

# Form ADV Part 2A

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## Item 1 INTRODUCTION

### SGL Investment Advisors, Inc.

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283 W. Front Street Suite 302  
Missoula, MT 59802

406-721-0999 / 800-823-8234

[www.sglinvestmentadvisors.com](http://www.sglinvestmentadvisors.com)

June 2014

This Brochure provides information about the qualifications and business practices of SGL Investment Advisors, Inc. (SGLIA). If you have any questions about the contents of this brochure, please contact us at 406-721-0999 or 800-823-8234. The information provided in the Brochure has not been approved or verified by the United States Security and Exchange Commission or by any state securities authority. SGLIA is a registered investment advisor. Registration of an Investment Advisor does not imply any specific level of skill or training.

Additional information about SGLIA, and person's affiliated with SGLIA who are registered or required to be registered, as investment advisor representatives of SGLIA, can be found on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search by using our CRD number 145167. (The CRD number is a specific identifier of our firm)

A copy of this Brochure will be provided at the time we enter into an advisory agreement with our customers.

## Item 2 MATERIAL CHANGES

Regulations require that we disclose material changes that are made to our Brochure and provide that information to our customers. In the past, we offered you a copy of our ADV on an annual basis. Pursuant to the new rules we will ensure that you receive a summary of any material changes within 120 days of the close of our business' fiscal year of June 30th. Any future changes will be noted in this section and will reference the date of our last annual update to the Brochure. You may also request a copy of our Brochure by contacting our compliance or operations department either by telephone or in writing.

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## Item 4 ADVISORY BUSINESS

SGLIA has been a stand-alone investment advisory business since 2005. Prior to that time, the advisory business was a division of its' affiliated firm S.G. Long & Company. SGLIA is wholly owned by its' parent corporation, SGL Financial Services Corp.

Investment advisory services include:

- Evaluation of your portfolio, investment strategy, and risk tolerance
- Education on investing and portfolio planning to meet specific goals.
- Assistance with drafting your Investment Policy Statement (the policies and guidelines that govern the management of your portfolio) which you review and approve for our use
- Monitoring of investment results and performance
- Execution of trades on a discretionary basis, SGLIA does not manage accounts on a non-discretionary basis

As of June 30, 2014 SGLIA has assets under management of \$107,601,453 managed on a discretionary basis. Our advisory services are tailored to meet the individual needs of our customers and we offer several investment models to meet that demand. In exceptional circumstances, we may offer clients the ability to impose restrictions on certain securities or types of securities. We do not offer or participate in a wrap fee program at this time.

## Item 5 FEES AND COMPENSATION

**Fees for Portfolio Management Services** – Annual fees are charged as a percentage of assets under management. If breakpoints are met, the percentage is charged on the total account (the fees are not "stratified"). Fees are due and payable quarterly in advance and are normally deducted directly from the account. For new accounts, fees are pro-rated and due at the time the account is established. Clients have a "free look" period of 5-days to cancel any new agreement. Fees are not charged on capital gains as outlined in the Investment Advisors Act of 1940 (Advisors Act)

Advisory fees charged by SGLIA are separate and distinct from internal management fees and expenses charged on closed end and exchange traded funds in which client assets may be invested. SGLIA does not receive compensation from these funds. A complete description of these fees and expenses may be found in each fund prospectus. See specific types of fee structures below:

### **Private Client Services**

Designed for clients whose primary objective is growth, total return, or capital preservation. Accounts will be actively managed according to the risk profile indicated on their advisory agreement. There is typically a \$250,000 minimum investment required for this type of account.

<u>Assets Under Management</u>	<u>Annual Fee</u>
\$0 – \$1.5 million	1.5%
\$1.5 million to \$2.5 million	1.375%
\$2.5 million to \$5 million	1.25%
\$5 million to \$7.5 million	1.15%
\$7.5 million to \$10 million	1.00%
\$10 million to \$15 million	0.85%
\$15 million to \$25 million	0.75%
\$25 million & above	0.65%

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### **Income Portfolio Services**

Designed for clients whose primary objective is income. Accounts will be actively managed, but turnover may be lower than Private Client Services portfolio. There is typically a \$250,000 minimum investment required for this type of account. The annual fees for the accounts are detailed below:

<u>Assets Under Management</u>	<u>Annual Fee</u>
\$0 to \$10 million	.75%
\$10 million to \$25 million	.65%
\$25 million and above	.55%

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### **Non-Profit Portfolio Services**

Designed strictly for non-profit organizations. There is typically a \$250,000 minimum investment for this type of account. The annual fees for these accounts are as detailed below:

<u>Assets Under Management</u>	<u>Annual Fee</u>
0 – \$1 million	1.0%
\$1 million to \$10 million	.75%
\$10 million to \$25 million	.65%
\$25 million and above	.55%

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## **Transaction Costs and Disclosures for Private Client Accounts**

### **Individual Equity Transactions**

SGL Investment Advisors will generally place all securities transactions for the account through individuals who are Investment Advisory Representatives of SGL Investment Advisors and are also separately licensed as registered representatives of S.G. Long & Currently the custodian/clearing firm charges a \$3.00 transaction charge for postage and handling.

### **Writing Covered Call Options Transactions**

SGL Investment Advisors and its representatives utilize covered call and put options on stocks as a return enhancing strategy. If the Investment Advisory Representative believes a stock is fully appreciated or it might decline, the IAR may purchase call options in stocks that clients already own to enhance a potential return. Upon writing a call option the writer agrees to deliver the stock at the price specified. Clients will receive all proceeds from covered call options. Clients may decline to utilize this strategy when initiating their accounts.

### **Open-End Mutual Fund Transactions Costs**

SGLIA does not utilize open end mutual funds.

### **Termination**

Clients may terminate their management relationship at any time. Investment advisory fees will be prorated and promptly refunded upon termination. Clients transferring to an “outside” brokerage firm will incur additional fees directly charged by the clearing firm for implementing such transfers.

## **Item 6 PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

SGLIA does not charge performance based fees. Fees will increase or decrease based on a client’s total assets under management.

## **Item 7 TYPES OF CLIENTS**

At this time we are providing investment advisory services for individuals, trusts, retirement plans, high net-worth individuals, charitable organizations, and corporations

## **Item 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Utilizing an asset allocation model, SGL employs a relative valuation methodology to determine which individual securities are appropriate for a client’s investment objectives and risk tolerance. By combining a macro-economic analysis with a company specific analysis, SGL attempts to identify securities that will outperform their peer group and/or the market as a whole.

The inherent risks involved in such an approach include the risk of unexpected or unanticipated events adversely influencing the securities selected by SGLIA, the risk that capital markets may not perform in the way that SGL anticipates, and/or the risk that SGL incorrectly analyzes one or all of the variables involved in the business mix of the companies in which we invest.

As SGLIA manages diversified portfolios, it monitors and looks to control risk at the portfolio level. Within each of its composite models, the constituent individual portfolios should be evaluated for certain volatility characteristics on a periodic basis to ensure that the before named portfolio is performing in a manner similar to the composite in which it participates. In order to ensure that this monitoring is taking place, SGL has instituted the following procedure;

- 1) As per our quarterly review process, SGL (as a matter of normal procedure) evaluates composite performance on a variety of statistical metrics and formally submits the result of those evaluations for formal 3<sup>rd</sup> party review (semi-annually).
- 2) The performance (asset weighted) of the composite and the standard deviation (asset weighted) of the constituent portfolios is evaluated as a matter of normal procedure at a minimum on a quarterly basis.
- 3) Any portfolios that have generated a performance profile that lies more than 1 1/2 standard deviations outside of the composite and/or composite benchmark in which it participated will be considered to have exhibited a volatility profile that warrants further investigation. As short term deviations from the mean should be expected, a 2 year trailing period will be used to evaluate this criterion. If a particular composite did not contain more than 15 portfolios through the specified 2 year measurement period, then a 1 year trailing data set will be used as an alternative.
- 4) If the composite as a whole is shown to be materially deviating from its chosen benchmark for a significant amount of time, then the appropriate procedure would be to revisit whether the chosen benchmark is appropriate for the composite (as per GIPS best practices).
- 5) Any portfolios that meet the criterion described in (3) will be analyzed further in order to determine the potential cause(s) of the composite inconsistent volatility characteristics.
- 6) SGL will document both the accounts that were reviewed and what the conclusions were of those reviews. E.g. – Account size (small account), sector allocation variability, individual security specific performance issues, etc.
- 7) Accounts that move from composite to composite should be expected to exhibit performance characteristics that don't align with either of the resident composites. Although SGL continually evaluates the volatility of all portfolios it manages, accounts that have chosen to reallocate won't be recorded as accounts performing

away from norms until they have materially participated in a composite for the established performance period (2 years).

- 8) This volatility risk evaluation documentation log will be maintained in perpetuity and will be used as a method on which to evaluate progress towards limiting/eliminating portfolio level risk anomalies.

## **Item 09 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

SGLIA is a Registered Investment Advisory firm and SGLIA has Investment Advisory Representatives who are also associated with or act in the capacity of Financial Advisors and/or Registered Representatives of SG Long & Company. Additionally, some clients may have accounts with both entities. S.G. Long & Company is a broker/dealer affiliated with SGL Investment Advisors, Inc. through common ownership of its' parent corporation SGL Financial Services Corp and shares control with individuals who are officers and/or directors of all entities. Furthermore, clients should be aware that because the principals and registered representatives potentially have common ownership in S.G. Long & Company the receipt of additional compensation will inure to the benefit of these individuals in the selection of SG Long & Company as a broker/dealer. The receipt of additional compensation creates an inherent conflict of interest. An office sharing arrangement exists between the companies which may be considered a conflict of interest.

It has not been, and it is not anticipated to be, standard practice for SGL Investment Advisors to purchase and/or sell fixed income securities from the inventory account of its affiliated broker dealer, S.G. Long & Company. However, in the rare instance when such an action is thought to be in the client's best interest, the client will be notified and given complete disclosure as to potential conflicts of interest. The client must pre-approve any such transaction in writing.

## **Item 10 CODE OF ETHICS**

SGLIA adopted a Code of Ethics reasonably designed to prevent fraud by reinforcing principles that govern the conduct of our advisory firm and its' personnel. A copy of SGLIA's Code of Ethics is available upon written request to our office at 283 W Front Street Suite 302, Missoula, MT 59802, Attn: Compliance Department.

## **Item 11 PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

SGLIA and its representatives provide services to various clients and give advice to, or take actions for, other clients that can differ from the advice given or the timing or nature of any

action taken for their account. In addition, SGLIA may purchase, sell or recommend for purchase or sale any security in which its' executing broker dealer, S.G. Long & Company, principals, representatives or employees may purchase or sell for the account of any other client or themselves.

Generally, representatives of either SGLIA or S.G. Long & Company are discouraged from purchasing securities on the same day in their own accounts or related accounts with securities that are purchased or sold for their investment advisory clients.

SGLIA does not have any disciplinary information to disclose as of the date of this document.

## Item 12 **BROKERAGE PRACTICES**

SGL Investment Advisor, Inc. does not have the discretionary authority to determine the broker dealer to be used. Our clients must direct us as to the broker dealer to be used. However, SGL Investment Advisors usually advises clients to direct SGL Investment Advisors to place trades through S.G. Long & Company.

SGL Investment Advisors has evaluated S.G. Long & Company, and their clearing agent RBC Capital Markets CS, and believes that it will provide our clients with a blend of execution services and professionalism that will assist SGL Investment Advisors in meeting its fiduciary obligations to clients. SGL Investment Advisors reserve the right to decline acceptance of any client account where the client directs the use of a broker dealer if SGL Investment Advisors believe that this choice may hinder its fiduciary duty to the client and/or its ability to service the account. Clients should note, while SGL Investment Advisors has reasonable belief that S.G. Long & Company is able to obtain best execution and competitive prices, SGL Investment Advisors will not be independently seeking best execution price capability through other broker dealers. *(Not all advisers require clients to direct the use of a particular broker dealer)*. If a client directs SGLIA to place trades through another Broker Dealer or clearing firm, the client must pay all transaction costs regardless of the account value.

Furthermore, clients should be aware that because the principals are registered representatives of S.G. Long & Company, other compensation earned on transactions placed in client accounts will inure to the benefit of these individuals. Receipt of additional compensation creates an inherent conflict of interest.

Referral Fees & Solicitation - SGL Investment Advisory, Inc., as a matter policy and practice, compensates persons, i.e., individuals or entities, for the referral of advisory clients to the firm provided appropriate disclosures and regulatory requirements are met.

SGLIA may purchase or sell a "block" of securities in an "average price account" and allocate the purchase among its clients.

S.G.L. Investment Advisory, Inc. (SGLIA) adopted a Code of Ethics reasonably designed to



prevent fraud by reinforcing fiduciary principles that govern the conduct of our advisory firm and its personnel. Our intent is to promote an atmosphere of honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships. It is our goal to assure that all employees understand the importance of their responsibilities to the client and to set forth standards for compliance with this responsibility. A copy of the SGLIA Code of Ethics will be provided to any client or prospective client upon written request to our compliance department at 283 W Front Street, Missoula, MT 56802.

### **Item 13 REVIEW OF ACCOUNTS**

The money managers and investment team members usually meet on a weekly basis to review selected accounts and discuss strategies. Client statements are reviewed by senior money managers, Susan Williams and/or Scott Long, or their designees prior to each quarterly mailing to the customers. Quarterly statements include an asset summary statement, allocation analysis, performance review/analysis, and an index comparison. Clients will also receive a statement from the custodian, RBC Capital Markets no less than quarterly. Clients should carefully review and compare their statements to those received from SGL Investment Advisors, Inc. and notify our compliance department immediately of any discrepancies. You may send inquiries to Compliance, 283 W Front Street Suite 302, Missoula, MT 59802.

### **Item 14 CLIENT REFERRALS AND OTHER COMPENSATION**

SGL Investment Advisors, Inc. and S.G. Long & Company are under common ownership and the same officers, directors, and several of the employees may work for both firms in some manner. Often, financial advisors with S.G. Long & Company refer customers and assist in presenting the advisory services offered by the firm and may also assist in establishing (and maintaining) a client relationship with the advisory firm.

SGL Investment Advisors, Inc., pays S.G. Long & Company investment advisory fees. S.G. Long & Company receives transaction fees for executing transactions in your account per your advisory agreement. Compensation paid to S.G. Long & Company by SGL Investment Advisors, Inc. is for the solicitation services, transaction costs and ongoing customer service.

The services can include periodic contacts about investment performance, reviews, or other information as may be requested or required to assist in understanding the firm's services or establishing an advisory relationship or providing/updating client information on behalf of the Investment Adviser.

### **Item 15 CUSTODY**

Customer accounts are held by RBC Capital Markets CS the clearing firm for S.G. Long & Company. SGL Investment Advisors, Inc. does not maintain physical custody of client assets. Statements are available from RBC at a minimum of quarterly. Customers should

compare these statements with those received from SGL Investment Advisors and notify SGLIA immediately if there are any discrepancies. However, clients may authorize SGLIA to deduct fees from their account in which case SGLIA send an invoice for payment to the qualified custodian.

#### Item 16 INVESTMENT DISCRETION

SGL Investment Advisors has discretion on customer accounts under its' management as disclosed and agreed upon by each customer in the account application for services. The firm does not manage accounts on a non-discretionary basis.

#### Item 17 VOTING CLIENT SECURITIES

As a matter of firm policy and practice, we do not have any authority to, and as a matter of practice and policy, do not vote proxies on your behalf. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in their portfolios.

Customers will receive their proxies via mail directly from the broker/dealers clearing firm. Should a customer have a specific question regarding the voting of proxies, they should contact our operations/compliance department.

#### Item 18 FINANCIAL INFORMATION

Registered investment advisers are required, under certain conditions, to provide you with financial information or disclosures about our financial condition. SGLIA does not meet the required conditions for disclosure, but may provide financial information about us upon request. Please note that we have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to our clients, and have not been the subject of a bankruptcy proceeding.

About our team:

##### **Scott Long**

Scott serves SGL Investment Advisors, Inc. as Senior Portfolio Manager, Chief Compliance Officer and President.

**Education:** B.A. in history and a B.S. in political science from Dallas Baptist University, Dallas, Texas (1974); M.A. in history from the University of Montana, Missoula (1981).

**Business Background:** Financial consultant, IDS Financial Services; co-founder of SG Long & Company (1987).

##### **Susan Williams**

Susan serves SGL Investment Advisors as a Senior Portfolio Manager.

**Education:** B.S. in economics from Lafayette College, Easton, Pennsylvania (1987).

**Business Background:** Lending officer, Chemical Bank in New York City; Portfolio Manager

specializing in fixed income, Thornburg Mutual Funds; Financial Advisor with SG Long & Company (since 1994).

**Tom Kerr**

Tom serves as Director of Research of SGL Investment Advisors, Inc.

**Education:** B.B.A. in finance from Texas Tech University in Lubbock, Texas, 1986

**Business Background:** CFA Charter Holder, since 1998, Principal and portfolio manager at Rocky Peak Capital Management from 2011 to 2014, Principal and Portfolio Manager/Analyst at Reed, Conner & Birdwell from 1994 to 2011

**Joshua Denney**

Josh serves as Research Analyst and Trading Specialist for SGL Investment Advisors.

**Education:** B.S. in finance, with high honors, from the University of Montana, Missoula (2006).

**Business Background:** Northwestern Mutual Financial Network; research associate with SGL Investment Advisors (since 2008).

**Kim Smith**

Kim is a General Principal, Municipal Principal, Options Principal and the Chief Compliance Officer of SG Long & Company. Kim has been in the financial services industry since 2000 and with SGL since 2002.

**Education:** Business administration at the University of Montana, Missoula.