

## **ERGUZ, LLC**

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### **FORM ADV PART 2A BROCHURE**

**This brochure provides information about the qualifications and business practices of Erguz, LLC. If you have any questions about the contents of this brochure, please contact us at (832) 631-6284. 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 Erguz, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Erguz, LLC is 168009.**

**Erguz, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

## *Material Changes*

Form ADV Part 2A, Item 2

The SEC recently adopted amendments to Form ADV, the form that is filed in order to register as an investment adviser, which requires that certain material be included in Brochures of this type. One of those new items is a summary of any material changes that were made in the adviser's current Brochure since its last annual Brochure. There are no material changes to report at this time.

At any time you may view the current Disclosure Brochure on-line at the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). To review the firm information for Erguz, LLC:

Check Investment Advisor Search in the left navigation menu.

Select the option for Investment Advisor Firm and enter (168009) (our firm's CRD number) in the field labeled "Firm IARD/CRD Number".

This will provide access to Form ADV Part 1 and Part 2A.

Item 11 of the ADV Part 1 lists legal and disciplinary questions regarding the Advisor.

In the left-hand navigation menu, Form ADV Part 2A is located near the bottom.

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## ***Advisory Business***

Form ADV Part 2A, Item 4

Erguz, LLC (referred hereinafter to as “Advisor”) offers personalized investment advisory services to clients as described as asset management services. These services, as defined, include giving continuous investment advice. Advisor shall perform a review of the variables that are presented. Such review may include, but would not necessarily be limited to, investment objectives, consideration of the client’s overall financial condition, income and tax status, personal and business assets, risk profile, and other factors unique to the client’s particular circumstances to determine a suitable course of action for the client.

Mr. Javier Guzman Ortiz is the Owner and managing member of Erguz, LLC. He also serves as CCO of the Advisor, which was established in 2013.

### Javier Guzman Ortiz, CCO

#### Education Background:

\*UCLA Anderson School of Management

M.B.A Finance/Investment Management 2011

\*University of Michigan

B.S.E Industrial & Operations Engineering 2004

#### Business Background:

Erguz, LLC – CCO, Dec 2012 – Present

Self-employed, Consultant, May 2011- Dec 2012

CEMEX INC - Logistics Planning Coordinator (Houston, TX) Jan 2008 - May 2009

CEMEX - Rinker (Post Merger Integration) – Special Projects Sep 2007 - Jan 2008

CEMEX - Strategic Planning Analyst (Monterey, Mexico) Nov 2005 - Sep 2007

CEMEX - Professional in Development (Monterey, Mexico) Jul 2004 - Nov 2005

Advisor provides asset management services defined as giving continuous investment advice to a client and making investments for the client based on the individual needs of the client. Through this service, Advisor offers a highly customized and individualized investment program for clients. A specific asset allocation strategy and investment policy is crafted to focus on the specific client's goals and objectives. Advisor typically constructs portfolios consisting of securities and investments, equity securities, corporate debt securities, certificates of deposit, municipal securities, mutual funds, United States government securities, option contracts, real estate and oil and gas interests, foreign government securities.

In order to determine a suitable course of action for an individual client, Advisor shall perform a review of the variables that are presented. Such review may include, but would not necessarily be limited to, investment objectives, consideration of the client's overall financial condition, income and tax status, personal and business assets, risk profile, and other factors unique to the client's particular circumstances.

Because the advisor offers a customized and individualized investment program for clients the client may or may not impose restrictions on investing in specific industries and/or securities.

Advisor manages client assets on a discretionary basis with no non-discretionary client assets. The Advisor's assets under management as of December 31, 2013 are as follows:

Total Discretionary Assets - \$398,168,133

Total Number of Client Accounts – 10

## ***Fees and Compensation***

### Form ADV Part 2A, Item 5

Clients are charged for Advisor's asset management services based on a percentage of assets under management. Fees are negotiable based on factors such as, but not necessarily limited to, the number of accounts being managed, the amount of assets under management and the overall complexity of the client's financial situation. The following is a sample fee schedule provided for illustrative purposes:

Assets under Management Range	Annual Fees
0 - \$1,350,000	Flat Fee \$13,500
\$1,350,000 – \$2,300,000	1.00 %
\$2,300,001 – \$3,700,000	0.75 %
\$3,700,001 – \$6,500,000	0.50 %
\$6,500,001 – \$11,000,000	0.40 %
\$11,000,000 – \$16,500,000	0.35 %
\$16,500,000 – More	0.25 %

The exact services and fees will be agreed upon and disclosed in the agreement for services prior to services being provided. The fee is calculated monthly and billed quarterly in arrears at the beginning of each calendar quarter and will be based on the amount of assets under management at the end of the previous calendar quarter. Fees will be prorated based on the number of days that services are provided when the account is established or terminated at anytime other than the beginning of a calendar quarter. Advisor may have its advisory fees deducted directly from the client's account. In these cases, clients must provide their custodian (i.e. Goldman Sachs, Morgan Stanley or JP Morgan Chase) with written authorization to have fees deducted from the account and paid to Advisor. Upon discretion of Advisor, clients may pay fees directly to Advisor. For clients that pay directly, payment is due upon receipt of a billing statement from Advisor. The custodian delivers quarterly or monthly account statements to clients. Among other details, account statements list disbursements for the account including the amount of the advisory fee when deducted directly from the account. The advisor has a minimum negotiable account size of \$1,000,000.

In addition to Advisor's investment advisory fee(s), Client may be assessed other fees by parties independent from Advisor. The client may also incur, relative to certain investment products (such as mutual funds), charges imposed directly at the investment product level (e.g. advisory fees, administrative fees, and other fund expenses). Brokerage fees/commissions charged to Client for securities trade executions may be billed to the Client by the broker-dealer or custodian of record for the Client account, not Advisor. From time to time and as allowed by regulatory rule or law, Advisor or its representatives may receive commissions as a result of certain securities transactions effected on behalf of Client, where such transactions are effected in connection with Advisor's advisory services provided to Client. Any such commissions/fees are exclusive of, and in addition to compensation charged by Advisor.

Advisor does not accept or require prepayment of advisory fees.

From time to time, associated persons of Advisor may recommend that clients buy or sell securities or investment products that the Advisor also owns. In such circumstances, Advisor shall institute the following policies and procedures.

#### Firm Procedures

In order to implement Advisor's investment policy, the following procedures have been put into place with respect to Advisor and its associated persons:

- (1) If Advisor is recommending for purchase by any of its clients, any security, no associated person may affect personal transactions in that security prior to the client purchase having been completed, or until the client has made the decision not to purchase the security; and
- (2) If Advisor is recommending that any of its clients sell any security, no associated person may affect personal transactions in that security prior to the client's sale of that security, or until the client has made the decision not to sell the security.



***Performance-Based Fees and Side-By-Side Management***

Form ADV Part 2A, Item 6

Advisor does not participate in performance-based fees or side-by-side management.

### *Types of Clients*

Form ADV Part 2A, Item 7

The types of clients the Advisor generally provides investment advice to includes, but is not limited to, individuals, high net worth individuals, trusts, estates, corporate retirement plans, charitable organizations, corporations or businesses. The Advisor has a negotiable minimum account size requirement.

## ***Methods of Analysis, Investment Strategies and Risk of Loss***

Form ADV Part 2A, Item 8

The Advisor may use some or all of the following methods of analysis: Fundamental, Technical, or Cyclical in formulating its investment strategies for giving investment advice or managing client assets. Each client should be aware that securities investing involves risk of loss and should be prepared to bear any such loss of that investment.

### **A. Investment Strategies**

Erguz's core investment philosophy is as follows:

***Personalization:*** Tailor a portfolio based on client's needs and manage risk according to each of the individual needs.

***Manage Risk:*** Invest primarily in high-quality securities. Being conservative by not taking more risk than necessary.

***Diversify:*** Build a well balanced portfolio across different asset classes to decrease volatility.

***Long-term:*** Reduce market timing risk with a buy and hold approach to investing.

***Consistent:*** Eliminate emotions by keeping a consistent strategy. Fear and greed are enemies to a good financial planning.

### **B. Risk of Loss**

Investing in securities involves certain investment risks. Securities may fluctuate in value or lose value. Clients should be prepared to bear the potential risk of loss. Erguz will assist Clients in determining the appropriate strategy based on their tolerance for risk and other factors noted above. However, there is no guarantee that a Client will meet their investment goals.

Each client engagement will entail a review of the Client's investment goals, financial situation, time horizon, tolerance for risk and other factors to develop an appropriate strategy for managing a Client's account. Client participation in this process, including full and accurate disclosure of requested information, is essential for analysis of a Client's account. The Advisor shall rely on the financial or other information provided by the Client or their designees without the duty or obligation to validate the accuracy and completeness of the provided information. It is the responsibility of the Client to inform the Advisor of any changes in their financial condition, goals, or other factors that may affect this analysis.

Erguz primarily employs investment strategies that do not involve any significant or unusual risk other than domestic equity and international market risks. The risks associated with a particular strategy are provided to each Client in advance of investing Clients accounts. The Advisor will

work with each Client to determine their tolerance for risk as part of the portfolio construction process.

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

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

The Advisor generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, Advisor may utilize options, which 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.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss. Mutual funds are not guaranteed or insured by the FDIC or any other government agency. You can lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned above).

**Equity** investment generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

**Treasury Inflation Protected/Inflation Linked Bonds:** The Risk of default on these bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal.

**Fixed Income** is an investment that provides fixed periodic payments in the future that may involve economic risks such as inflationary risk, interest rate risk, default risk, repayment of principal risk, etc.

**Debt securities** carry risks such as the possibility of default on the principal, fluctuation in interest rates, and counterparties being unable to meet obligations.

**Stocks & Exchange Traded Funds (ETF):** Investing in stocks & ETF's carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Investments in these securities are not guaranteed or insured by the FDIC or any other government agency.

**Hedge Funds** are not suitable for all investors and involve a high degree of risk due to several factors that may contribute to above average gains or significant losses. Such factors include leveraging or other speculative investment practices, commodity trading, complex tax structures, a lack of transparency in the underlying investments, and generally the absence of a secondary market.

**REITs** have specific risks including valuation due to cash flows, dividends paid in stock rather than cash, and the payment of debt resulting in dilution of shares.

**Precious Metal ETFs** (Gold, Silver, Palladium Bullion backed “electronic shares” not physical metal): Investing in precious metal ETFs carries the risk of capital loss.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short-term trading** risks include liquidity, economic stability and inflation.

**Options** involve a contract to purchase or sell a security at a given price, not necessarily at market value, depending on the market.

**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.**

## ***Disciplinary Information***

Form ADV Part 2A, Item 9

There is no disciplinary history to disclose on the Advisor or its associated persons.

### ***Other Financial Industry Activities and Affiliations***

Form ADV Part 2A, Item 10

Advisor is not a FINRA registered broker dealer.

Advisor or its management persons are not registered, do not have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

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

Form ADV Part 2A, Item 11

Advisor and its associated persons are subject to a Code of Ethics that imposes certain procedures, disclosures, and/or restrictions designed to avoid conflicts of interest between Advisor and its clients. As enforced through one or more of the following provisions:

- \* Generally clear in advance with a principal all securities transactions in which they have a direct or indirect interest except transactions in government securities, banker's acceptance notes, bank certificates of deposit ("CD"), commercial paper and mutual fund shares.

- \* Request duplicate confirms or statements be sent to Advisor's compliance officer.

- \* Provide a quarterly statement of transactions to Advisor's compliance officer.

An investment adviser is considered a fiduciary according to the Investment Advisers Act of 1940. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Advisor has a fiduciary duty to all clients. This fiduciary duty is considered the core underlying principle for the Advisor's Code of Ethics which also covers its Insider Trading and Personal Securities Transactions Policies and Procedures. Advisor requires all of its supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and when changes occur, all supervised persons will sign an acknowledgement that they have read, understand and agree to comply with the Advisor's Code of Ethics. Advisor has the responsibility to make sure that the interests of all clients are placed ahead of Advisor's or its supervised person's own investment interest. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to any services being conducted. Advisor and its supervised persons must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of Advisor's Code of Ethics. However, if a client or a potential client wishes to review Advisor's Code of Ethics in its entirety, a copy will be provided promptly upon written request.

Advisor or its personnel may invest for their own accounts or have a financial interest in the same securities or other investments that the firm recommends or acquires for the accounts of its clients, and may engage in transactions that are the same as or different than transactions recommended to or made for client accounts. Such transactions are permitted if effected, pre-cleared and reported in compliance with Advisor's policy on personal securities transactions. Generally, personal securities transactions will not be pre-cleared when an order for the same or a related security is pending for the account of a client. Reports of personal transactions in securities by Advisor personnel are reviewed by the firm's compliance department quarterly or more frequently if required.



Advisor and its associated persons may buy or sell securities that are also recommended to clients. In order to minimize this conflict of interest, securities recommended by Advisor are widely held and publicly traded. In addition, in accordance with its fiduciary duty to clients, Advisor and its associated persons will place client interests ahead of their own interests.

In accordance with its fiduciary duty to clients, Advisor and its associated persons will place client interests ahead of their own interests.

## ***Brokerage Practices***

Form ADV Part 2A, Item 12

Advisor will allow Clients to select the broker-dealer of record that most suits them. Whereby Advisor will attempt to negotiate the transaction fees on behalf of a Client that has selected another broker-dealer of record, Advisor cannot assure the Client will be charged fees that are equal to or lower than fees charged by Advisor and/or its custodian/clearing firm.

Factors which Advisor considers in recommending any other broker-dealer to clients shall include that firm's financial strength, reputation, execution, pricing, research, and service. The commissions and/or transaction fees charged by broker-dealers to which Advisor may direct its clients' securities/brokerage transactions or services may vary. These fees are exclusive of, and in addition to, Advisor's investment management fee. Advisor's investment adviser representatives may also be registered representatives of a broker-dealer and may receive compensation in the form of commissions for each transaction that is processed through a broker-dealer with which an investment adviser representative is individually registered.

In return for effecting securities transactions through another broker-dealer, Advisor may receive certain investment research products and/or services that assist the Advisor in its investment decision-making process for the client. All such transactions shall be effected in compliance with Section 28(e) of the Securities Exchange Act of 1934.

The brokerage commissions and/or transaction fees charged by Advisor or other designated broker dealer are exclusive of, and in addition to, Advisor's investment advisory fee. Although the commissions (related to securities transactions) paid by Advisor's clients shall comply with the Advisor's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Advisor determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received.

Advisor's selection or recommendation of broker-dealers to clients is not contingent upon whether or not Advisor or a related will receive client referrals as a result of such selection or recommendation.

Advisor does not direct brokerage; however, Advisor may, at its discretion, accept a client request to direct transaction executions through a specified broker-dealer.

Advisor may aggregate the purchase or sale of securities for various client accounts. Some of the conditions surrounding the Advisor's decision to aggregate securities transactions may include, but are not limited to, overall market conditions, earnings reports, advance or decline in position, etc.

## ***Review of Accounts***

Form ADV Part 2A, Item 13

Account reviews are provided in connection with asset management accounts. For clients participating in this program, one of the Advisor's representatives will contact clients at least annually for the purpose of reviewing their account and to determine if there have been changes in their financial situation or investment objectives. The calendar is the main triggering factor, although more frequent reviews may also be triggered by changes in the client's circumstances, client request, or changes within the market. The underlying investments held in client accounts are reviewed on a more frequent basis. Portfolios are usually reviewed as frequently as weekly, and not less than monthly. Triggering factors for changes to underlying portfolios include the relative valuation changes between asset classes, valuation of the individual security, or economic or political changes that change the perceived risk/reward ratio of a sector or sub-sector of the global or national economy.

Clients will receive account statements directly from the custodian. Statements will be delivered no less than quarterly but as frequent as monthly. In addition, Advisor may provide quarterly newsletters covering general financial and investment topics, explaining current views of the global economies and factors driving investment decisions.

## ***Client Referrals and Other Compensation***

Form ADV Part 2A, Item 14

Advisor does not have arrangements with someone who is not a client that provides an economic benefit to Advisor for providing investment advice or other advisory services to its clients.

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

## ***Custody***

Form ADV Part 2A, Item 15

Advisor does not have custody of client funds or securities.

## ***Investment Discretion***

Form ADV Part 2A, Item 16

Upon receiving written authorization from the client, Advisor provides discretionary investment advisory services for client accounts. Advisor's discretionary authority will be granted by the client in the client agreement. When discretionary authority is granted, it is limited in that Advisor will only be given discretionary trading authority. This authority will allow Advisor to determine the type of securities and the amount of securities that can be bought or sold for the client portfolio without obtaining the client's consent for each transaction.

## ***Voting Client Securities***

Form ADV Part 2A, Item 17

Advisor does not perform proxy-voting services on a client's behalf. Clients are instructed to read through the information provided with the proxy-voting documents and to make a determination based on the information provided. Upon request from the client, Advisor may provide limited clarifications of the issues presented in the proxy voting materials based on Advisor's understanding of issues presented in the proxy-voting materials. However, the client will have the ultimate responsibility for making all proxy-voting decisions.

## ***Financial Information***

Form ADV Part 2A, Item 18

Advisor does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Advisor is not organized as a sole proprietor.

Advisor does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.

Advisor has not been the subject of a bankruptcy petition at any time during the past ten years.



### ***Additional Information***

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