

Form ADV Part 2A

Item 1 – Cover Page

PGM Inc.

1250 René-Lévesque Blvd. West, Suite 4025
Montréal, Québec H3B 4W8 Canada
(514) 932-7171

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This Brochure provides information about the qualifications and business practices of PGM Inc. (“PGM”). If you have any questions about the contents of this Brochure, please contact us at (514) 315-5039. 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.

PGM is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about PGM also is available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for PGM is 299309.

Item 2 – Material Changes

Given the recent purchase of Pavilion Financial Corporation, Item 10 has been updated.

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Item 4 – Business

Transition management is the process of managing movements of portfolio assets that arise from changes in investment manager, asset allocation, investment style, or large fund flows. This process is used, for example, when replacing an investment manager for performance reasons or rebalancing for asset allocation reasons.

Transition management clients are primarily defined benefit and defined contribution plan sponsors and, to a lesser extent, sovereign wealth funds, endowments, trusts, and high net-worth individual investors. In addition, Financial Intermediaries such as investment management firms, mutual fund and insurance companies use TM providers to facilitate portfolio changes.

Item 5 – Fees and Compensation

PGM negotiates individual fee arrangements for each client based on the scope of services provided, the complexity of a client's investment objectives, and the degree of discretion the client has given PGM.

Fees may be charged as a percentage of assets. Fee and payment options are negotiable. PGM does not charge performance based fees.

Investment consulting client agreements typically may be canceled, by either PGM or the client, for any reason upon receipt of 60 days written notice subject to negotiated contract terms. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

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

PGM does not charge 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

PGM provides investment services to institutional investors. PGM works with healthcare organizations, endowments and foundations, defined benefit and defined contribution plans, Taft-Hartley pension and welfare funds, and corporations (operating assets and other taxable funds).

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

Our transition strategy is to focus on reducing the tracking error of the legacy and target portfolios by eliminating the portfolio imbalances (e.g. asset mix, country, sector, credit quality), as well as quickly neutralizing the individual positions that contribute the greatest amount of tracking error.

Internal and third party risk analytics are used to pinpoint and monitor specific positions that cause the largest amount of tracking error between the legacy and target portfolios. Tracking error is defined as the standard deviation of the difference in returns between a portfolio's (legacy) and a benchmark (target) and can be calculated using the following formula:

$$TE = \sqrt{\frac{\sum_{p=1}^N (R_p - R_b)^2}{N - 1}}$$

Once these high tracking error positions are identified, they are tagged as “priority” trades that we will look to execute as quickly as circumstances permit in order to reduce the tracking error of the portfolios, all of which will be done within the context of the sector and dollar neutrality strategy.

One of the third-party analytical tools used by the transition team is ITG’s ACE Logic. We also rely on Sungard APT which provides equity investment analytics that can help manage the tracking error of a transition.

For TAM/BETA:

The primary goal BETA management is to deliver cost effective, low-turn-over portfolios that factor in our client’s customized risk profile. In order to achieve this, we use optimization tools to construct portfolios that track, within a pre-specified tracking error, the client’s defined benchmark. To ensure risk levels are within our expected ranges, our portfolio managers monitor the portfolio risk levels on a daily basis and make adjustments when forecasted risk is expected to exceed our benchmark threshold. Furthermore, exposure management mandates efficiently reinvest income by optimally allocating cash flows to the most efficient trades.

Risk of Loss:

Investing in securities involves risk of loss that clients should be prepared to bear.

All investments, including mutual funds, present the risk of loss of principal – the risk that the value of securities, when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

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 PGM or the integrity of PGM’s management. PGM has no legal or disciplinary proceedings pending.

Item 10 – Other Financial Industry Activities and Affiliations

Other than with its affiliate, neither PGM Inc. nor any of its management persons are currently engaged in any other financial industry activities for compensation. PGM Inc. is a wholly-owned subsidiary of Pavilion Global Markets Holdings Inc. PGM Inc. is affiliated via common ownership and control with the following entity and referred to as an affiliate:

Pavilion Global Markets Ltd. - a FINRA and IIROC (Canada) regulated agency-only broker dealer and options/futures dealer registered with the U.S. Securities Exchange Commission (SEC) and the securities commissions of various Canadian provinces. Pavilion Global Markets Ltd. offers agency-only securities trading, transition management and global macro research.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Clients of PGM receive experienced advisory services. Pursuant to regulations under the Investment Advisers Act of 1940, PGM has adopted policies and procedures, including a Code of Ethics, designed to prevent insider trading and conflicts of interest. Individuals associated with PGM may buy or sell securities for their personal accounts identical to those recommended to clients. In addition, an associated person may have an interest or position in certain securities which may also be recommended to a client. However, it is the expressed policy of PGM that no person employed by PGM may purchase or sell any security prior to a transaction(s) being implemented for a client, therefore, preventing such employees from benefiting from transactions placed on behalf of client accounts.

As these situations represent a conflict of interest, PGM has established the following restrictions in order to fulfill its fiduciary responsibilities:

- 1) A Director, officer or employee of PGM shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of PGM shall prefer his or her own interest to that of a client.
- 2) PGM maintains a list of all publicly traded clients. All PGM associates are prohibited from buying or selling the securities of such clients. This list is reviewed on a regular basis by PGM's Chief Compliance Officer.
- 3) PGM emphasizes the unrestricted right of the client to decline to implement any advice rendered.
- 4) PGM requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 5) Any individual not in observance of the above may be subject to termination.

A copy of PGM's Code of Ethics is available upon request by contacting Douglas J. Simsovic at (514) 315-5039. PGM also has policies in place to protect against the conflicts of interest which may arise due to the receiving and giving of gifts and entertainment.

Item 12 – Brokerage Practices

PGM will usually execute its trades through its affiliated Broker-Dealer, Pavilion Global Markets Ltd.

Neither PGM nor its affiliate owns its own securities and as such will not conduct principal transactions with any client securities.

With respect to "Soft Dollar", PGM does not engage in any formal or informal arrangements or commitments to utilize research, research-related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis.

The aggregation of transactions is permissible, provided that no client account is favored over another client and if it is consistent with our Code of Ethics. Given our current areas of business, aggregation is not an issue.

PGM has a Best Execution Policy. We select the broker that we believe is among those best able to carry out our execution objectives: we consider the full range of brokerage services applicable when ranking our selection. Lowest price is not always determinative.

Item 13 – Review of Accounts

PGM reviews all client accounts quarterly, annually and semi-annually depending on the client, and the size and complexity of the plan. The review may include investment strategy, portfolio structure, performance evaluation, asset allocation, investment policy compliance and portfolio rebalancing. The client reviews are conducted by each client's assigned PGM professional.

A review of investment policy and strategic asset allocation objectives is typically conducted annually.

Item 14 – Client Referrals and Other Compensation

We have no referral or other compensation arrangements in place.

Item 15 – Custody

PGM does not maintain custody of any client funds, securities or assets. Clients receive statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. PGM urges our clients to carefully review such statements and compare such official custodial records to the account statements that we may provide. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

PGM can provide investment services on a discretionary basis. The extent of our authority will be determined by the client.

Item 17 – Voting Client Securities

PGM will exercise voting authority, if and only if expressly requested and authorized to do so by the client, in the manner it believes to be in the best economic interest of the client, and with the approval of the client.

For greater clarity, PGM will generally seek instructions and guidance from the out-going, i.e. legacy, manager as to the appropriate manner in which to vote the proxy. If guidance cannot be obtained from said manager, it will seek instructions from the client on the preferred voting instructions. Lastly, in the event that client is unable to provide voting guidelines, PGM will exercise the voting authority as per the management recommendations provided in the relevant company's proxy voting circular. PGM will not act with discretionary authority in 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 PGM's financial condition. PGM 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.