

# **Bergman Investment Management**

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San Mateo, CA 94402

(415) 374-7800

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

January 3, 2017

This Brochure provides information about the qualifications and business practices of Bergman Investment Management. If you have any questions about the contents of this Brochure, please contact Douglas Bergman at (415) 374-7800, or [douglasbergman@comcast.net](mailto:douglasbergman@comcast.net). 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.

Bergman Investment Management is a registered investment adviser. Registration of an Investment Adviser does not imply a certain level of skill or training.

Additional information about Bergman Investment Management also is available on the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

### New Brochure Replaces Bergman Investment Management Form ADV Part II

This firm brochure for Bergman Investment Management (BIM) is slightly modified from its prior version, and contains new information for the benefit of all clients.

This section includes only the material changes since the last annual update of this brochure on January 4, 2016.

(1) **Redesign.** The Securities and Exchange Commission (SEC) recently published amendments to the rules for the disclosure document that advisors provide to clients. This brochure is redesigned in narrative format and is materially different in its structure.

(2) **Conflicts.** Doug Bergman provides additional disclosures regarding material conflicts of interest which may exist, and how he manages those conflicts in order to keep his clients' best interests paramount at all times. Specifically, he provides enhanced disclosures regarding relationships with qualified custodians (i.e., discount brokerage firms) and certain investment product providers whom he recommends to clients. Please refer to Items 5, 11 and 12 of this brochure.

(3) **Investment Strategies, Risks.** BIM provides a more extensive review of investment policies and practices, and the risks attendant to those strategies. Please refer to Item 8 of this brochure.

(4) **Amount of Assets Managed.** BIM assets under advisement as of December 31, 2016 were \$180,504,532 of which \$92,985,446 is managed on a gratis basis for a San Francisco-based charity. Please refer to Item 4 of this brochure.

(5) **Custody.** BIM further details the firm's practices with regard to non-acceptance of "custody" of client accounts. BIM has chosen to utilize independent qualified custodians, such as Schwab Institutional, Fidelity, TD Ameritrade and Pershing for the safety of clients' funds. Please refer to Item 15 of this brochure.

(6) **Financial Adviser Biography.** Also included is the new Part 2B of Form ADV for Doug Bergman who directly provides advice to you. Please refer to the Brochure Supplements, Part 2B of Form ADV, included with this brochure.

(7) **Delivery of Amendments to this Brochure.** In the past BIM has offered or delivered information about Doug Bergman's qualifications and business practices to clients on at least an annual basis. He reviews and updates this brochure at least annually, in order to ensure that it remains current. Pursuant to new SEC rules, he will provide each client with a

summary of any material changes for subsequent annual updates to brochures by April 30th of each year. He will further provide clients with additional information regarding material changes at BIM at other times, within a reasonable time after such changes occur.

Due to the changes to this brochure, Doug Bergman suggests that all clients review this document, in its entirety, upon receipt.

BIM's brochure may be requested by contacting Doug Bergman at (415) 374-7800 or [douglasbergman@comcast.net](mailto:douglasbergman@comcast.net). This brochure is also available on the firm's web site, [www.bergmaninvestment.com](http://www.bergmaninvestment.com), also free of charge.

Additional information about Bergman Investment Management is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Bergman Investment Management who are registered, or are required to be registered, as investment adviser representatives of Bergman Investment Management.

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## **Item 4 – Advisory Business**

Douglas E. Bergman is the sole principal of Bergman Investment Management, a fee-only investment advisory firm representing clients in 17 states across the country. BIM has been in business since 1995 and provides its clients with prudent investment advice and access to products and solutions from many of the nation's leading investment companies. BIM works hands-on with its clients to help individuals and institutional investors meet their financial goals.

BIM provides advice to clients regarding investment of client funds based on the individual needs of the client. Through personal discussions in which goals, objectives and risk tolerance based on a client's particular circumstances are established, BIM develops a client's personal investment policy statement and creates and manages a portfolio based on that policy. BIM manages advisory accounts only on a non-discretionary basis. Account supervision is guided by the stated objectives of the client (i.e., equity, capital appreciation, moderate, balanced, conservative or defensive).

BIM will typically create a portfolio of no-load mutual funds, exchange traded funds and exchange traded notes, using customized portfolios intended to reflect the client's investment policy statement. BIM will allocate the client's assets among various asset classes, taking into consideration the overall management style selected by the client. BIM recommends portfolios consisting primarily of mutual funds offered by Dimensional Fund Advisors (DFA). DFA-sponsored mutual funds follow an institutional asset class investment philosophy with low turnover. Consequently, the DFA fund fees are generally lower than fees and expenses charged by other types of funds. Client portfolios may also include variable annuities, other mutual funds, bonds, commercial paper, and some individual equity securities.

The mutual funds will be selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the correlation to other funds; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure. Each client's individual needs and circumstances will determine portfolio weighting between equity and fixed income. Clients will have the opportunity to place reasonable restrictions on the types of investments which will be made on the client's behalf. Clients will retain individual ownership of all securities.

During its periodic reviews, if BIM believes that a particular investment is performing inadequately, or if BIM believes that a different investment is more suitable for the client's account, then BIM will recommend a different investment and/or discuss an alternative investment allocation with the client and implement it upon the client's approval.

BIM will monitor all client accounts at least monthly. BIM reviews each portfolio at least four times a year to determine if the accounts need to be rebalanced. Some accounts are reviewed and rebalanced more frequently when appropriate.

As of December 31, 2015, Bergman Investment Management had total assets under management of \$185,321,639 of which \$104,953,997 is managed on a gratis basis. All assets are non-discretionary.

## **Item 5 – Fees and Compensation**

The annual fee for investment management services will be charged as a percentage of assets under management. Fees are 1% of assets up to \$1 million. Fees are negotiated for larger amounts.

The required minimum amount for undertaking a new client family is \$500,000. The current minimum for undertaking a new family member for an existing client is \$50,000. There is no minimum for maintaining an existing client.

The specific manner in which fees are charged by BIM is established in a client's written agreement with BIM. BIM will generally bill its fees on a quarterly basis. Clients are billed in advance each calendar quarter. Clients authorize BIM to directly debit fees from client accounts. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

BIM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of, and in addition to, BIM's fee, and BIM shall not receive any portion of these commissions, fees, and costs.

BIM retains an independent third-party account administrator (LWI Financial Inc. or LWI) that performs certain services such as account administration, portfolio allocation analysis, asset-class investment strategy, back-office fulfillment, report and statement production,

and fee debiting. Such services are paid directly through advisory fees billed to the client. LWI is an investment adviser registered with the Securities and Exchange Commission.

LWI may also sponsor educational seminars for the benefit of BIM and its clients. Such educational seminars provide BIM with access to information and ideas regarding practice development, client servicing, investment strategy, relationship management and financial planning. Attendance expenses associated with such educational seminars may be paid or reimbursed, either in whole or in part, by LWI.

BIM may recommend, where appropriate, that clients invest in shares of the SA Funds–Investment Trust (the “SA Funds”), a family of nine asset class mutual funds advised, managed and administrated by LWI, (co-managed by DFA). LWI receives certain fees and expenses directly from the SA Funds for its services as disclosed in that Fund’s prospectus.

Item 12 further describes the factors that BIM considers in selecting or recommending broker-dealers and/or custodians for client transactions and determining the reasonableness of their compensation (e.g., commissions and/or transaction fees).

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

BIM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

BIM provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, 401(k) plans, trusts, estates, foundations and charitable institutions.

The required minimum amount for undertaking a new client family is \$500,000. The current minimum for undertaking a new family member for an existing client is \$50,000. There is no minimum for maintaining an existing client.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

BIM’s security analysis is based on a number of factors including those derived from commercially available software technology and general market information.

BIM’s main sources of information include LWI, DFA, commercially available investment services, financial newspapers, periodicals and issuer-prepared information. BIM may receive investment recommendations from LWI.

In addition to publicly available research, BIM has the benefit through its association with LWI to access and utilize research provided by LWI's Investment Committee. Along with LWI personnel, University of Santa Clara professor Meir Statman and Nobel-Prize winning professor Harry Markowitz serve on the LWI Investment Committee. In addition, DFA has relationships with well known academic researchers (such as professors Gene Fama and Ken French) who provide research materials to BIM among others for their use.

BIM's investment advice is based on long-term investment strategies incorporating the principles of Modern Portfolio Theory. BIM's investment approach is firmly rooted in the belief that markets are efficient and that investors' returns are determined principally by asset allocation decisions, not by market timing or stock picking. BIM focuses on developing diversified portfolios, principally through the use of institutional, low-cost, no-load mutual funds or Exchange Traded Funds (ETFs).

Investing in securities involves risk of loss that clients should be prepared to bear. BIM's investment recommendations seek to limit risk through broad global diversification in equities and short-term fixed income securities or diversified bond funds.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of BIM or the integrity of BIM's management. BIM has no information applicable to this item, as Douglas Bergman has never had a legal or disciplinary event in this regard.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Doug Bergman does not participate in any other financial industry activities which could potentially cause any conflicts of interest with his clients.

## **Item 11 – Code of Ethics**

BIM has adopted a Code of Ethics describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things.

Doug Bergman may trade for his own accounts in securities which are recommended to and/or purchased for BIM's clients. The Code of Ethics is designed to assure that the



personal securities transactions, activities and interests of Doug Bergman will not interfere with making decisions in the best interests of advisory clients. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interests of BIM's clients.

BIM's clients or prospective clients can review the firm's Code of Ethics by logging onto [www.bergmaninvestment.com](http://www.bergmaninvestment.com). They may request a copy of the firm's Code of Ethics by contacting Doug Bergman at (415) 374-7800, or [douglasbergman@comcast.net](mailto:douglasbergman@comcast.net).

## **Item 12 – Brokerage Practices**

BIM may suggest that a client designate a custodian from among Pershing LLC, or from Fidelity Brokerage Services, Charles Schwab & Company, Inc., or TD Ameritrade Institutional (unaffiliated custodians). Factors considered in selecting the custodians suggested by BIM include (i) the ease with which BIM can conduct day-to-day administration of accounts with custodians, (ii) the ease with which BIM can open accounts, obtain information, and execute trades with such custodians, and (iii) reasonableness of transaction commissions and fees. In considering the reasonableness of commissions and fees, BIM takes into account the expense of commissions and account fees relative to other available custodians in conjunction with an evaluation of the services provided. BIM does not maintain custody of any client assets.

When a client does not have a custodian preference, BIM typically recommends the services of Schwab Institutional. As a custodian and broker-dealer, Schwab Institutional provides BIM's clients with access to institutional trading and custody services, which services are typically not available to retail investors. These services generally are available to independent investment advisers on an unsolicited basis and at no charge to them. Additional qualified custodians include Pershing, TD Ameritrade and Fidelity.

Schwab Institutional also makes available to BIM other products and services that benefit BIM but may not benefit its clients' accounts. Some of these other products and services assist BIM in managing and administering clients' accounts. These include software and other technology that: (1) provide access to client account data (such as trade confirmations and account statements); (2) facilitate trade execution; (3) provide research, pricing information and other market data; (4) facilitate payment of BIM's fees from its clients' accounts; and (5) assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of BIM's accounts.

Recommended custodians and fund managers also make available to BIM other services intended to help BIM manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. BIM does not, however, enter into any commitments with the custodians and fund managers for transaction levels in exchange for any services or products from them.

While BIM endeavors to act in its clients' best interests, BIM's recommendation that clients maintain their assets in accounts at Schwab Institutional may be based in part on the benefit to BIM of the availability of some of the foregoing products and services at no cost to BIM, and not solely on the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

Notwithstanding BIM's preference for using Schwab Institutional as its clients' custodian and broker-dealer, as a Registered Investment Advisor, BIM has a fiduciary and fundamental duty to seek *best execution* for client transactions. As a matter of policy and practice, BIM seeks to obtain best execution for client transactions, i.e., seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances. BIM has adopted procedures to implement the firm's policy and reviews to monitor and insure the firm's policy is observed, implemented properly and updated and amended, as appropriate, which includes the following:

- As part of BIM's brokerage and best execution practices, BIM had adopted and implemented best execution practices that are reviewed periodically.
- Douglas Bergman, Principal, has responsibility for monitoring BIM's and Loring Ward's trading practices, gathering relevant information, periodically reviewing and evaluating the services provided by broker-dealers, the quality of executions, research, commission rates, and overall brokerage relationships among other things.
- Together with LWI, BIM may also maintain and periodically update an "approved broker-dealer" list based upon reviews.
- A "Best Execution" file is maintained for the information obtained and used in BIM's best execution reviews and analysis and to document the firm's best execution practices. In this regard, BIM will obtain at least 2x a year from LWI, a Custodian Comparison Sheet and an Execution Quality Report that each custodian makes available.

BIM does not receive soft dollar benefits from any of the broker-dealers, custodians and fund managers with whom it works.

BIM does not have discretion to trade in client accounts; that is reserved for LWI. When the re-optimization analyses are prepared and trades are executed on the client's behalf, BIM will work with LWI, and LWI will determine what trades are needed to maintain a close proximity to the portfolio. This discretion does not allow BIM to change the mutual funds being used or deviate significantly from the portfolio. Any such changes or significant deviations must be approved in writing by the client.

Although BIM typically recommends that Schwab Institutional be employed as custodian for client accounts, clients are under no obligation to work with Schwab Institutional. Other custodians used by BIM are Fidelity, TD Ameritrade and Pershing.

Clients are not permitted to direct BIM to utilize their desired brokers other than Schwab Institutional or other certified custodians named by LWI. BIM recommends Schwab Institutional because of ease of access of client account information and quality of execution.

BIM clients may wish to transfer into their managed account certain assets held elsewhere and continue to hold these assets without BIM charging a fee or providing advice on these assets. These assets are marked as "unmanaged" or "non-discretionary" and will only be traded when BIM receives specific trading instructions from the client to do so. These assets will not be reflected in any performance reports provided to the client since they are not considered a part of the managed portfolio and may not be consistent with the BIM investment philosophy.

Clients are able to borrow against the securities held in their accounts utilizing margin loans offered by Schwab Institutional, or another listed custodian. However, since margin borrowing increases investment risk for clients, margin is not generally used as an investment strategy for BIM clients.

BIM has chosen to not aggregate (combine for purposes of securing reduced commissions or transaction fees) the trades of its clients. This is due to the fact that all trade decisions are reviewed for short-term and long-term tax efficiency, which requires individual analysis of most trading decisions. This individual analysis of trades does not lend itself to computer software programs or manual entry processes which would aggregate trades. As a result, BIM's clients do not receive the benefits of reduced transaction fees such aggregation of trades could provide to our clients, generally. However, BIM's clients may receive benefits from enhanced tax-efficient portfolio management, which clients of other investment advisers may not be receiving.

### **Item 13 – Review of Accounts**

Doug Bergman, principal, meets with new clients on a quarterly basis, with established clients at least once a year, and will meet more frequently upon a client's request. Events which could trigger a near-term review would be significant changes in a client's financial situation or any major life change. Reviews include a discussion of the client's financial situation, financial and life goals, risk tolerance and current and long-term portfolio performance and whether any changes are appropriate.

Clients receive monthly account statements from Schwab Institutional or other designated custodians, and quarterly reports from LWI. On-demand performance reports are prepared by Doug Bergman for mid-quarter meetings.

### **Item 14 – Client Referrals and Other Compensation**

BIM does not have any arrangements to compensate anyone for client referrals. BIM does not receive any additional compensation from non-clients.

### **Item 15 – Custody**

Clients receive monthly statements from Schwab Institutional or other designated custodians. BIM urges clients to carefully review such statements and compare such official custodial records to the account statements that BIM may provide. LWI quarterly performance reports, or on-demand performance reports prepared by BIM, may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

BIM usually receives non-discretionary authority from the client at the outset of an advisory relationship to recommend the specific securities and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When recommending securities and determining amounts, BIM observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to BIM in writing.

### **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, BIM does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all

securities maintained in client portfolios. BIM may provide advice to clients regarding voting of proxies.

## **Item 18 – Financial Information**

Registered investment advisers are required in this item to provide you with certain financial information or disclosures about BIM's financial condition. BIM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

# **Brochure Supplements**

Part 2B of Form ADV

January 22, 2015

## **Advisory Personnel**

This Brochure Supplement provides information about the advisory personnel of Bergman Investment Management and supplements the BIM Brochure. If you receive this Supplement independently from BIM's disclosure Brochure, please contact Doug Bergman at (415) 374-7800, or [douglasbergman@comcast.net](mailto:douglasbergman@comcast.net) for a full copy of the Brochure or if you have any questions on the Brochure or its Supplements.

Additional information about the named advisory personnel is available on the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Douglas E. Bergman is the principal of BIM, which is a Registered Investment Adviser, located at 40 West 3<sup>rd</sup> Avenue, #1104, San Mateo, CA 94402, (415) 374-7800.

Doug Bergman was born in Detroit, Michigan in 1943. He earned his BA degree in 1965 and his MBA in 1966, both from Michigan State University. Doug is also a graduate of Dimensional Fund Advisors' Investment Symposium at the University of Chicago Graduate School of Business.

Doug is currently President and CEO of Bergman Investment Management, a fee-only investment management firm serving individuals, trusts, estates, charitable foundations and endowment funds and company and public retirement plans. Doug has been an investment adviser for more than 20 years.

Doug has not been the subject of any disciplinary action from any of the regulatory bodies responsible for policing his professional activities.

Active for many years in local Bay Area charitable organizations, Doug is a recipient of a leadership award from the United Way. He is a past member of the Board of Directors, Treasurer and Chairman of the Finance Committee of the Lighthouse for the Blind & Visually Impaired, and still serves as a member of the Investment Committee for this Institution.