

# Argos Investment Advisors, LLC

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Argos Investment Advisors, LLC (“AIA” or the “Company”). If you have any questions about the contents of this brochure, please contact us at 314-898-9875. 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 AIA is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Summary of Material Changes

The following material changes have been incorporated into this brochure since the previous annual amendment filed in March 2016:

- Language explaining AIA’s allocation methodology and eligibility requirements for recommending direct investments in privately offered investments such as private operating companies and real estate offerings has been added to the “Advisory Business” section below.

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## Advisory Business

AIA registered with the Securities and Exchange Commission (“SEC”) as an investment adviser in 2008. Black Swan Investments, LLC is the principal owner of AIA. As of December 31, 2016 the Company advised approximately \$671.1 million on a non-discretionary or consulting basis, on behalf of approximately 418 accounts and managed \$870,699 on a discretionary basis in 53 accounts.

AIA provides financial planning and investment advisory services to ultra-high net worth individuals and their related trusts, partnerships and charitable accounts. AIA also provides investment advisory services to a pension plan client. AIA provides individualized investment advice, due diligence, and recommendations on asset allocation, exchange trade funds (“ETFs”), third-party managers, mutual funds, and individual investment securities (e.g. stocks, bonds,

options, direct investments in real estate and private companies). Clients may impose restrictions on investing in certain securities or types of securities. Additionally, AIA will review and make recommendations on other outside managers and investments that the clients have retained. As part of this process AIA may retain the services of outside consultants to assist with the due diligence and review process. Services of AIA may also include, but are not limited to, the following:

- An investment policy statement that covers one's risk tolerance and liquidity needs
- Ongoing monitoring, due diligence, asset allocation, and additional review of investment portfolios
- Retirement sufficiency analysis
- Aggregate investment reporting through an independent third party (Private Client Resources or another appropriate vendor)
- Biennial or quarterly contact with investment meetings

AIA's primary investment recommendation is its passive index investing approach. AIA also conducts due diligence and makes recommendations on third-party advisers to clients. These opportunities may provide a wide range of investments including traditional equity investing, fixed income portfolios, as well as alternative strategies, such as hedge funds and private equity funds. Clients should review the disclosure documents of recommended investment managers for information on each manager's investment selection, analysis methods, and sources of information and investment strategies. AIA also conducts due diligence and provides recommendations on individual alternative investments, such as mezzanine loans, real estate investments, and operating companies.

From time to time, certain clients of AIA may authorize AIA to provide discretionary investment advice for (portions of) an account(s) for the purpose of implementing a covered call writing program, which is described in the *Methods of Analysis, Investment Strategies and Risk of Loss* section below.

AIA will at times advise clients upon investing assets directly in privately offered investments such as private operating companies and real estate offerings. Such investments may be sourced by AIA or its clients. AIA will not recommend that the client make such an investment unless they are eligible to do so. To be eligible for such a private offering, a client must meet all the requirements under state and federal security laws to be eligible to invest in a privately offered security. For example, depending on the investment, the client may be required to meet the definition of "accredited investor" as defined in rule 501(a) of Regulation D. If a client sources a potential investment, and that client elects to fund the entirety of that investment, AIA will not recommend such investment to any other client. However, AIA may need to make an investment allocation decision in the event that: it determines that a potential investment it has sourced may be appropriate for certain clients; or a client that has sourced its own investment elects not to fund the entirety of that investment and AIA determines that the remainder of the investment may be appropriate for certain other clients. In such a situation, AIA's allocation of these investments will be based on the following factors.

1. Liquidity – does the client have sufficient liquidity to make the investment?
2. Time horizon/Structure issues – can the client withstand the loss of liquidity over the expected time horizon of the investment?
3. Returns sought/Risk tolerance – considerations include:
  - a. Is the client comfortable investing in direct investments?
  - b. Underlying risk of investment, and
  - c. Diversity of other assets held by the client
4. Ability to make a decision - can the client make an investment decision with respect to the investment in the required time frame?
5. Size of investment - is the recommended size of investment appropriate relative to the client's net worth?
6. Taxes - when assessing the potential return on the investment, AIA will consider the tax impact to the client.

### Valuation

AIA reports the value of client's investment portfolios to the client on a periodic basis, generally quarterly. AIA provides a statement of value of investable assets annually to applicable clients, according to the terms described in a client's Investment Advisory Service Agreement and AIA's Valuation policy and procedures. The value of investable assets of a client is often the basis of management fees paid to AIA. AIA generally will not value the securities in a client's account. Rather, AIA relies upon values provided by the client's custodians and fund managers. AIA understands that securities listed on exchanges are valued at their daily closing price 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 sponsor of the investment or the fund manager responsible for the investment. In the event that AIA must internally "fair value" an investment, AIA 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, AIA may hire an independent third party to provide an appraisal of the investment. To the extent clients are charged fees based on their investable assets, the client will have the final "sign off" on what something is worth on his/her balance sheet.

## **Fees and Compensation**

Clients are billed in accordance with terms specified in the Investment Advisory Agreement. Clients may choose to have fees automatically deducted from their account, or to pay AIA via a check or wire. Clients may pay fees in arrears or in advance. Fees are based on one of the following schedules.

AIA collects a 30 basis point fee calculated on the total investable assets of each client. The valuation used to determine the basis point charged is a mutually agreed to number based on their calendar year end, and approved by the client prior to billing. Client fees are billed or deducted periodically, less than every six months. AIA fees are not negotiable, but AIA reserves the right to lower or waive fees at its discretion.

Or

Certain other (legacy) clients are charged a fee based solely on assets under management ranging from 0.4% to 1.0%.

Subject to a client's approval, they may also pay a performance fee on certain illiquid investments that is equal to 10% of the realized profits earned from such investments, as defined in the Investment Advisory Agreement. Performance based fees may create an incentive for AIA to make investment recommendations that are riskier or more speculative than would be the case in the absence of a performance fee. Further, investment advisers have an inherent conflict of interest to favor accounts that pay more in fees, such as performance based fees. AIA has adopted and implemented written compliance policies and procedures, codified in our compliance manual, which generally address the above conflicts of interest.

Each client enters into an investment advisory agreement that continues in force and effect until either the client or AIA gives written notice to the other party of its intention to cancel it, in which event the contract shall terminate on such date as is specified by the terminating party. When either party terminates the relationship, fees are prorated from the beginning of the billing period through the specified termination date. If the account paid fees in advance, any prepaid unearned fees will be refunded to the client.

In addition to AIA's investment advisory fees and performance fee, clients will incur trading costs and custodial fees e.g., wire fees, IRA fees). Due to the nature of the brokerage services provided, some commissions charged to the client are consistent with a full service brokerage firms. (Please refer to the *Brokerage Practices* section for more information for potential conflict of interests with respect to brokerage commissions.) All fees paid to AIA for investment advisory services are separate and distinct from the fees and expenses charged by third-party managers and mutual funds. Mutual fund fees and expenses are described in each fund's prospectus; these fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest with a third-party manager or a mutual fund directly, without the services of AIA. In that case, the client would not receive the services provided by AIA which are designed, among other things, to assist the client in determining which third-party manager or mutual fund(s) are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the third-party manager or mutual funds and the fees charged by AIA to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided. Affiliates of AIA and/or their related persons may charge separate fees for bill pay services, legal work, accounting services, tax credit products, and/or insurance products.

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

Please refer to the *Fees and Compensation* section above for performance fee disclosures.

## **Types of Clients**

As mentioned above in the *Advisory Business* section, AIA provides investment advisory services to ultra-high net worth individuals and their related trusts, partnerships and charitable accounts. AIA also provides investment advisory services to a pension plan client. For certain client accounts, AIA may be deemed a fiduciary under certain Department of Labor rules. AIA will abide by the Impartial Conduct Standards in relation to such accounts.

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

AIA's primary investment recommendation for liquid securities is index investing using ETFs. Clients also employ active managers and other strategies as well. These strategies typically may include mutual funds, separately managed accounts, and alternative investments such as hedge funds, private equity funds, and direct investments in private companies, real estate, and covered calls. Investments pose a risk of loss that clients should be prepared to bear.

When performing due diligence on any third party investment manager AIA considers many factors including the following items.

- Fees charged by the manager both directly and indirectly through commissions on trades and other expenses.
- Turnover and its related costs and impact on overall performance.
- Management tenure.
- Use of leverage and the related increase risks associated with leverage.
- Track record of the manager both in the current strategy and with prior firms and prior funds.
- Operational support at the firm level.
- Interviews and at time on site visits are completed with representatives from the firms to discuss these factors.

When performing due diligence on real estate and private company investing AIA looks at many factors including the following:

- Fees and expenses associated with the investment including fees paid directly through the operating company.
- Likely tenure of the investment.
- The historic track record of any partners in the investment and the company or project itself.
- Financial information of the company or real estate project.
- Quality of existing investors and the nature of the investor base.
- Ensuring the operators interests are aligned with our clients. They should have a significant stake in the success of the venture.
- Quality of the expert advisors to the firm including attorneys, accounting firms and other

third party support.

- The expected return should compensate clients for the lack of liquidity in the investment.

### 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 AIA, third-party investments, or third-party managers. AIA 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 AIA investment strategy used, the methods of analysis used, and/or the particular type of security recommended.

- *Lack of Control* - AIA 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 decisions made by any third-party managers. As a result, the rates of return to clients will primarily depend upon the choice of investments and other investment and management decisions of third-party managers, and returns could be adversely affected by the unfavorable performance of such managers. AIA 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.
- *Covered Call Option Strategy* – Clients participating in a strategy of writing (selling) covered call options on ETF's face various risks. For example, the correlation between the equity securities and options markets may, at times, be imperfect and can furthermore be affected by market behavior and unforeseen events, thus causing a given transaction to not achieve its objectives. There may be times when a client will be required to purchase or sell equity securities to meet obligations under the options contracts on certain options at inopportune times when it may not be beneficial to the client. Clients will forego the opportunity to profit from increases in the market value of equity securities that it has written call options on, above the sum of the premium and the strike price of the option. A client's downside protection on equity securities it has written call options on would be limited to the amount of the premium received for writing the call option and thus the client would be at risk for any further price declines in the stock below that level. Although AIA does not intend to engage in "naked" uncovered call writing for clients, should a client write a naked call, a client writing an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. As part of the covered call program, AIA may, at times, write calls against another ETF that tracks a similar highly correlated index as the one with the call position. An example would be writing calls on MDY, which tracks the S&P 400 Mid Cap 400 index, while the underlying equity position is in the Vanguard Mid-Cap ETF, which tracks the CRSP US Mid Cap Index. Finally, a client's options transactions will be subject to limitations established by each of the exchanges, boards of trade or other trading facilities on which such options are traded.
- *Real Estate and Private Companies* – AIA occasionally provides investment advice on alternative direct investments such as real estate and private companies. Such investments

are typically illiquid, not freely transferable, and do not have an actively traded market. Direct investments in real estate and private companies, like many other types of investments, historically have experienced significant fluctuation and cycles in value. Specific market conditions may result in occasional or permanent reductions in the value of a client's investments. The value of a client's investments may depend on many factors beyond our control, including, but not limited to: changes in general economic, local, or social conditions; changes in supply of or demand for competing investments; changes in interest rates; the availability and use of credit; the financial condition of buyers, sellers and tenants; changes in tax rates and other operating expenses; various uninsured or uninsurable risks; natural disasters; changes in the character of an investment's assets; changes in dividend distribution rates; and changes in an investment's management.

## **Disciplinary Information**

Neither AIA nor any of its employees have been subject to any disciplinary action or judicial verdict in the past 10 years.

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

CFI is the primary broker dealer used by AIA clients. CFI earns brokerage commission transactions and other fees on trades that Argos executes through CFI.

AIA and its managing member, Mr. Tice have an apparent conflict of interest with respect to its client usage of CFI. CFI holds a variety of security registrations for Mr. Tice. Mr. Tice does not receive any fees, commissions or other compensation whatsoever from CFI. Mr. Tice's father is also a lender to CFI and serves as a compensated Board member. Because of these facts, AIA has a conflict of interest in directing the execution of clients' trades to CFI.

Despite the conflict, AIA is comfortable that the use of CFI as one of our brokers for clients remains consistent with our duty to seek best execution. The conflict is addressed by an ongoing analysis of best execution by employees of AIA. Further, it is AIA's policy to seek best execution on clients' securities transactions.

Mr. Rich Kuehnle, who has an indirect ownership interests in AIA co-owns an accounting firm named Vogel, Kuehnle PC, which performs tax work for certain AIA clients.

As a result, arrangements where additional compensation is received, a potential or actual conflict of interest may exist with AIA clients' interests, as AIA and/or its related persons may be incentivized to recommend services or products based on compensation received, rather than on a client's needs. AIA mitigates our conflicts primarily through our policy to act in the best interests of our clients and to disclose any potential or actual conflicts of interest to clients.



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

AIA's officers, partners and employees are generally not permitted to purchase for their personal accounts the same securities that could be recommended to clients except for publicly traded exchange-traded funds ("ETFs") and mutual funds. AIA's investment advisory business is focused on providing advice on third-party managers, ETFs, and mutual funds, which we believe does not present material risks with respect to personal trading. To avoid and/or mitigate any potential conflicts of interest involving personal trades, AIA has adopted a Code of Ethics (the "Code") which includes a personal securities and insider trading policies and procedures. AIA's Code requires, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of AIA above one's own personal interests;
- Adhere to the fundamental standard that they should not take inappropriate advantage of their position;
- Mitigate any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals; and
- Comply with applicable provisions of the federal securities laws.

AIA's Code also requires access persons to: 1) pre-clear certain personal securities transactions; 2) report personal securities transactions on at least a quarterly basis, and; 3) provide AIA with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such access persons have a direct or indirect beneficial interest. The Code requires AIA to monitor Employees' investment patterns, outside business activities, and also governs the giving and/or receipt of gifts and entertainment by AIA and its Employees.

A copy of the Code will be provided to any client or perspective client upon request.

AIA's current Chief Compliance Officer is Paul Tice. Mr. Tice is also engaged in providing advisory services to the Company's clients and his background and experience is summarized in the Brochure Supplement.

## Brokerage Practices

AIA's investment advisory business is focused on providing advice on ETFs, third-party managers, mutual funds, and other investments; however, occasionally (upon client direction), AIA may execute trades in individual securities on behalf of clients. Certain clients have granted AIA trading authority through the execution of a limited power of attorney. It is AIA's policy to always seek best execution for client securities transactions. If a client currently uses a broker or custodian and is satisfied with the services, we generally keep the relationship intact. We have relationships with numerous brokers and custodians as a client convenience. If there is no preference from the client, we will determine if the investment manager who the client invests with has a preference and generally use their preferred custodian. If the client and the investment manager offer no preference then we will typically recommend CFI, which is a correspondent of Royal Bank of Canada. The ultimate decision is made by the client. Periodic surveys are conducted to ensure pricing is in line with the service level provided for each account. Clients who have directed that we use particular brokers (including CFI) are advised that such a direction of brokerage may result in their receiving less favorable executions in certain transactions, or in their paying higher transaction costs either in individual transactions or in the aggregate. Although it is AIA's policy to always seek best execution for client trades, in such a directed brokerage arrangement, the Firm may not be free to seek best price and execution by placing transactions with other brokers or dealers. Accordingly, the client should consider whether that arrangement may result in disadvantages to the client that are not outweighed by the value of custodial and other services provided by that broker.

To the extent AIA recommends a broker to use in effecting transactions, AIA's primary consideration will be the broker's ability to provide best execution of trades. In making a decision about best execution, Advisor may consider a number of quantitative and qualitative factors including, but not limited to, the following (in no order of importance): trade execution price and commission, opportunity for price improvement, anonymity, liquidity, speed of execution, expertise with difficult securities, trading style and strategy, the number of errors committed by each broker, custodial services, and the quality of research services the broker may provide. Although Advisor generally seeks reasonably competitive commission rates, it does not seek formal competitive bidding and does not necessarily direct transactions to brokers that charge the lowest commission rates. The commission rates paid to any broker for execution of transactions will be determined through negotiations with the broker, taking into account industry norms for the size and type of transaction, and the nature of brokerage and research services provided.

AIA does not have any formal soft dollar arrangements. On occasion, AIA may receive research from broker-dealers. Research is not provided in connection with AIA clients' securities transactions or contingent upon forthcoming securities transactions. To best of AIA's knowledge, the research is generally made available to institutional clients of the broker. In any event, AIA's policy is for such products and services to fall within Section 28(e). In conjunction with AIA's periodic best execution analyses, AIA will review products and services received from broker-dealers to ensure AIA is in compliance with the safe harbor of Section 28(e); further, AIA will make a good faith determination that the value of the brokerage and research services obtained is reasonable in relation to the amount of the commissions paid.

Since AIA provides individualized investment advice to clients, in most cases AIA will not be in the position to aggregate client orders; therefore, transactions for each client account generally will be effected independently. AIA may aggregate client trades when such aggregation is expected to be in the best interest of all participating clients (e.g. covered call contracts). AIA's allocation policy is to seek to allocate investment opportunities among clients in the fairest possible way, taking into account clients' best interests. AIA will not favor or discriminate against any client or group of clients.

Advisory clients are not responsible for the payment of trade errors committed by AIA in conjunction with the management of client accounts. Any gain resulting from a trade error will be retained by the advisory client.

## **Review of Accounts**

Paul N. Tice or Robert P. Ensor will review client accounts at a minimum of every six months and typically quarterly, shortly after the completion of each calendar quarter.

Reviews entail a review of client holdings, discussion of any investment recommendations, discussion with the client on their risk tolerance and investment horizon, as well as at minimum an annual review of the client's financial statements as prepared by the independent accountants.

Reports will be provided to the Company's clients (and the equity owners of such clients) on a quarterly basis or if otherwise, upon request, provided that such reports are available or can be generated without unreasonable expense to the Company. Further, specific reports may be described in a client's investment advisory agreement.

## **Client Referrals and Other Compensation**

AIA does not receive any economic benefit from someone who is not a client for providing investment advice or other advisory services.

AIA does not compensate any person for client referrals, nor does it offer or receive sales awards or prizes for providing investment advice to clients.

## **Custody**

AIA does not have custody of client assets.

## **Investment Discretion**

From time to time, certain clients of AIA may authorize AIA to provide very limited discretionary investment advice for (portions of) an account(s) to implement a covered call program. Before assuming such authority, clients must provide written authorization to AIA.

Except in limited cases (i.e., covered call program), any trading authority provided by clients to AIA will be non-discretionary.

## **Voting Client Securities**

AIA's policy is that it does not exercise voting authority with respect to client securities. Clients are responsible for voting any such proxies. Clients should contact their custodian with questions about receiving proxies and process for the client to execute voting on such proxies. For certain legacy clients, AIA receives proxies and forwards them to the client.

## **Financial Information**

AIA has never filed for bankruptcy, does not solicit fees six months or more in advance, and is not aware of any financial condition that is expected to affect its ability to manage client accounts.