



**Part 2A of Form ADV:**

***Firm Brochure***

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December 20, 2024

This firm brochure provides information about the qualifications and business practices of Davidson Investment Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 800-332-0529 or [DavidsonInvMarketing@dadco.com](mailto:DavidsonInvMarketing@dadco.com).

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. Registration as an investment adviser with the Securities and Exchange Commission does not imply any specific level of skill or training.

Additional information about Davidson Investment Advisors, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by our firm's CRD number, which is 110552.

## **Item 2    Material Changes**

A summary of material changes made to the Davidson Investment Advisors ADV Part 2A Firm Brochure (the “Brochure”) will be published in a separate document that will be distributed to clients who received the previous version of the Brochure and continue to have an advisory account with Davidson investment Advisors.

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## Item 4 Advisory Business

Davidson Investment Advisors, Inc. ("Davidson Investment Advisors" or "the Firm") is a Securities and Exchange Commission ("SEC")-registered investment adviser. Davidson Investment Advisors is wholly owned by D.A. Davidson Companies, a financial services holding company. Davidson Investment Advisors has been conducting business since 1975 with its headquarters in Great Falls, Montana. The purpose of this Firm Brochure ("Brochure") is to describe and disclose the services, fees, potential conflicts of interest, and other information clients should consider regarding the advisory services offered by the Firm.

The information contained herein is current as of the date of this Brochure and is subject to change at Davidson's discretion. Please retain this Brochure for your records.

Caprin Asset Management ("Caprin") operates as a division of Davidson Investment Advisors. Caprin offers fixed income portfolio management services for both institutional and individual clients. For information about Caprin's services, please see Caprin's Form ADV Part 2A Firm Brochure, which can be found at [www.dadavidson.com/Disclosures](http://www.dadavidson.com/Disclosures).

### TYPES OF ADVISORY SERVICES

The Firm offers professional portfolio management to individuals and institutions desiring investments in equity, fixed income, and multi-asset products. The advisory services offered by Davidson generally include portfolio management related account services. These advisory services are offered through the following types of programs:

- A direct relationship with Davidson Investment Advisors, with full investment and trading discretion.
- A subadvisor to other investment advisers or broker-dealers, with full investment and trading discretion. This includes participation in wrap fee programs sponsored and administrated by D.A. Davidson & Co. (a related person and broker-dealer subsidiary of D.A. Davidson Companies) and unaffiliated parties (the "Sponsors").
- A model provider to other investment advisers or broker-dealers for equity strategies. As a model portfolio provider, Davidson Investment Advisors monitors and updates the model portfolios; the investment advisers or broker-dealers are then responsible implementing the model portfolios for their clients and adjusting the model portfolio as recommended by the Firm. Davidson Investment Advisors does not have any trading authority over the third-party investment adviser's clients' assets invested in such model portfolios.
- Investment adviser to the Davidson Multi-Cap Equity Fund (the "Fund", which is a fund of the Adviser Series Trust ("Trust"). The Trust is registered under the Investment Company Act of 1940 as an open-end management investment company with multiple series. U.S. Bank Global Fund Services acts as the Fund's administrator and provides accounting and transfer agency services.

In addition, Davidson Investment Advisors offers discretionary and non-discretionary advisory services to direct clients via our own sponsored Wrap Fee Program. In this Wrap Fee Program, the Firm acts as your investment adviser, and brokerage services (such as trade execution and custody services) are provided by our affiliated broker-dealer, D.A. Davidson & Co. for a single "wrap fee." Conversely, in a non-wrap fee program, Davidson

acts as your investment adviser and brokerage services (such as trade execution and custody services) are negotiated by you with the account custodian and paid separately. For a complete description of Davidson Investment Advisors Wrap Fee Program, clients should refer to the Firm's Form ADV Part 2A Appendix 1: Wrap Fee Program Brochure. To receive a copy of this wrap brochure, contact us at 800-332-0529 or [DavidsonInvMarketing@dadco.com](mailto:DavidsonInvMarketing@dadco.com).

Davidson offers four primary investment strategies: Equity Income, Multi-Cap Equity, Intermediate Taxable Fixed Income, and Intermediate Municipal Fixed Income. Regardless of the type of program, the Firm's advisory services are provided, portfolios utilizing the same investment strategy are constructed and managed similarly.

**Portfolio Construction and Composition.** Davidson Investment Advisors can use a variety of investments, including stocks, bonds, mutual funds, and ETFs, among others, to build a portfolio of diversified holdings; the Firm will use all or a subset of these investments to construct the client's portfolio. The Firm can provide diversification through exposure to different asset classes (such as equities, fixed income, and alternative investments).

More information on the methods of analysis for investment strategies undertaken in the Discretionary Program is provided in Item 8 below.

**Monitoring and Rebalancing.** Davidson Investment Advisors reviews the portfolios quarterly and considers whether, based on market fluctuations and other factors, rebalancing a client's portfolio is appropriate. Once changes are deemed appropriate, they are implemented in the client's account at the Firm's discretion without prior notice to the client (including regarding the timing of these changes).

**Reasonable Investment Restrictions.** Subject to the agreement with Davidson Investment Advisors, the Firm may implement reasonable restrictions on the securities or types of securities held in the client's account upon request, including directing Davidson Investment Advisors to not purchase or liquidate certain securities in their account. Each request for an account restriction must be communicated in writing to Davidson Investment Advisors and will be considered in accordance with the Firm's policies and procedures and must be approved by Davidson Investment Advisors in its sole discretion. This option, however, is not intended to permit a client to direct the purchase of certain securities or types of securities in their account. If the request for restrictions is deemed reasonable by Davidson Investment Advisors, the Firm will select replacement securities as appropriate. Note that restrictions placed on an account may positively or negatively affect account performance and may cause the account to perform differently (including worse) than a like account with no restrictions. Restrictions cannot be placed on securities issued by pooled investment vehicles held in a client's account (e.g., mutual funds, exchange traded funds, etc.).

**Tax Overlay Service.** For taxable accounts that select Davidson Investment Advisors' Tax Overlay service, the Firm will seek to harvest the tax losses in a client's account to the extent consistent with the selected investment strategy. The Firm will strategically sell relevant securities in your account with unrealized losses. When Davidson Investment Advisors sells this security, it may enable the client to offset taxes on both capital gains and a limited amount of ordinary income. When implementing the Tax Overlay service, Davidson Investment Advisors will harvest tax losses with respect to securities it has recommended, and not necessarily based on other positions in the client's account. The Firm will review the positions in the client's account for

tax losses on a quarterly basis; the Firm may change this frequency from time to time without notice. Davidson Investment Advisors' goal is not to maximize overall losses either in the client's account or across all of a client's accounts (managed by the Firm or elsewhere), as the Firm will not necessarily sell all securities with unrealized losses in a particular client account and will also not necessarily sell securities with the greatest aggregate losses in a particular client account. Davidson Investment Advisors will only sell those securities with unrealized losses that it determines are appropriate to be sold at the time. Proceeds from positions sold to harvest losses will be held in cash or an ETF until "wash sale" windows expire.

***Client-Directed Tax Harvesting.*** For taxable accounts, Davidson Investment Advisors will also accept instructions to harvest a specific amount of tax losses or gains, subject to such limitations and procedures as the Firm may establish from time to time. Instructions to harvest tax losses must be provided in writing in the manner prescribed by the Firm. Davidson Investment Advisors will reasonably attempt to fulfill these instructions but may determine that a request is not feasible for a variety of reasons, including but not limited to, the size of the request. Any proceeds from such tax loss sales will be held in cash and will not be reinvested in substitute securities, unless otherwise instructed, which may affect the performance of the account.

***Tax-Aware Transition Service.*** For new accounts coming under Davidson Investment Advisors' management, the Firm offers a Tax-Aware Transition service, whereby Davidson Investment Advisors facilitates tax-optimal transitions of legacy security positions into target investment strategies. This service includes discretionary implementation of trades to maintain with reasonable precision the specified asset allocation of the selected investment strategy, while realizing capital gains associated with legacy positions over multiple (generally 2-3) tax years.

***Additional Information Regarding Tax-Related Services.*** If clients and/or their spouse have other taxable or non-taxable accounts, and the client holds in those accounts any of the securities held in your Davidson Investment Advisors managed account, clients should not buy any security sold at a loss for a period of at least 30 days before or after the Firm sells those same securities as part of a tax-related service offered by the Firm to avoid the possible application of the "wash sale" rules. Clients are responsible for monitoring their (and their spouse's) accounts both under and outside of Davidson Investment Advisors' management to ensure that transactions in the same security or a substantially similar security as the one traded in the client's account managed by the Firm do not create a wash sale.

A wash sale is the sale at a loss and purchase of the same security or substantially similar security within 30 days of each other. If a wash sale transaction occurs, the IRS may disallow or defer the claimed loss for tax reporting purposes. More specifically, the wash sale period for any sale at a loss consists of 61 calendar days: the day of the sale, the 30 days before the sale, and the 30 days after the sale. The wash sale rule has the effect of disallowing or postponing losses on a sale if a replacement security is bought within these time periods. If a client has multiple household accounts under Davidson Investment Advisors' management, the Firm will not monitor other household accounts, nor will it monitor any accounts for members of a client's household maintained outside the Firm's management, to ensure that transactions in the same security or a substantially similar security do not create a wash sale. For more information on the wash sale rule, please read IRS Publication 550.

Whether Davidson Investment Advisors' tax-related services are effective in reducing a client's overall tax liability will depend on the client's entire tax and investment profile, including purchases and dispositions in the

client's (or their spouse's) accounts outside of Davidson Investment Advisors' management, the nature of the client's investments (e.g., taxable or nontaxable) and their respective holding period (e.g., short-term or long-term). Davidson Investment Advisors will monitor only the account(s) opting into the tax-related service to determine if there are unrealized losses for purposes of determining whether to harvest losses. Transactions in any account other than a client's account, any accounts outside of the Firm's management, or even additional Davidson Investment Advisors-managed accounts may affect whether a loss is successfully harvested. Moreover, in determining whether and how to harvest tax losses, the Firm relies on various assumptions about the tax posture of a typical investor, which assumptions may or may not correspond with the client's actual circumstances.

Davidson Investment Advisors does not employ tax professionals and has not and will not provide tax advice to clients. No employee of Davidson Investment Advisors is qualified or permitted to provide tax advice. Clients should consult a tax professional for specific tax advice and specifically regarding the tax consequences of investing with Davidson Investment Advisors and engaging in tax-related services based on their particular circumstances. No feature of, interaction with, description of, or action taken in accordance with the Firm's management, including tax-related services, represents a tax strategy in the context of a client's individual tax situation and should not replace or supplement the advice of a personal tax advisor. Davidson Investment Advisors is not responsible for ensuring that clients accurately report the trading activity in their account to the IRS or any other relevant taxing authority. The Firm is not responsible to clients for the tax consequences of any transaction in a managed account. Davidson Investment Advisors makes no warranties or guarantees that the tax consequences described herein or in any materials provided to clients in respect to your managed account will be achieved. The Firm also makes no warranty or guarantee that the IRS or other relevant taxing authorities will not challenge the tax consequences of its trades, nor that any such challenge will not be successful. If the IRS is successful in its claim that one or more transactions executed pursuant to the Program were wash sale transactions, any loss recognized on such transactions may be deferred or disallowed, and clients may be subject to the imposition of interest and penalties on such transactions.

## ASSETS UNDER MANAGEMENT

As of September 30, 2024, Davidson Investment Advisors, including its Caprin division, managed approximately \$4.8 billion in assets on a discretionary basis and \$45 million on a non-discretionary basis. Additionally, the Firm provides several investment strategies via a model-based solution to other investment advisers. As of September 30, 2024, Davidson Investment Advisors, including its Caprin division, serviced approximately \$1.4 billion in model-based assets, which is not included on the Firm's ADV Part 1.

## SCOPE OF SERVICES AND APPLICABLE STANDARDS OF CARE

**Advisers Act Fiduciary Duty.** As a registered investment adviser, Davidson Investment Advisors is subject to a fiduciary duty under the Investment Advisers Act of 1940 (the "Advisers Act"), which includes both a duty of care and a duty of loyalty (referred to in this Brochure as the "Advisers Act Fiduciary Duty"). This means that the Firm is required to act in the client's best interest when providing investment advice and managing client accounts. The duty of care requires, among other things, for Davidson to seek best execution and to provide advice that is in the client's best interest based on the client's investment objectives, risk level, investment time horizon, financial information and other circumstances (collectively, client's "Investment Profile") or mandate. The duty of loyalty requires the Firm to eliminate or mitigate material conflicts of interest with

clients, and to provide full and fair disclosure of such conflicts of interest. The duty also requires Davidson Investment Advisors to provide ongoing monitoring of clients' accounts and its recommendations in advisory accounts.

***Special Rules for Retirement Accounts.*** When it comes to retirement and other qualified accounts, including employer-sponsored plans ("plans"), individual retirement accounts ("IRAs"), SEP IRAs, SIMPLE IRAs, Keogh plans, Coverdell educational savings accounts, and other similar accounts (collectively, "retirement accounts") we are "fiduciaries" under Title I of the Employee Retirement Income Security Act of 1974 ("ERISA") and/or the Internal Revenue Code (the "Code"), when we provide investment advice or manage a client's account. ERISA and the Code limit the types of products and services Davidson Investment Advisors can offer and provide with respect to retirement accounts. When making recommendations that clients open, rollover or transfer retirement account assets to an advisory account or change account types, the Firm relies on Prohibited Transaction Exemption ("PTE") 2020-02, which allows Davidson Investment Advisors to earn variable compensation for such recommendations subject to certain conditions. PTE 2020-02 requires Davidson Investment Advisors to act in client's best interest and not put their interest ahead of clients' interests when providing these recommendations ("fiduciary acknowledgement"). Under the PTE 2020-02, Davidson Investment Advisors and its financial professionals must also:

- Meet a professional standard of care (give prudent advice);
- Not put the Firm's financial interests ahead of client's (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that the Firm and its financial professionals give advice that is in client's best interest;
- Charge no more than is reasonable for the Firm's services; and
- Give the client basic information about conflicts of interest.

This fiduciary acknowledgment does not create or modify a contractual obligation, or fiduciary status or obligations under state law. This fiduciary acknowledgement does not apply to federal, state, local, non-US or other types of workplace employee benefit plans that are subject to laws other than ERISA or Section 4975 of the Code.

The above acknowledgement applies solely with respect to the following recommendation ("Covered Recommendation"), as may be applicable:

- Roll Out Recommendation. From time to time, the Firm in coordination with a centralized review team, will provide a written recommendation that client roll out assets from a plan to an IRA.

The above acknowledgement does not apply to other suggestions, recommendations, and services the Firm and its financial professionals provide and are governed exclusively by the terms of clients' other agreements with, and disclosures from, the Firm, as may be applicable. Davidson Investment Advisors refers to these as "Excluded Recommendations and Transactions." Excluded Recommendations and Transactions refer to communications that are not reasonably intended to be viewed or construed as an individualized/personalized suggestion for client to take a particular course of action with respect to their retirement accounts ("General



Information and Education”) or that are otherwise not to be treated as a Covered Recommendation under this disclosure, including, but not limited to:

- General Information and Education about the financial markets, asset allocations, financial planning illustrations and the advantages and risks of particular investments;
- General Information and Education materials about issues and alternatives that should be considered when deciding whether to roll out or transfer retirement account assets to the Firm;
- Transfers of retirement assets held at a financial service company other than the Firm (including directly with an investment product sponsor);
- Recommendations about investments in accounts that are not retirement accounts (i.e., taxable accounts);
- Transactions clients enter into without a recommendation from Davidson Investment Advisors or that are contrary to, or inconsistent with, their recommendation;
- Ongoing recommendations of securities or other transactions or discretionary investment advice, except as otherwise agreed to in writing in any applicable agreements or disclosures;
- Recommendations or investment advice that the Firm provides to clients with respect to an account that they have at the Firm, which clients choose to implement in another account or at another financial services company without the Firm’s written consent; and
- Recommendations that are not fiduciary “investment advice” as defined in Department of Labor regulation section 2510.3-21 (i.e., investment advice for a fee or other compensation rendered on a regular basis pursuant to a mutual understanding that such advice will serve as a primary basis for client’s investment decision, and that will be individualized to the particular needs of client’s retirement account).

***The Best Interest Standard and Reasonable Compensation.*** The best interest standard under both the Advisers Act Fiduciary Duty and PTE 2020-02 does not require that Davidson Investment Advisors guarantee the performance of any investment or that client’s investment objectives will be achieved. In addition, Davidson Investment Advisors and its financial professionals may provide recommendations and take actions in connection with the accounts of other clients that may differ from the recommendations and services provided to client. There may be times when Davidson Investment Advisors is legally prohibited from making a recommendation that may be otherwise considered to be in client’s best interest, such as due to insider trading. Client understands any recommendations Davidson Investment Advisors, or its financial professionals make will reflect the information client provides to the Firm about their investment objectives, risk level, investment time horizon, financial information and other circumstances and Davidson Investment Advisors will not be responsible for any information client omits or fails to provide, including changes thereto. Davidson Investment Advisors and its financial professionals’ recommendations and advice will also reflect any limitations client imposes, including through applicable investment restrictions and guidelines. Clients are responsible for notifying Davidson Investment Advisors and their financial professionals if their investment objectives, risk tolerance and financial circumstances change. Davidson Investment Advisors will not be responsible for clients’ decision to invest or transfer their retirement account assets in a manner that is different from, or inconsistent with, Davidson Investment Advisors’ recommendations or other advice and

guidance, and clients assume the risk of such decision, nor will Davidson Investment Advisors or its financial professionals be responsible for clients' delay in implementing a recommendation.

Reasonable compensation under the retirement laws has generally been determined based on the compensation paid or received in an arm's-length transaction considering the nature and extent of all services (including products, features and benefits) provided. This standard does not require Davidson Investment Advisors to offer its services at the lowest cost, or for the least compensation, in the marketplace, or that it offer its services to clients at the same or lower cost or compensation levels than it offers them to other clients, including similarly situated clients. Certain clients may have negotiated lower fees and compensation for their advisory services than others. By entering into an agreement with Davidson Investment Advisors, clients agree that they believe the fees and other compensation payable for the Firm's services are reasonable in light of the totality of the services provided. If clients decide not to use all or some of the services made available, clients agree the Firm has no obligation or responsibility to reduce or lower its fees and compensation during the period those services are available. If clients want to change the services the Firm makes available to them or has any concerns regarding the level of fees their retirement account pays or Davidson Investment Advisors' compensation, client should contact their financial professional immediately.

## **Item 5 Fees and Compensation**

### **DESCRIPTION**

A client's investment management agreement will set forth the actual compensation the client will pay to Davidson Investment Advisors. A client pays the Firm an asset-based fee, which is an ongoing fee based on the market value of the assets in the account (including cash and cash equivalents) on the last day of the preceding quarter. Davidson Investment Advisors does not have one standard annual fee schedule that is applicable across all strategies but has a fee schedule per strategy and account type. Advisory fees are negotiable. If an account is governed by a sub-advisory or wrap program agreement, the Firm's fees, along with the fees of the program sponsor, and all corresponding rules are the sole responsibility of the program sponsor and are governed by the client agreement with the program sponsor. Below are typical strategy-specific fee schedules applicable to separately managed accounts for which Davidson has trading discretion:

#### **Equity Income Strategy:**

<u>Value of assets</u>	<u>Annual Fee</u>
0 - \$10m	0.50%
Above \$10m	negotiable

#### **Multi-Cap Equity Strategy:**

<u>Value of assets</u>	<u>Annual Fee</u>
0 - \$10m	0.65%
Above \$10m	negotiable

### Intermediate Taxable Fixed Income Strategy:

<u>Value of assets</u>	<u>Annual Fee</u>
0 - \$10m	0.35%
Above \$10m	negotiable

### Intermediate Municipal Fixed Income Strategy:

<u>Value of assets</u>	<u>Annual Fee</u>
0 - \$10m	0.25%
Above \$10m	negotiable

*Note: There are exceptions to the above fee construct for a limited number of clients based on legacy relationships and/or supervisory approval.*

The typical fee schedule for model provider services to other investment advisers or broker-dealers is 0.30% of the market value of assets invested using Davidson Investment Advisors' models.

### ADDITIONAL FEE INFORMATION

**How Fees are charged.** Fees are generally charged quarterly, in advance, payable on the first day of each calendar quarter. This quarterly fee is calculated based on the market value of assets in the account (including cash and cash-equivalents) on the last business day of the prior quarter. The value of assets held in the client's account will be determined in good faith by the Firm to reflect their fair market value. Depending on the terms of an investment management agreement governed by a sub-advisory or wrap program sponsor, some clients may be charged in arrears and/or monthly. The initial billing period begins when an investment management agreement is signed by the client and accepted by Davidson. If this occurs after the start of a monthly or quarterly billing period, the initial or partial quarter fee will be prorated based on the number of days remaining in the billing period. Clients may choose to have fees deducted directly from their account or be invoiced quarterly.

**Services Covered by the Advisory Fees.** The fee includes Davidson's investment management and other administrative services.

**Service Fees and Expenses NOT Covered by the Advisory Fees.** In addition to the Advisory Fees described above, a client may incur other fees and expenses related to the management and servicing of their account. These other fees and expenses include commissions for account transactions, exchange fees, electronic fund and wire transfer fees, margin interest, transfer taxes, redemption fees imposed by a mutual fund company in relation to trading deemed to be excessive, certain fees in connection with the establishment, administration, or termination of retirement or profit-sharing plans or trust accounting, or other costs or fees imposed under applicable laws or regulations. In addition, in connection with the purchase of certain types of securities (such as securities traded over the counter and fixed income securities), the client will bear the cost of any mark-ups, mark-downs and spreads charged by market-makers and dealers.

**Investment Fees and Expenses NOT Covered by the Advisory Fees.** All Advisory Fees paid to the Firm for investment advisory services provided are in addition to the fees and expenses clients incur with respect to investments held in the accounts, including for assets invested in bank deposit accounts, money market funds, mutual funds, ETFs, and other pooled investments. These fees and expenses are described in each fund's (or

other vehicle's) prospectus or offering document and will be borne directly or indirectly by their shareholders. These fees can include fund management fees, administrative fees, omnibus and sub-transfer agent fees, other fund expenses, and potentially a 12b-1 Fee or other marketing, shareholder servicing and distribution charges. By investing in these types of securities, a client is essentially paying multiple layers of fees and expenses on the assets invested.

When investing in mutual funds, including money market funds, a 12b-1 fee may be assessed, depending on the fund selected. 12b-1 fees are sales charges that are incorporated into the expense ratio of the fund. As a matter of the Firm's policy, any new purchases of mutual funds must be in an advisory share class that does not impose a 12b-1 Fee, where such a share class is available. Davidson Investment Advisors does not guarantee clients will always be invested in the most favorable share class offered by a mutual fund company or that more favorable share classes will be made available in advisory accounts. In no case does Davidson Investment Advisors receive compensation from mutual fund companies in which client assets are invested. For client accounts custodied at D.A. Davidson, in the event the Firm receives a 12b-1 Fee in relation to an existing mutual fund position in an advisory account, the Firm will pass on and rebate the fee to the client. For accounts managed by the Firm that are held at custodians other than D.A. Davidson & Co., please refer to the custodian's 12b-1 rebate practices, as Davidson Investment Advisors is unable to rebate any such 12b-1 fees.

***Termination of the Advisory Relationship.*** Either clients or the Firm may terminate an investment management agreement upon ten business day's written notice to the other. Davidson Investment Advisors may also place restrictions on client's account (i) automatically upon notification to the Firm of client's death, or the death of all authorized persons on the account (including trustees), (ii) should a client's balance fall below the minimum balance due to client-initiated withdrawals, or (iii) if a client fails to update or provide any required documentation. In the event Davidson Investment Advisors or a client terminates an account, any prepaid, unearned fees will be refunded. The number of days remaining in the billing period after the effective date of the termination will be considered in determining the amount of any fee reimbursement due to a client.

***Purchasing Like Services Outside of an Advisory Relationship.*** The products and services provided to a client in connection with an advisory account at Davidson Investment Advisors may be separately available to a client outside of the advisory account. Clients are cautioned that, depending on factors such as: the level of fees charged by the executing broker-dealer, the amount of trading activity in the client's account, the value of the client's account, the types of securities held in the client's account, the client's investment strategy, and the level of service sought by the client, the aggregate cost of the client's advisory account may be higher than if the client had selected the services separately. In addition, fees charged by Davidson Investment Advisors may be higher or lower than the fee charged by another firm that offers comparable advisory services.

A client could also invest in a mutual fund directly or through an unaffiliated broker-dealer without Davidson Investment Advisors' services. In that case, the client would not receive the ongoing investment advisory services offered by the Firm through its programs, which are intended, among other things, to assist the client in determining which mutual funds or other securities are most appropriate in considering the client's financial condition and objectives. Moreover, the mutual fund purchased directly by the client may also impose an initial or deferred sales charge. Taking such information into consideration, each client should carefully review and evaluate their investment objectives and risk tolerance, the investment advisory services provided by Davidson

Investment Advisors and other firms, and the costs and expenses charged by such firms, before determining whether to open an advisory account and participate in a Program.

**Additional General Fee Information.** Davidson Investment Advisors may modify a client's existing fees and/or add additional fees or charges by providing the client thirty (30) days prior written notice. Different fee schedules have been in effect over time, which may have reflected fees that are higher or lower than those currently stated.

Davidson, at its discretion, may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members of associated persons of our Firm.

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

Davidson Investment Advisors, Inc. does not charge performance-based fees (i.e. fees based on a share of capital gains or capital appreciation of the client's assets) resulting from the Firm's advisory services.

## Item 7 Types of Clients

Davidson Investment Advisors offers its services to all types of current or prospective clients, including, but not limited to: individuals; banks or thrift institutions; pension and profit sharing plans; trusts; estates; charitable organizations; corporations or other business entities; and registered investment companies.

**Minimum Account Requirements.** A minimum of \$100,000 of assets under management is generally required to participate in the Firm's equity strategies. A minimum of \$250,000 of assets under management is generally required to participate in the Firm's fixed income strategies. A minimum of \$50,000 of assets is required to participate in the Discretionary Program's multi-asset portfolio solutions. These account minimums may be higher or lower under certain circumstances and depending on the portfolio selected as well as program sponsor.

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

### METHODS OF ANALYSIS

The Investment Team process leverages one team, with shared responsibility for investment strategy construction, changes to investment strategies, timing, and parameters for implementation, and monitoring and rebalancing the strategies. They conduct due diligence building investment strategies based on an evaluation of the capital markets, current and projected macroeconomic and other conditions and performance of investments over time.

Davidson Investment Advisors utilizes three primary methods of analysis for its investment strategies:

**Fundamental Analysis.** Davidson Investment Advisors attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the issuer itself) to determine if the security is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements.

**Quantitative Analysis.** Quantitative analysis uses complex mathematical models and statistics to analyze past events to make investment decisions about security performance (or larger market movements) in the future.

**Qualitative Analysis.** Qualitative Analysis involves the analysis of unquantifiable information, such as management decisions, to evaluate investment opportunities in the company's securities.

## INVESTMENT STRATEGIES

Davidson Investment Advisors offers the following core investment strategies:

**Equity Income Strategy.** The Equity Income strategy invests in U.S.-traded equities and ETFs, and its primary investment objectives are capital appreciation and income generation. The strategy is actively managed and invests in high-quality companies with solid balance sheets, ample cash flow and a strong competitive position generating attractive return on capital. Key to the investment strategy is our focus on Dividend Power -- looking beyond current dividend yield to include a company's future capacity for dividends. Using a multivariate appraisal process, we assess value across three dimensions (Asset Value, Dividend Power, and Growth Value) to uncover quality companies underappreciated by the broader market.

**Multi-Cap Equity Strategy.** The Multi-Cap Equity strategy invests in U.S.-traded equities and ETFs, and its primary investment objective is capital appreciation. The strategy is actively managed and unconstrained by market capitalization and style classifications. As fundamental investors, we are cognizant of cyclical and secular dynamics, and focus on profitable companies with attractive return on capital, cash flow and growth prospects. We take active industry positions, with relative position sizes commensurate with risk. Our holdings are diversified by economic sector and adjusted based on where we view the greatest market opportunities.

**Intermediate Taxable Fixed Income Strategy.** The Intermediate Taxable Fixed Income strategy's primary investment objectives are capital preservation and income generation. The strategy invests in a variety of securities, including U.S. Treasury bonds, corporate bonds, government agency bonds, mortgage-backed securities, and ETFs. The strategy is actively managed and focuses on the intermediate portion of the yield curve. We invest in investment grade or higher issues with maturities ranging from one to ten years. We perform fundamental credit analysis and monitor issuers and credit trends daily. We believe that fixed income assets are best managed actively with respect to duration and credit exposures, as we monitor, anticipate, and respond to changes in the broad economy and the interest rate environment.

**Intermediate Municipal Fixed Income Strategy.** The Intermediate Municipal strategy's primary investment objectives are capital preservation and tax-exempt income generation. The strategy invests in general obligation and revenue bonds of various municipalities across the U.S., as well as ETFs. The strategy is actively managed and focuses on the intermediate portion of the yield curve, purchasing investment-grade issues with maturities ranging from one to fifteen years. Emphasis is placed on purchasing issues with predictable income and principal stability, while managers also remain aware of resiliency to credit stress, changing interest rates, and market volatility. Given the tax-sensitive nature of the asset class, attention is also paid to the management of portfolio turnover and the opportunity to realize gains or losses as advantageous for clients, as well as Alternative Minimum Tax and state tax considerations.

Davidson Investment Advisors also offers custom and multi-asset portfolio management, which includes, but is not limited to, asset allocation services. We tailor portfolios to client specifications regarding exposure to

various asset classes (including, but not limited to, equities, fixed income securities, international securities, alternative investments, and private equity), as well as desired portfolio characteristics (such as quality parameters or cash flow projections). Such specifications may be outlined in an institutional client's Investment Policy Statement (IPS), a document that aligns the objectives of an organization with its financial goals to ensure financial assets support organizational objectives.

For all investment strategies, securities selected for inclusion in client portfolios are monitored using Bloomberg and other available data. Davidson Investment Advisors focuses on long-term investing; ultimately, a portfolio position may be sold once the security has become fully priced by the market, a more favorable investment alternative becomes available, the fundamentals of the issuer deteriorate, or catalysts for growth identified in the due diligence process fail to develop.

## **RISK OF LOSS**

Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal. The following provides information on specific types of investment risks depending on the type of underlying investments.

**Risks for all forms of analysis.** Securities analysis methods rely on the assumption that the entities whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis becomes compromised by inaccurate or misleading information.

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

**Fundamental Analysis Risk.** This method of analysis presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the security.

**Quantitative Analysis Risk.** A risk in using quantitative analysis is that the models used are based on assumptions that may prove to be incorrect.

**Qualitative Analysis Risk.** A risk of using qualitative analysis is that our subjective judgment proves to be incorrect.

**Technical Analysis.** Technical analysis involves the use of statistical data, and trends in that data, to identify trading opportunities. Technical analysis does not consider the underlying financial condition of a company, or the intrinsic value of its securities. This type of analysis presents a risk in that a poorly managed or financially unsound company may underperform regardless of larger movements in the market.

**Cyclical Analysis.** This form of technical analysis involves studying cycles in the economy and financial markets. In this type of technical analysis, the movements of a particular stock are measured relative to the overall market in an attempt to predict the price movement of the security. The risk most commonly associated with this analysis is that the overall measurement is incorrect.

**Asset Allocation.** A risk of an incorrect asset allocation decision is that the client does not participate in a sharp increase in a particular security, industry, or market sector. Another risk is that the ratio of equities, fixed income, and cash holdings will change over time due to security value and market movements and, if not corrected (i.e., through rebalancing), will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis.** A common risk of mutual funds and/or ETF analysis is that, as with other securities investments, past performance does not guarantee future results. A manager who has been successful in identifying profitable opportunities among mutual funds may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a mutual fund or ETF, managers of different funds held by the client may purchase the same security, creating concentrated exposure for the client to that security and increasing the risk to the client if that security were to fall in value. There is also a risk of a manager deviating from the stated investment mandate or strategy of the mutual fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Interest Rate Risk.** Fluctuations in interest rates cause investment prices to fluctuate. For example, bond market values have an inverse relationship to changes in interest rates. Rising interest rates cause bond market values to decline and declining interest rates cause market values to rise. Generally, the longer a bond's maturity, the greater the interest rate risk and the higher its yield. Similarly, equities may also suffer from a rising interest rates.

**Market Risk.** Market risk is the risk of investment losses in a client's account due to a variety of reasons outside of Davidson Investment Advisors' control, including, but not limited to, changes in the macroeconomic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political, demographic, epidemic, pandemic, or social events, independent of the intrinsic valuation of one or more securities in the client's account.

**Inflation Risk.** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation. Inflation risk is the risk of inflation exceeding or eroding the return of an investment in the client's account.

**Currency Risk.** Among other risks, investments in non-U.S. securities are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk. Currency risk could lead to a loss to a client, for example, when the proceeds from the sale of the non-U.S. security, which may be in a devaluing foreign currency, are converted to a relatively stronger U.S. dollar.

**Reinvestment Risk.** This is the risk that future proceeds from investments have to be reinvested at a potentially lower rate of return (i.e., due to reductions in interest rates). This relates primarily to client account investments in fixed income securities.

**Business Risk.** These risks are associated with a particular industry or company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of potential profitability than an electric company, which generates its income from a steady stream of customers who buy electricity of the prevailing economic environment.



**Liquidity Risk.** Liquidity is the ability to readily convert a security into cash. Securities in a client's account are more liquid if many individuals are interested in buying or selling them. For example, Treasury bills are highly liquid, while real estate properties are relatively illiquid. Liquidity risk is therefore the risk that a client will not be able to promptly sell a security due to a limited market for that instrument.

**Financial Risk.** Excessive borrowing to finance a business' operations may create a degree of stress on the firm to the point of jeopardizing its profitability, and potentially triggering a default on one or more outstanding loans. Depending on the circumstances, such a development could lead to a declining value in the company's securities, or even its bankruptcy.

**Global Economic Risk.** National and regional economies and financial markets are becoming increasingly interconnected, which increases the possibilities that conditions in one country, region or market might adversely impact issuers in a different country, region, or market. Changes in legal, political, regulatory, tax and economic conditions may cause fluctuations in markets and securities prices around the world, which could negatively impact the value of an account's investments. Major economic or political disruptions, particularly in large economies, may have negative global economic and market repercussions. Additionally, events such as war, terrorism, natural and environmental disasters and the spread of infectious illnesses or other public health emergencies may adversely affect the global economy and the markets and issuers in which an account invests. These events could reduce consumer demand or economic output, result in market closure, travel restrictions or quarantines, and have a significant impact on the economy. Such events could materially increase risks, including market and liquidity risk, and significantly reduce account values.

**Cybersecurity Risk.** Client portfolios are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events that include, but are not limited to, gaining unauthorized access to digital systems, misappropriating assets or sensitive information, corrupting data, or causing operational disruption, including the denial-of-service attacks on websites. Cyber security failures or breaches by a third-party service provider and the issuers of securities in which the portfolio invests, have the ability to cause disruptions and impact business operations, potentially result in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, including the cost to prevent cyber incidents.

**Technology Risk.** The Firm's investment offerings are dependent upon various computer and telecommunication technologies, many of which are provided by or are dependent on third parties. The successful operation of our Firm could be severely compromised by system or component failure, telecommunication failure, power loss, a software-related system crash, unauthorized system access or use (such as "hacking"), computer viruses and similar programs, fire or water damage, human errors in using or accessing relevant systems, or various other events or circumstances. It is not possible to provide comprehensive and foolproof protection against all such events, and no assurance can be given about the ability of applicable third parties to continue providing their services. Any event that interrupts such computer and/or telecommunication systems or operations could have a material adverse effect on the Firm. Such a material effect may have a heightened impact on the investment strategies, given the automated nature of the services provided.

## Item 9 Disciplinary Information

Davidson Investment Advisors does not have any events that are material to a client's or prospective client's evaluation of its advisory business the integrity of its management, including any legal, financial, or disciplinary events that require disclosure.

## Item 10 Other Financial Industry Activities and Affiliations

Davidson is a wholly-owned subsidiary of D.A. Davidson Companies, a financial services holding company with other subsidiaries: D.A. Davidson & Co. (also referred to as "D.A. Davidson") and D.A. Davidson Trust Company. D.A. Davidson & Co. is dually registered as a broker-dealer with FINRA (Financial Industry Regulatory Authority) and a registered investment adviser with the SEC and is also a qualified custodian. D.A. Davidson Trust Company is a federal savings bank.

Davidson may recommend clients use D.A. Davidson & Co. and D.A. Davidson Trust Company, related parties, for custody and safekeeping purposes. The client also retains the right to direct Davidson to use another broker. If a client elects to use D.A. Davidson & Co. or D.A. Davidson Trust Company, the client may terminate the arrangement at any time. See additional information in regard to Directed Brokerage under Item 12 – Brokerage Practices.

D.A. Davidson & Co. Financial Professionals may refer clients to Davidson Investment Advisors in its capacities as independent investment adviser participating in D.A. Davidson's advisory programs as described in the D.A. Davidson 2A Wrap Fee Brochure. D.A. Davidson Financial Professionals have an incentive to recommend a Program or an investment manager that is affiliated with D.A. Davidson because the entire client fee is retained by D.A. Davidson Companies. Often the D.A. Davidson Financial Professional remains the client's financial advisor for the Davidson Investment Advisors wrap fee account and is compensated for the referral on an ongoing basis.

Many D.A. Davidson Financial Professionals are also registered representatives of D.A. Davidson in its capacity as a broker-dealer. When acting as a broker-dealer, these financial professionals provide brokerage and related services to clients, including in relation to the purchase and sale of individual stocks, bonds, mutual funds, private investment funds, life insurance policies and annuities, and other products. These broker-dealer recommendations and any subsequent implementation are separate and distinct from the Firm's advisory services. See the D.A. Davidson Regulation Best Interest Disclosure at [www.dadavidson.com/Disclosures](http://www.dadavidson.com/Disclosures) for more information about D.A. Davidson's Brokerage Services.

**Davidson Funds.** Davidson previously disclosed in "Advisory Business" (Item 4) of this Brochure that it is the investment adviser to the Davidson Multi-Cap Equity Fund, a fund of the Adviser Series Trust, an investment company registered under the Investment Company Act of 1940. Please refer to these items for a detailed explanation of this relationship and important conflict of interest disclosures.

For additional information, the Fund's Prospectus and Statement of Additional Information are available online at [www.davidsonmutualfunds.com](http://www.davidsonmutualfunds.com). Prospective investors should review these documents carefully before making any investment in the mutual fund.

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

### **CODE OF ETHICS**

Davidson Investment Advisors has adopted a Code of Ethics (“Code”) which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

The Firm’s Code establishes rules of conduct for all employees and is designed to govern personal securities trading activities in the accounts of employees, among other things. The Code is based upon the principle that Davidson Investment Advisors and its employees owe a fiduciary duty to its clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid: (i) serving their own personal interests ahead of clients (ii) taking inappropriate advantage of their position with the Firm and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by calling us at 800-332-0529.

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

As a general practice, Davidson Investment Advisors does not engage in principal transactions.

The Firm’s employees are allowed to invest in the same securities recommended to or owned by clients. However, in order to avoid conflicts of interest, all Davidson Investment Advisors employees are required to receive prior approval to trade in personal security accounts.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

### **D.A. DAVIDSON & CO. PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

As previously noted, Davidson Investment Advisors may recommend D.A. Davidson & Co., a related party and broker-dealer, as the qualified custodian for many Davidson Investment Advisor clients. Subject to the requirements of applicable law, D.A. Davidson & Co. may act as principal, buying securities for itself from, or selling securities it owns to, an advisory client, but only on a case-by-case basis with advance written authorization from the client, and when it is in the best interest of a client to do so.

D.A. Davidson & Co.’s policy generally prohibits agency cross transactions for advisory clients, but in rare cases exceptions may be granted. An agency cross transaction is a transaction in which D.A. Davidson & Co. acts as broker for the party or parties on both sides of the transaction. However, no cross transactions may be made in ERISA-covered or IRA advisory accounts. For additional information regarding D.A. Davidson & Co.’s principal trading and agency cross transaction policies, please refer to D.A. Davidson & Co.’s Wrap Fee Program Brochure. You may also request a copy by calling us at 800-332-0529.

## Item 12 Brokerage Practices

For clients, Davidson Investment Advisors will determine: (1) which securities are bought and sold; (2) the total amount of such purchases and sales and whether a client's transaction should be aggregated with those of other clients; (3) the broker through which transactions will be executed (with the exception of directed brokerage arrangements, as described later in this section); and (4) the commission rates paid to effect the transactions, as negotiated with the executing broker. Such determinations are made in the good faith judgment of the Firm so that such orders will be placed at prices and commissions that will be in the best interest of the account.

**Best Execution.** Davidson Investment Advisors has the obligation to seek best execution when it places trades with broker-dealers. Best execution entails the efficient placement of orders, clearance, settlement and the overall quality of execution as well as the cost of the transaction.

**Selection of Broker-Dealers.** Davidson Investment Advisors considers the full range and quality of the services in selecting or approving broker-dealers to meet best execution obligations which include but are not limited to: ability to provide anonymity; promptness of execution; access to inventory in case of fixed income, or access to multiple centers and alternative networks in case of equities; best available price; competitive bids/offers; adequate backup for the trader; financial stability/business reputation; overall responsiveness, and communication.

**Soft Dollars.** Consistent with obtaining best execution for clients, the Firm maintains trading arrangements with various broker-dealers whereby it has access to its research. Davidson may direct trades to one of those broker-dealers and pay commissions that are competitive but that are higher than the lowest available rate that another broker might have charged, if Davidson determines in good faith that the commissions are reasonable in relation to the value of the brokerage and research services provided.

The provision of such services in exchange for brokerage business is commonly referred to as a "soft dollar arrangement." Research services and products may include tangible research products (publications or writings as to the value of securities, analysis and reports concerning issuers, industries, economic factors and trends), as well as direct access to analysts and traders. This creates an incentive to select or recommend a broker-dealer based on the Firm's interest in receiving research, rather than clients' interest in receiving most favorable execution. However, Davidson Investment Advisors has a fiduciary duty to act in the best interest of clients and to obtain best execution for its advisory clients. The Firm does not enter into soft dollar arrangements that are not covered by the safe harbor of Section 28(e) of the Securities Exchange Act of 1934.

**Directed Brokerage.** Some clients, when undertaking an advisory relationship, may already have a pre-established relationship with a broker-dealer. Therefore, the client may instruct Davidson to execute all transactions through that broker-dealer. If the client directs Davidson Investment Advisors to use a particular broker-dealer, the client recognizes that Davidson will likely have no authority to negotiate commissions, to obtain volume discounts and best execution may not be achieved. Under these circumstances, there may be a disparity in commissions charged among the Firm's clients.

**Order Aggregation.** Davidson Investment Advisors will aggregate client trades where possible and when advantageous to clients. This aggregation of trades permits the trading of blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis

between all accounts included in any such block. All participating accounts receive an average share price for trade execution.

**Directed Brokerage in Wrap Programs.** Client accounts managed by Davidson Investment Advisors which originate through a Wrap Program ordinarily are directed brokerage accounts. Sponsors of these programs typically charge the program participants a fee which covers the costs of executing transactions for the participants' accounts when such transactions are placed by the program sponsor. Trades not placed by the program sponsor are referred to as "step-out" trades and will incur the client additional trading costs. A Wrap Program client should confer with the program's sponsor and determine that the direction of brokerage provided for under the program is reasonable in view of the benefits received, and that the trade execution provided by the program's sponsor is in the client's best interest.

Davidson Investment Advisors "steps-out" the majority of its trades, since it believes that "step-out" trades are more likely to provide clients, including Wrap Program clients, with best execution and offer a higher degree of liquidity. Since the Firm will frequently trade away from the program sponsor, Wrap Program clients will incur trading costs that are in addition to the fee they pay to the program sponsor.

**Trade Rotation.** Davidson Investment Advisors employs a trade rotation policy for block trades, by which a rotating, pre-determined order is used to bring clients' shares to the market.

In the event that an aggregated trade takes multiple trading sessions to complete, the overall trade rotation for subsets is adhered to, and allocation of shares is conducted on a random basis using the trade order management system.

## **Item 13    Review of Accounts**

**Reviews.** Davidson Investment Advisors monitors the underlying securities within each client's account. Depending on the type, accounts are generally reviewed on a quarterly basis or at least on an annual basis. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, the market, political or economic environment.

These accounts are reviewed by various members of the investment team, client service professionals and portfolio administrators.

It is the client's responsibility to advise the Firm of any changes to the information previously provided that might impact the investment strategy or objectives in which they are invested. Davidson Investment Advisors is not responsible for independently verifying information or data provided in a client's initial or subsequent updates to Client's Investment Profile, nor is the Firm responsible for any adverse consequences arising out of client's failure to promptly provide notification. Client understands the integrity and quality of the respective investment management services to be rendered by Davidson Investment Advisors is dependent upon the accuracy of the data and information supplied by client in Client's Investment Profile.

**Reports.** For accounts operating under a direct advisory agreement with Davidson Investment Advisors, the Firm provides written reports to clients on the performance of their account(s) on a quarterly basis. Client performance reports typically include a portfolio valuation, the asset allocation, and account performance. Performance returns include the deduction of advisory fees, transaction costs, and market appreciation or depreciation.

When preparing a client's account statements and performance reports, the Firm relies on third parties, such as third-party quotation services and other custodians when determining the value of account assets. Our Firm does not conduct an in-depth review of valuation information provided by third-party quotation services or other custodians, and it does not verify or guarantee the accuracy of such information. The prices obtained by Davidson Investment Advisors from the third-party quotation services it uses may differ from prices that could be obtained from other sources. If a client has assets held by a third-party custodian, the prices shown on a client's account statement provided by that custodian may be different from the prices shown on statements and reports provided by the Firm due to the use of different valuation sources by the custodian and Davidson Investment Advisors.

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

### **CLIENT REFERRALS**

Davidson Investment Advisors will from time to time pay referral fees to independent persons or firms, as well as Financial Professionals at D.A. Davidson & Co., a related person and broker-dealer, ("Promoters") for introducing clients to us. Whenever the Firm pays a referral fee, we require the Promoter to provide the prospective client with a copy of this Brochure and a separate disclosure statement that includes: the Promoter's name and relationship with the Firm; the fact that the Promoter is being paid a referral fee; the amount of the fee; and whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Promoter.

As a matter of firm practice, the advisory fees charged to clients referred by Promoters or related parties are not increased as a result of any referral.

### **OTHER COMPENSATION**

It is Davidson Investment Advisors' policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

**Cash Management Program.** As mentioned in Item 10 – Other Financial Industry Activities and Affiliations, the Firm may recommend that clients custody assets at D.A. Davidson, a related broker-dealer. Your Davidson Investment Advisors account typically includes an allocation to cash. If D.A. Davidson is selected as the custodian for your account, a Cash Management Program will be utilized, commonly referred to as a "sweep" program, to automatically deposit uninvested cash balances into an interest-bearing account maintained at one or more participating third-party banks (or in limited circumstances to an unaffiliated money market fund) at the end of each business day. Uninvested cash may occur due to, among other things, the sale of securities, dividend payments, interest credited from bonds, and short-term allocations to cash in the account portfolio. Clients affirmatively consent to participation in D.A. Davidson's Cash Management Program by expressly electing it in the account application and signing the account agreement but can revoke this consent at any time by contacting their Financial Professional.

D.A. Davidson receives important and significant compensation and benefits from client use of the Cash Management Program. Because the Advisory Fees are generally charged on cash balances and cash balances generate compensation to D.A. Davidson through the cash management program, D.A. Davidson Companies earn two levels of compensation on such cash balances in Davidson Investment Advisors wrap accounts.

Please review the Cash Management Program Disclosure Statement available on the D.A. Davidson website at [dadavidson.com/Disclosures](http://dadavidson.com/Disclosures) for more information about how the cash management program works, including limitations, restrictions, how changes are implemented and additional discussion of conflicts of interest. For current interest rates applicable to the cash management program see [dadavidson.com/What-We-Do/Wealth-Management/Products-Services/Saving-Spending-Solutions/CashManagement-Program](http://dadavidson.com/What-We-Do/Wealth-Management/Products-Services/Saving-Spending-Solutions/CashManagement-Program).

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that when client assets are custodied at our related person, D. A. Davidson & Co., a qualified custodian, advisory fees can be directly debited from client accounts. In some instances, a client appoints a separate custodian to maintain client assets in which advisory fees may also be directly debited with written authorization from the client on file.

As a related person to D.A. Davidson & Co. and D.A. Davidson Trust Company, Davidson is deemed to have indirect custody of some clients' assets. However, all client assets are held with financial institutions known as qualified custodians who are responsible for maintaining the assets and records of those assets.

Clients will receive account statements directly from their qualified custodian. That statement is the official record of your account and the assets contained in it. As previously noted under Item 13, Davidson also delivers statements and reports to clients on the performance of their account. We urge you to compare the information contained in the Davidson quarterly account statements and other reports to the information contained in your official statements for the same period. In the event of a discrepancy between an official account statement and other reports or statements for the holdings and transactions shown, the client's official account statement shall prevail.

## **Item 16 Investment Discretion**

Davidson Investment Advisors receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold; such authority is described in each Advisory Agreement executed by the Firm's clients. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

## **Item 17 Voting Client Securities**

Davidson Investment Advisors votes proxies for discretionary client accounts. Client may retain the right to vote proxies for their own accounts, or to direct the Firm to vote a proxy in a particular manner, so long as the client timely notifies the Firm.

Davidson Investment Advisors has engaged a third-party Proxy Service Vendor to provide proxy voting administrative duties and proxy voting recommendations from another third-party Proxy Advisory Form ("Proxy Advisor"). The Proxy Advisor recommendations are pre-populated into the Proxy Service Vendor's

electronic voting platform, and are automatically executed pursuant to the Proxy Advisor's recommendations. However, the Firm reserves the right to exercise its own judgment on a case-by-case basis, to serve its clients' best interests once it has determined that such a vote would not involve an identified firm-related conflict of interest. In these situations, Davidson Investment Advisors will generally vote in favor of proxy proposals that enhance the independence of board membership, against measures that promote anti-takeover defenses, and for incentive compensation that would align management interests with shareholder interests, including stock-based compensation and restricted stock award programs. Corporate governance issues, however, are diverse and continually evolving and these general policies may not be relevant in some circumstances.

An Investment Adviser Proxy Voting Committee (the "Committee"), with members including senior personnel from Davidson Investment Advisors and other D.A. Davidson Companies' subsidiaries, meets periodically. The Committee monitors the Firm's overall adherence to and effectiveness of the Firm's proxy voting policies and procedures. It reviews the rationale for some proxy votes that are not covered by the policies and procedures, or that present a potential conflict of interest. It also reviews the internal controls and independence of the third-party vendors on no less than an annual basis. The Committee periodically reviews policies and procedures and provides advice for revisions thereof.

A summary of Davidson Investment Advisors' proxy voting policies and procedures can be found on the Internet at [www.dadavidson.com/Disclosures](http://www.dadavidson.com/Disclosures) or a copy of the policies can be mailed, free of charge, at client's request to the following address: Davidson Investment Advisors, Compliance Department, 8 Third Street North, Great Falls, MT, 59401.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact Davidson Investment Advisors by telephone, email, or in writing.

**Conflicts of Interest.** Davidson Investment Advisors and its supervised persons have various conflicts in relation to voting client proxies, which may include personal investments, outside activities, personal relationships, and management of investment accounts for or on behalf of publicly traded companies. Davidson Investment Advisors believes, however, that its retention of the Proxy Service Vendor, use of the Proxy Advisor Firm recommendations, its adherence to its proxy voting policies and procedures and oversight by the Proxy Voting Committee help to ensure proxies are voted in the best interest of the Firm's clients.

**Class Action Notices.** Davidson Investment Advisors will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.



## **Item 18   Financial Information**

We are also required to disclose any financial condition that is likely to impair our ability to meet our contractual obligations. Davidson Investment Advisors, Inc. has no additional financial circumstances to report.

Davidson Investment Advisors, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

**Davidson Investment Advisors, Inc.**  
**Summary of Material Changes to Part 2A Firm Disclosure Brochure**  
**as of December 20, 2024**

Davidson Investment Advisors, Inc. ("Davidson") filed its last annual update of this ADV Part 2A Firm Brochure (the "Brochure") on December 22, 2023.

The following material changes have been made to the Brochure since the prior annual update:

- **Intermediate Municipal Fixed Income Strategy Portfolio Manager Update.** Effective March 25, 2024, Stephen Frahm, co-Portfolio Manager of the Intermediate Municipal Fixed Income strategy, departed Davidson Investment Advisors. Robert De Meulenaere, CFA®, has retained his role as co-Portfolio Manager of the strategy. Additionally, Cheryl Page, CFA®, CFP®, Peyton Studebaker, and H. Barrow Turner, III have assumed co-Portfolio Manager roles on the strategy, bringing over 70 years of collective municipal fixed income experience to the team by way of Davidson Investment Advisors' acquisition of Caprin Asset Management in March 2023.
- **Intermediate Taxable Fixed Income Strategy Portfolio Manager Update.** As a result of the successful integration between Davidson Investment Advisors and Caprin Asset Management, Edward P. Crotty, CFA® has stepped away from his role as a co-Portfolio Manager of the Intermediate Taxable Fixed Income strategy, effective December 1, 2024. The strategy will continue to be co-managed by Michael P. Kubas, CFA®, Robert De Meulenaere, CFA®, and Peyton M. Studebaker. This change will allow Mr. Crotty to focus on his continued responsibilities as Chief Investment Officer and co-Portfolio Manager of the Equity Income strategy.

You can obtain a full copy of the Brochure by contacting us at (800) 332-0529 or [DavidsonInvMarketing@dadco.com](mailto:DavidsonInvMarketing@dadco.com). In addition, the Brochure is available on the internet at [www.dadavidson.com](http://www.dadavidson.com) in the Important Disclosures section.