

**Stegner Investment Associates, Inc.**

**233 Breckenridge Lane  
Louisville, KY**

**502-895-0122**

**[www.stegnerinvestments.com](http://www.stegnerinvestments.com)**

*March 2017*

**FORM ADV PART 2  
BROCHURE**

*This brochure contains information about the qualifications and business practices of Stegner Investment Associates, Inc. (SIA). If you have any questions about the contents of this brochure, please contact us at 502-895-0122. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state security authority.*

*Additional information about SIA is also available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Stegner Investment Associates, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.*



Stegner Investment Associates, Inc.  
Form ADV Part 2A  
Brochure

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*There has been no material change to this document since the last update in March, 2016.*



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### **Advisory Business**

Stegner Investment Associates, Inc. (SIA) was founded in January 1994. SIA is an independent fee-only Investment Consultant serving both discretionary and non-discretionary accounts. We serve as Investment Consultants to high-net worth individuals, endowments, foundations and corporate retirement plans. We primarily use mutual funds and ETFs (electronically traded funds) as investment selections for these portfolios.

SIA is a subchapter S Corporation. We are 100% employee owned. Elizabeth Stegner Peabody is the majority shareholder with an 85% share of ownership. Tracey G. Trospen is a minority shareholder with a 10% share of ownership. Ruth Wimsatt Trautwein is a minority shareholder with a 5% share of ownership.

Each discretionary client relationship is managed in accordance with specific investment objectives determined with each client. If a new client's portfolio consists of individual stocks and bonds, we will recommend a course of action to eliminate them over time. Our course of action will take into consideration both the tax implications and the client's wishes. In some cases we may hold individual stocks and bonds if they fit the client's objectives.

Our non-discretionary clients include retirement plans for which SIA serves as a fiduciary and investment consultant.

SIA does not participate in any wrap programs.

As of 12-31-2016, SIA performs investment consulting responsibilities for the following:

|                           |                      |
|---------------------------|----------------------|
| Discretionary Assets:     | \$ 359,296,585       |
| Non-Discretionary Assets: | \$ 407,583,936       |
| Total Assets:             | <hr/> \$ 766,880,521 |



### **Fees and Compensation**

The only compensation that SIA receives for our services is paid directly by our clients. We do not receive “soft-dollars” or “12b-1” fees from the investment managers we select. We believe this principle ensures our clients that we are completely objective in the selection of managers for their assets.

It is at our clients’ discretion that we deduct our fee from their account or we bill them directly.

Our standard annual fee for services is calculated and charged quarterly in advance with the following fee schedule:

- 1.0% of market value of the first \$1,000,000
- 0.8% of market value of the next \$1,000,000
- 0.6% of market value of the next \$1,000,000
- 0.4% of market value over \$3,000,000

Although this is our standard fee schedule SIA may negotiate a different fee schedule with our clients.

The minimum annual fee for our services is \$10,000 and may be modified if the client maintains multiple accounts with the SIA or if we choose to adjust the minimum.

In the event of termination of services, SIA shall refund any fee for the remainder of the calendar quarter following the effective date of termination.

In addition to fees for advisory services, a client’s account may be assessed transaction charges to cover the costs associated with trade execution, certain no-load mutual fund (12(b)1) distribution fees, certain deferred sales charges on previously purchased mutual funds and IRA and Qualified Retirement Plan Fees. These additional charges are not earned by or remitted to the Advisor. Such charges will be noted on Client's statements or confirmations.

Clients need to be aware that any mutual fund into which Client assets are invested, SIA will employ or contract with fund-level investment managers to determine the funds investment strategy and execution. These managers are compensated by the mutual fund, and that compensation is disclosed in the relevant fund prospectus. Under certain policies of the Security and Exchange Commission, we are required to advise you that this compensation paid by a mutual fund to its investment managers may be considered by you to be an indirect management fee incurred in addition to the compensation being paid to Advisor.

SIA does not take any compensation for sales of securities or other products.

On rare occasions, SIA will perform services to a client on an hourly basis. The hourly rate is agreed upon prior to the services being provided. SIA will also give the client an estimate of the total for these services.



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

SIA does not charge performance based fees.



### **Types of Clients**

SIA serves as Investment Consultant to high net-worth individuals, endowment funds, foundations and corporate retirement plans.

Our minimum account size is \$1,000,000. However, we may waive that minimum at our discretion.



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

### **Investment Strategies**

The following specific steps guide the process of determining each client's appropriate asset allocation.

1. We collect quantitative data regarding the client such as recent financial and brokerage statements and the net worth/balance sheet data. We also gather qualitative data on the client such as their time horizon, risk tolerance, confidence in their overall financial position and level of investment knowledge.
2. Using both the quantitative and qualitative data gathered we determine investment objectives that may include annual income needs, size of account balance in the future or a specific, expected annual rate of return.
3. We analyze the existing portfolio using SIA's analytical tools to determine whether the current configuration of assets is capable of meeting the client's goals and objectives. By estimation and evaluation the current asset allocation and specific investment styles, we can estimate expected rates of return given the level of risk and volatility.
4. We determine an asset allocation range of possibilities that can achieve the required return and narrow this range using the accumulated qualitative data. We then select an asset allocation which should achieve the required results within the client's level of risk tolerance. This step will require use of our "optimizer" program.
5. We formalize this process and our recommendation in a report to the client. This report will include comments on the existing portfolio and recommendations for changes needed to achieve the agreed upon goals and objectives.
6. Together, SIA and the client reach a consensus on how to proceed with the implementation of these decisions.

### **Tactical**

Generally, SIA may make or allow minor shifts around the Strategic Asset Allocation described above, based on SIA's and/or client's view of the current relative attractiveness of one asset class versus another.

The shifts are not expected to exceed 10% of the total portfolio- for example. A 25% bond allocation can range between 15%-35%. This strategy will usually apply only to those clients with significant exposure to bonds or money market funds. Tactical changes are usually temporary. Eventually, the asset





mix will revert to the original asset allocation. Usually, these shifts reflect medium-term market conditions of six to eighteen months.

### **Dynamic**

Dynamic changes in asset allocation are shifts of 11% or more of the total portfolio between asset classes. SIA considers this strategy to be “market-timing” and a short-term maneuver that attempts to add value to the client’s rate of return by anticipating the future direction of the markets. SIA generally does not execute a dynamic asset allocation strategy.

### **Method of Analysis**

1. Investment objective of the fund must be supported by the current investment strategy and holdings.
2. Fund should have a minimum three-year history or data available to determine a three-year track record.
3. Managers must have had responsibility for the fund for at least three years.
4. Relative performance must be excellent and consistent.
5. Fund must perform in-line with its category; therefore, it must be highly correlated to the benchmarks ( $R^2 \geq 73\%$ ).
6. Fund assets should not inhibit the ability to achieve its investment objective.
7. Short term investments should not equal more than 10% of the fund – unless temporary or part of a total bond or stable value strategy.
8. Fund’s annual expenses must be less than or in-line with peer group averages and the fund must not impose any sales charges.

### **Risk of Loss**

SIA believes in Modern Portfolio Theory, which states that proper asset allocation results in diminished levels of risk and increased levels of return. However, the risk of loss can never be eliminated.

Past performance does not necessarily provide an accurate prediction of the future. However, studying the historic capital market returns offers insights that are useful.



We determine an asset allocation range of possibilities that should achieve the required return and narrow this range using the accumulated qualitative data. We then select an asset allocation which should achieve the required results within the client's level of risk tolerance.



**Disciplinary Information**

Neither SIA nor any of our employees have ever been involved in a disciplinary event regarding our business.

There are no pending criminal charges against SIA or any of its employees.

Neither SIA nor any of its employees have been involved in a violation of an investment-related statute or regulation.

SIA has not been the subject of any SEC related proceedings.

Neither SIA nor any of its employees have been subject to an order by any agency or authority in any issue involving investment related statutes or regulations.



**Other Financial Industry Activities and Affiliations**

No employee of SIA is registered or applying to register as a broker-dealer, futures merchant, commodity pool operator, commodity pool trading advisor, or an associated person thereof.



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

SIA maintains a Code of Ethics Policy which every employee is a willing participant. Our Code of Ethics Policy is delivered to each employee on an annual basis and each employee signs an agreement to abide by this policy. This policy is also offered annually to each of our clients.

SIA or a related person may engage in transactions which may result in the purchase or sale of a mutual fund that is also recommended to clients. The internal procedure is to place all client mutual fund trades prior to personal trades. Therefore eliminating any potential conflict of interest.

SIA acknowledges that employees will maintain personal security accounts. In accordance with SEC Rule 17j-1, SIA requires that all employees report any account in which they have a beneficial interest. This includes accounts for immediate family or household members.

Each employee must identify any personal investment accounts and report all reportable transactions and investment activity on at least a quarterly basis to SIA's Chief Compliance Officer.

Employees must provide in a written report all required information for covered personal security transactions on a quarterly basis within 10 days of the end of each calendar quarter to the Chief Compliance Officer.

All personal security transactions are covered except transactions in direct obligations of the U.S. Government, banker's acceptances, bank certificate of deposit, commercial paper and high quality short-term debt instruments, or shares issued by registered open-end investment companies.

The Chief Compliance Officer will review all employees' reports of personal security transactions for compliance with the firm's policies, including the Insider Trading Policy\*, regulatory requirements and the firm's duty to its clients. The CEO of SIA will review the trades of the Chief Compliance Officer.

\*Insider Information is material non-public information about any company. Insider information attained by an employee due to their role at Stegner Investment Associates, Inc. should not be disclosed without approval from the CEO of SIA. Furthermore, federal securities laws prohibit the use of inside information to buy or sell securities for financial gain.

From time to time, however, an employee may receive such information. If any employee receives information which may constitute material, non-public information, the employee, (i) should not communicate such information to any other person (other than the Chief Compliance Officer), (ii) should discuss promptly such information with the Chief Compliance Officer, and (iii) should not buy or sell any securities, including options or other securities convertible into or exchangeable for such securities, or a personal account or a client account.



Under no circumstances should information that may constitute material, non-public information be shared with any persons not employed by SIA, including family members and friends.

Because SIA does not have an Investment Banking division or affiliate and because SIA does not currently have any employees serving as officers or directors of any company having publicly traded securities, SIA does not anticipate that its employees will routinely be in receipt of material, non-public information.



### **Brokerage Practices**

SIA trades primarily in daily valued no-load mutual funds and Electronic Traded Funds (ETFs). Because the mutual funds SIA uses are priced at the end of each day, the execution price is not an issue. ETF trades are executed throughout the day.

SIA does not have any “soft dollar” arrangements.

SIA does not maintain custody of the assets that we manage or advise. The assets must be maintained in an account at a “qualified custodian”, generally a broker-dealer or bank. The majority of our clients have selected Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. However, we currently work with 20 different custodians. We are independently owned and operated and not affiliated with any custodian. The custodians will hold the clients’ assets in a brokerage account and buy and sell securities as we instruct them. The client will open their account with their custodian of choice by entering into an account agreement directly with them.

Occasionally we may sell securities that a client brought into their account. We have a negotiated a fair transaction fee with our primary custodian, Charles Schwab & Co., Inc.

Most custodians do not charge our clients a separate fee for custody services, as they are compensated by charging commissions or other fees on trades that they execute or that settle in the client’s account. Schwab’s commission rates applicable to our client’s accounts were negotiated based on our commitment to maintain \$10 million of our clients’ assets in accounts at Schwab. This commitment benefits our clients because the overall commission rate is lower than they would be if we had not made the commitment.

Schwab and other custodians and mutual fund companies may also make available to us other products and services that benefit us but may not directly benefit the client or their account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or some substantial number of our clients’ accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology from them directly or through vendors that:



- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- Provide pricing and other market data;
- Facilitate payment of our fees from clients' accounts; and
- Assist with back-office functions, recordkeeping and client reporting.

Schwab and other custodians and mutual fund companies may also offers services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events;
- Technology, compliance, legal, and business consulting;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel. This is a potential conflict of interest. We believe, however, that a client's selection of Schwab as custodian and broker is in the best interest of our clients. It is primarily supported by the scope, quality and price of Schwab's services and not Schwab's services that benefit only us. We have over \$700 million in client assets under management and do not believe that maintaining at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.





### **Review of Accounts**

Weekly we review the investment performance of the mutual funds we use in client portfolios. We monitor these funds for changes at the fund level (i.e. manager changes, changes in allocation, large cash flows, etc.) If we feel the change is significant we will contact the fund management for explanations. After speaking with the fund management we will make a determination as to sell or hold the fund.

At least quarterly we review each client's portfolio holdings, asset allocation and performance. We determine if changes are necessary in order to keep the portfolio in compliance with the agreed upon stated objectives.

These reviews are completed by the portfolio manager assigned to the account with the assistance of other SIA professionals. Elizabeth Peabody, CEO is responsible for reviewing all portfolios at SIA. In addition, on an annual basis, all portfolios are reviewed by the CCO.



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

SIA currently has no arrangements to pay an individual for referrals.

SIA receives an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described in Item 12 (Brokerage Practices). Advisor may receive a material benefit from utilizing vendor services. For example, Schwab discounts the cost of their portfolio management software that allows Advisors to track and monitor their clients' investment accounts. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.



### **Custody**

SIA does not accept physical custody of our client's assets. However, under relatively new government regulations, we are deemed to have custody of a client's assets if a client authorizes us to instruct the custodian to deduct our advisory fees directly from their account. This is done only for the client's convenience and does not authorize SIA to make any other withdrawals or distributions from the client's account. The client's custodian maintains actual physical custody of their assets.

SIA is agreeable to using any custodian that our clients request. Currently our clients are engaging the services of 20 different custodians. If a client has no preference as far as the custodian, we will recommend Charles Schwab & Company. All the custodians send monthly or quarterly statements to the clients. SIA also sends quarterly holding reports to each client. We advise our clients that the custodian is the official keeper of the records. We also advise our clients to compare our holding report to that of the custodian to verify that they are in agreement.



Form ADV Part 2A, Item 16

### **Investment Discretion**

Unless otherwise specifically agreed to in writing, SIA has authority to determine and execute which securities are bought or sold and the dollar amount. SIA will use the client's signed investment objectives to determine how the account assets will be invested.



Form ADV Part 2A, Item 17

### **Voting Client Securities**

#### **Discretionary Accounts**

As stated in section 5.1 of our Investment Consulting Contract, we do not assume the responsibility for voting client securities. However, we provide answers to clients with questions they may have regarding a specific issue or proxy.

#### **Non-Discretionary Accounts**

If it is stated in our investment advisory agreement with a retirement plan client, SIA has agreed to review and vote mutual fund proxies submitted to us by the Trustee.



### **Financial Information**

SIA does not collect fees more than six months in advance. Therefore, no balance sheet is required.

SIA cannot foresee any financial conditions that would impair our ability to meet contractual commitments to our clients.



**Elizabeth Stegner Peabody**

**Stegner Investment Associates, Inc.  
233 Breckenridge Lane  
Louisville, KY 40207**

**502-895-0122**

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**3/2017**

**FORM ADV PART 2B  
SUPPLEMENTAL BROCHURE**

This brochure supplement provides information about Elizabeth Stegner Peabody that supplements the Stegner Investment Associates, Inc. Form ADV Part 2 brochure. You should have received a copy of that brochure. Please contact Tracey Trosper if you did not receive Stegner Investment Associates, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Elizabeth Stegner Peabody is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## **Educational Background and Business Experience**

Mrs. Peabody was born on 5-11-1961. She is the President, Chief Executive Officer and Chief Investment Officer of Stegner Investment Associates, Inc. (SIA). Mrs. Peabody co-founded SIA in 1994.

Mrs. Peabody graduated from the University of Pennsylvania in 1983 with a Bachelors of Arts degree in Economics and a minor in English.

She previous has served as a Vice President and Portfolio Manager with National City Trust Company from 6/90 to 12/93. From October 1983 to June 1990 she was an Assistant Vice President and Portfolio Manager with ASB Capital Management.

Mrs. Peabody is a Member of the CFA Institute and a Member of Louisville Society of Financial Analysts. In addition to Mrs. Peabody's 34 years of investment consulting experience she is:

- Board Member of Olmsted Parks Conservancy and Anchal Project, Inc.
- Former Board Member and former Chair of the Investment Committee of the Community Foundation of Louisville. She currently serves as a member of the Investment Committee.
- Graduate of Leadership Louisville Class of 2002 and Focus Louisville Class of 1999.

Mrs. Peabody is a Registered Investment Representative with the SEC under the terms of the Investment Advisory Act of 1940.





### **Disciplinary Information**

Mrs. Peabody has never been involved in a disciplinary event regarding the business of SIA.

There are no pending criminal charges against Mrs. Peabody.

Mrs. Peabody has never been involved in a violation of an investment-related statute or regulation.

Mrs. Peabody has never been the subject of a SEC related proceeding.

Mrs. Peabody has never been subject to an order by any agency or authority in any issue involving investment related statutes or regulations.

### **Other Business Activities**

Mrs. Peabody is not engaged in any other investment-related business.

### **Additional Compensation**

Mrs. Peabody is compensated in the form of an annual salary and bonus based upon her job performance. She also is a majority shareholder of SIA and receives ownership distributions.

### **Supervision**

Although Mrs. Peabody is the Chief Executive Officer of SIA her business and personal security transactions are reviewed by SIA's Chief Compliance Officer (CCO). The CCO of SIA is Tracey G. Trosper. Mrs. Trosper's office phone number is 502-895-0122.

### **Requirements for State-Registered Advisers**

Stegner Investment Associates, Inc. is a SEC registered adviser and not required to register with any state authorities.



**Tracey G. Trosper**

**Stegner Investment Associates, Inc.  
233 Breckenridge Lane  
Louisville, KY 40207**

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**3/2017**

**FORM ADV PART 2B  
SUPPLEMENTAL BROCHURE**

This brochure supplement provides information about Tracey G. Trosper that supplements the Stegner Investment Associates, Inc. Form ADV Part 2 brochure. You should have received a copy of that brochure. Please contact Tracey Trosper if you did not receive Stegner Investment Associates, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Tracey G. Trosper is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## **Educational Background and Business Experience**

Mrs. Trosper was born on 10-23-1959. She is the Chief Compliance Officer and a Managing Director for Stegner Investment Associates, Inc. (SIA). Mrs. Trosper has been with SIA since October 1995. Mrs. Trosper is a minority shareholder of SIA.

Prior to joining SIA, Mrs. Trosper was an Assistant Vice President with National City Bank from October 1977 to September 1995. She served as the Lead Administrator for the Charitable Endowment Division.

In addition to Mrs. Trosper's 40 years as an Administrative Specialist, she is:

- Member of National Society of Compliance Professionals
- Current board member and Treasurer of Dress for Success – Louisville
- Graduate of Focus Louisville Class of 2000

Mrs. Trosper is a Registered Investment Representative with the SEC under the terms of the Investment Advisory Act of 1940.



### **Disciplinary Information**

Mrs. Trospen has never been involved in a disciplinary event regarding the business of SIA.

There are no pending criminal charges against Mrs. Trospen.

Mrs. Trospen has never been involved in a violation of an investment-related statute or regulation.

Mrs. Trospen has never been the subject of a SEC related proceeding.

Mrs. Trospen has never been subject to an order by any agency or authority in any issue involving investment related statutes or regulations.

### **Other Business Activities**

Mrs. Trospen is not engaged in any other investment-related business.

### **Additional Compensation**

Mrs. Trospen is compensated in the form of an annual salary and bonus based upon her job performance. As a shareholder of SIA, Mrs. Trospen also receives shareholder distributions.

### **Supervision**

Mrs. Trospen's business and personal security transactions are reviewed by SIA's Chief Executive Officer (CEO). The CEO of SIA is Elizabeth Stegner Peabody. Mrs. Peabody's office phone number is 502-895-0122.

### **Requirements for State-Registered Advisers**

Stegner Investment Associates, Inc. is a SEC registered adviser and not required to register with any state authorities.



**Ruth W. Trautwein**

**Stegner Investment Associates, Inc.  
233 Breckenridge Lane  
Louisville, KY 40207**

**502-895-0122**

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**3/2017**

**FORM ADV PART 2B  
SUPPLEMENTAL BROCHURE**

This brochure supplement provides information about Ruth W. Trautwein that supplements the Stegner Investment Associates, Inc. Form ADV Part 2 brochure. You should have received a copy of that brochure. Please contact Tracey Trosper if you did not receive Stegner Investment Associates, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Ruth W. Trautwein is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)



## **Educational Background and Business Experience**

Mrs. Trautwein was born on 7-9-81. She is a Senior Investment Associate with Stegner Investment Associates, Inc. (SIA). Mrs. Trautwein has been with SIA since August 2004.

Mrs. Trautwein graduated from St. Louis University with a Bachelors of Science in Finance.

Mrs. Trautwein became a Certified Financial Planner in July 2007.

Mrs. Trautwein is a Registered Investment Representative with the SEC under the terms of the Investment Advisory Act of 1940.

In addition to Mrs. Trautwein's 13 years of investment experience she is:

- Current board member of Women 4 Women
- A graduate of Leadership Louisville's Ignite Class of Fall 2014



### **Disciplinary Information**

Mrs. Trautwein has never been involved in a disciplinary event regarding the business of SIA.

There are no pending criminal charges against Mrs. Trautwein.

Mrs. Trautwein has never been involved in a violation of an investment-related statute or regulation.

Mrs. Trautwein has never been the subject of a SEC related proceeding.

Mrs. Trautwein has never been subject to an order by any agency or authority in any issue involving investment related statutes or regulations.

### **Other Business Activities**

Mrs. Trautwein is not engaged in any other investment-related business.

### **Additional Compensation**

Mrs. Trautwein is compensated in the form of an annual salary and bonus based upon her job performance. As a shareholder of SIA, Mrs. Trautwein also receives shareholder distributions.

### **Supervision**

Mrs. Trautwein's business and personal security transactions are reviewed by SIA's Chief Compliance Officer (CCO). The CCO of SIA is Tracey G. Trosper. Mrs. Trosper's office phone number is 502-895-0122.

### **Requirements for State-Registered Advisers**

Stegner Investment Associates, Inc. is a SEC registered adviser and not required to register with any state authorities.

