION**

There is no financial condition that is reasonably likely to impair 1926's ability to meet its contractual commitments to its clients.