

# Lowery Asset Consulting, LLC

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Lowery Asset Consulting LLC (“LAC”). If you have any questions about the contents of this brochure, please contact us at 312-759-2314. 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 LAC is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

The following material changes have been incorporated into this brochure since the last annual amendment filed in March 2014:

- No material changes were made since the last filing.

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## Advisory Business

LAC provides investment advice through consultations to corporate pension, profit sharing, thrift and savings plans, endowment funds, high net worth individuals, corporations, Taft-Hartley funds, and foundations. LAC offers these services through a combination of the services described below. Clients may elect to use any or all of these services.

**Investment Policy and Strategy:** LAC will assist the client in assessing the client's current financial situations and investment goals. Based on this information, LAC will begin the asset allocation discussion. LAC can facilitate asset-liability modeling to establish investment guidelines to achieve actuarial targets and correlation studies to measure incremental risk to return activities of fund managers. Once the client has accepted the asset allocation, LAC may develop a written Investment Policy Statement ("IPS") for the client to follow. The IPS will provide investment guidelines, objectives, and policies designed to help achieve the client's goals. LAC may review this policy and strategy on a regular basis; the frequency of such reviews will be determined by LAC and the client.

Advisory and consulting services are tailored to meet each client's risks and/or return parameters.

Clients may impose reasonable restrictions on various types of asset classes, investment strategies, or specific securities within an asset class.

**Investment Manager Search:** LAC will identify independent managers to provide asset management services for the various investment sectors identified in the client's asset allocation strategy. A wide variety of mutual funds and separate account managers will be reviewed to identify potential candidates. LAC will guide the client through the process of selecting one or more managers by helping the client develop specific criteria for the managers of each asset class, by preparing a list of potential managers and by helping the client interview prospective managers.

**Investment Advice:** LAC will assist clients in arranging securities custodial services as needed.

LAC clients may engage LAC to identify mutual funds, hedge funds or other private investments for consideration by the client. LAC will not accept discretionary authority over any client funds or accounts, all investments and reinvestments of client assets are made solely upon the clients's prior written or oral approval.

**Ongoing Performance Evaluation:** LAC will evaluate the performance of selected managers and will provide written reports, as needed, analyzing the investment performance and characteristics of such managers in terms of rates of return, achievement of objectives, adherence to guidelines, and comparison with other managers of similar style.

LAC's analytical processes various outside research subscriptions and manager evaluation databases.

The engagement and termination of independent managers and allocations of assets to independent managers are client decisions. The investment results realized by clients will be affected by numerous factors including, without limitation, investment styles, portfolio allocation, securities selection, trading activities and volume, and manager discretion, all of which are beyond the scope of LAC's services. LAC is not responsible for investment and trading activities or decisions of independent managers. Accordingly, LAC makes no warranties regarding the performance of independent managers and LAC is not responsible for performance (gains and losses) results or activities of independent managers or client portfolio allocation decisions.

LAC was founded in 2002 and is primarily owned by William Lowery. As of December 31, 2014, LAC's assets' under advisement was approximately \$6,950,300,000.

## **Fees and Compensation**

### Combined Services:

Investment Policy and Strategy, Investment Manager Search and Ongoing Performance Evaluation services may be combined for an annual fee ranging from 0.05% to 1.00% of the client's advised assets. An exact fee will be determined for each client based on the size, nature and complexity of the client's account. Fees will be billed quarterly, in advance or arrears, based on the market value of the advised assets, or other such stated fee arrangement. New accounts will be billed on a pro-rata basis.

Investment Policy and Strategy: This service is available for a fee generally ranging from \$15,000 to \$30,000. An exact fee will be determined for each client based on the size, nature and complexity of the client's account. Fees will be due and payable upon completion of the project.

Investment Manager Search: This service is available for a fee ranging generally from \$15,000 to \$30,000 per manager search. An exact fee will be determined for each client based on the size, nature and complexity of the client's account. Fees will be due and payable upon completion of the project.

Ongoing Performance Evaluation: This service is available for a flat fee as follows:

First manager evaluation \$15,000-\$25,000

Second manager evaluation \$10,000-\$20,000

Third and any additional manager evaluations \$5,000-\$15,000

An exact fee will be determined for each client based on the size, nature and complexity of the client's account and of the manager to be examined. The fee will be billed/quarterly, in advance or arrears.

Dependent on the individual arrangement selected by each client, fees charged for LAC's advisory services may be deducted from the client's account, or paid by the client via check or wire.

#### GENERAL INFORMATION ON FEES:

In certain circumstances, all fees and account minimums may be negotiable. The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client (SEC Rule 205(a)(1)).

In addition to LAC's consulting fees, clients bear investment manager expenses, trading costs, fund administration, and custodial fees.

Because third-party managers charge asset-based fees for assets under their management, LAC clients pay management fees more than once on the same assets if LAC is providing investment policy and strategy, investment advisory or other services.

A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

Mutual and Investment Fund Fees and Expenses: All fees paid to LAC for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their

shareholders and management/performance fees of private investment funds. These fees and expenses are described in each fund's prospectus or offering documents. For mutual funds and ETFs, these fees will generally include management fee, other fund expenses, and occasionally a marketing/distribution fee. For private funds, these fees will generally include management and performance fees, and other fund expenses. A client could invest in a fund directly, without the services of LAC. In that case, the client would not receive the services provided by LAC which are designed, among other things, to assist the client in determining which fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by LAC to fully understand the total amount of fees to be paid by the client and to thereby evaluate this aspect of the advisory services being provided.

## **Performance Based Fees and Side-by-Side Management**

LAC does not charge any performance based fees to clients.

## **Types of Clients**

LAC primarily provides customized investment advisory services to individuals and associated trusts, family offices, foundations, endowments, banks or thrift institutions, pension and profit sharing plans, and other corporations or business entities.

A minimum account of \$5,000,000 and a minimum annual fee of \$30,000 are typically required for investment supervisory services; however, in certain circumstances the minimum sums may be negotiable.

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

The objective of our asset allocation theory and models is to assist clients in achieving superior returns given their risk tolerance level. The combination of proprietary research, academic theory and market research helps to guide our asset allocation decisions. LAC may also utilize a variety of computer-simulated models in proposing asset allocations for clients.

LAC's manager research efforts often blend periodic quantitative screens with an emphasis on our senior professional's product knowledge and grasp of the dynamic interaction between investment process and investment cycles. LAC's due diligence of third-party managers typically includes, but is not limited to, the following:

- Client References
- Assets under management and growth in assets under management
- Ownership structure
- Investment thesis viability
- Industry reputation
- Depth of research staff
- Star system vs. team approach
- Market cap analysis
- Portfolio duration and structure analysis

- Expenses
- Turnover & trading costs
- Reputation
- Composite construction methodology

LAC may use third-party databases such as Zephyr and Morningstar as a primary tool for initial screening, quantitative, and comparative research of third party mutual funds, exchange-traded funds, and managers. LAC regularly reviews the portfolio performance and holdings of recommended managers in comparison to their peers. LAC may also conduct periodic telephone and/or in-person interviews with recommended managers. For certain natural person clients, upon request, LAC may provide financial planning advice as a courtesy gratis service.

Please refer to the *Advisory Business* section above for additional disclosures addressing Items 8.A of Form ADV Part 2A.

### Risk of Loss

All investing involves a risk of loss that clients should be prepared to bear. The identification of securities and other assets believed to be undervalued is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired by third-party managers. LAC cannot give any guarantee that it will achieve a client's investment objectives or that clients will receive a return of its investment. Below is a summary of potentially material risks for each significant LAC investment strategy used, the methods of analysis used, and/or the particular type of security recommended.

- *Lack of Control* - LAC will not have a role in the management of clients' third-party managed accounts and it will likely not have the opportunity to evaluate in advance the specific investments made by any third-party managers. As a result, the rates of return to clients will primarily depend upon investment and management decisions of third-party managers and returns could be adversely affected by the unfavorable performance of such managers. LAC depends on third-party managers to develop the appropriate systems and procedures to control operational risks. Operational risks arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or other similar disruption in operations may cause the client accounts to suffer financial losses.
- *Key Man Risk* – LAC's business is dependent on the continued service and investment efforts of the CEO, Mr. Bill Lowery.

## **Disciplinary Information**

LAC 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.

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

As mentioned earlier, LAC provides its consulting services to numerous types of clients which may include financial organizations.

To mitigate actual and potential conflicts of interest, LAC will disallow any investment firm that purchases services from LAC from participating in any recommended list of investment firms prepared on behalf of LAC's clients. It is LAC's policy that no employee may earn compensation for selling a product or service to an investment firm that currently manage assets on behalf of LAC's clients. LAC does not receive compensation from third-party investment managers and funds in exchange for recommending the manager or fund to LAC clients.

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

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

LAC has established the following controls and restrictions in order to ensure its fiduciary responsibilities:

- 1) No member or employee of LAC shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of LAC shall prefer his or her own interest to that of the advisory client.
- 2) LAC maintains records of all securities holdings and transactions for itself, and anyone associated with its advisory practice with access to advisory recommendations.
- 3) LAC emphasizes the unrestricted right of the client to decline to implement any advice rendered by LAC.
- 4) LAC emphasizes the unrestricted right of the client to select and choose any broker or dealer he or she wishes.
- 5) LAC requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

### **CODE OF ETHICS**

To mitigate any potential conflicts of interest involving personal trades, LAC has adopted a Code of Ethics (the "Code") which includes personal securities and insider trading policies and procedures. LAC's Code governs the business and employees of LAC. The Code provides principles and rules to be followed by members, officers and employees of LAC in the performance of their professional duties. The Code operates in conjunction with LAC's policies and procedures that govern employees.

The basic principle that governs the conduct of the applicant's business is loyalty to the interests of its clients. While LAC's employees are permitted to purchase or sell mutual funds, ETFs and limited offerings (e.g., hedge funds) that may be recommended to clients, the Code provides that no LAC officer or employee, directly or indirectly, shall: (a) employ any device, scheme or artifice to defraud a client; (b) engage in any act, practice or course of conduct which operates or

would operate as a fraud to deceit upon a client; or (c) engage in any manipulative practice with respect to a client. The Code requires that no officer or employee profit, directly or indirectly from his or her position with LAC to the detriment or at the expense of clients; and no officer or employee of LAC shall take for his or her own advantage any corporate opportunity for profit, which he or she learns about due to such person's position with LAC.

LAC's Code, among other things, prohibits officers and employees of LAC from engaging in securities purchase and sale transactions while in possession of material non-public information or in a transaction that is known to be opposite LAC clients, to be a misuse of non-public or LAC information regarding clients, portfolios and securities and making, soliciting and accepting (other than as a family member) gifts of more than modest value, preferential treatment or other considerations. Conflicts of interest must be disclosed to LAC's Chief Compliance Officer, who is responsible for enforcing the Code.

LAC'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 LAC 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 the Code will be provided to any client or perspective client upon request.

## **Brokerage Practices**

LAC does not have the discretionary authority to place trades on a client's behalf, to select the broker to be used or commissions to be paid for transactions placed by the independent managers, to hire or fire an independent manager selected by the client, or to allocate client assets between independent managers.

LAC may recommend one or more institutional custodians to clients. These recommendations are based on LAC's experience with the custodian, the custodian's ability to provide specialized services required by the client, and the custodian's industry reputation for providing quality service.

LAC does not suggest specific brokers to be used by the independent money managers for the execution of trades in client accounts. However, LAC does review with the client the possible benefits of using brokers who offer commission capture programs or discount brokerage services and may suggest that the client ask the selected independent manager(s) to use brokers who offer such programs when doing so is consistent with the client's best interest and the managers' duty of best execution.

Advisory clients are not responsible for the payment of trade errors committed by LAC in conjunction with the management of client accounts. Any gain resulting from a trade error will be retained by the advisory client, with the exception of clients that custody assets at Charles Schwab. Charles Schwab may retain gains resulting from trade errors.

Clients should review the disclosure documents of recommended managers for information on their investment discretion and brokerage selection practices.



Lowery's business is focused on providing consulting advice on third-party managers; however, occasionally upon client request, Lowery may execute stock trades (or ETFs) on behalf of clients. One of the specific duties of an investment adviser is a duty to seek the best price and execution of client securities transactions when the adviser is in a position to direct brokerage transactions.<sup>1</sup> While not defined by statute or regulation, "best execution" generally means the execution of client trades at the best net price considering all relevant circumstances. It is Lowery's policy to always seek best execution for client securities transactions. LAC may suggest broker-dealers, subject to best execution, to clients to utilize for trade executions. However, as LAC does not have the discretionary authority to determine the broker dealer to be used or the commission rates to be paid, clients must ultimately direct LAC as to the broker dealer to be used. In directing the use of a particular broker or dealer, it should be understood that LAC will not have authority to negotiate commissions or obtain volume discounts, and therefore best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to other clients. LAC never disseminates investment recommendations to multiple clients simultaneously, therefore we do not have occasion to aggregate trades. Further, since LAC provides individualized advice to clients, and does not have discretionary authority over client accounts and broker selection, LAC is not generally in a position to aggregate the purchase or sale of securities for client accounts when a securities transaction is performed.

## **Review of Accounts**

All accounts will be reviewed as contracted for at the start of the advisory relationship and periodically thereafter. All accounts are reviewed by LAC's CEO or an Investment Consultant.

Clients should review the disclosure documents of recommended managers for information on the managers' account review practices.

**Investment Policy and Strategy:** For a new client, LAC will typically prepare a formal statement of investment policies, guidelines and objectives. The frequency of reviews will be determined by LAC and the client.

**Investment Manager Search:** LAC will provide clients with a performance evaluation and other pertinent information on prospective candidates.

**Ongoing Performance Evaluation, Reports on Managers, and Investment Supervisory Services:** LAC will provide most clients with a quarterly report of manager performance.

Clients should review the disclosure documents of recommended managers for information on reports provided by the managers to clients.

LAC generally reports the value of client's investment portfolios to the client on a quarterly basis. The value of a client's investment portfolio also may be the basis of management fees to LAC. LAC does not itself value the securities in a client's account. Rather, LAC relies upon values

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<sup>1</sup> Advisers Act Release No. 232 (October 16, 1968); *see also* Exchange Act Release No. 34-8128 (July 19, 1967).

provided by the custodian, fund manager, fund auditor, and/or fund administrator. LAC understands that securities listed on exchanges are valued at their closing price as the last trading day of the calendar quarter as reported by the custodian or pricing service. The value of specified illiquid, foreign or private investments for which valuation information is not available through a custodian or an independent pricing service is generally provided by the fund's auditor, administrator, or the fund manager. In the event that LAC must internally "fair value" an investment, the Company will use its best efforts and all appropriate means to obtain all relevant information in order to determine a fair value. If it is deemed necessary or prudent, LAC may hire an independent third party to provide an appraisal of the investment.

## **Client Referrals and Other Compensation**

LAC does not compensate any unaffiliated solicitors for client referrals nor does it offer or receive sales awards or prizes for providing investment advice to clients.

## **Custody**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but the Company can access certain clients' funds through our ability to debit advisory fees. In these cases, LAC is considered to have custody of client assets under Rule 206(4)-2 under the Advisers Act. Account custodians send statements directly to the account owners on at least a quarterly basis. LAC urges clients to carefully review these statements, and compare the statements to any account statements provided by LAC.

## **Investment Discretion**

LAC does not have the discretionary authority to place trades on a client's behalf (absent instruction from the client), to select the broker to be used or commissions to be paid for transactions placed by the independent managers, to hire or fire an independent manager selected by the client, or to allocate client assets between independent managers.

## **Voting Client Securities**

LAC does not vote or provide guidance regarding the voting of proxies. Clients are responsible for voting any such proxies. Clients should contact their custodian with questions about receiving proxies and processes for the client to execute voting on such proxies.

## **Financial Information**

LAC is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition that would impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time.