

**THE CAVANAUGH GROUP, INC.**  
**70 Fort Walker Drive**  
**Hilton Head, SC 29928**

**Contacts:**

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**This brochure provides information about the qualifications and business practices of The Cavanaugh Group, Inc. If you have any questions about the contents of this brochure, please contact us at 410-404-0510 and/or [jpk@cavanaugh1.com](mailto:jpk@cavanaugh1.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.**

**Additional information about The Cavanaugh Group, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **TABLE OF CONTENTS**

Advisory Business	3
Fees and Compensation	4
Performance-Based Fees and Side-by-Side Management	5
Types of Clients	5
Methods of Investment Analysis, Investment Strategies And Risk Of Loss	5,6
Disciplinary Action	7
Other Financial Industry Activities and Affiliations	7
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	8
Brokerage Practices	9
Review of Accounts	9
Client Referrals and Other Compensation	10
Custody	10
Investment Discretion	10
Voting Client Securities	10
Financial Information	10
Requirements for State-Registered Advisers	10

## **ADVISORY BUSINESS**

### **Principle Owners**

**Daniel C. Keith**

**Jessica P. Keith**

The Cavanaugh Group, Inc. commenced business on October 2, 1995. The firm provides investment advisory services to:

### **Individuals**

Qualified Plans

Trust Accounts

Personal Accounts

### **Institutions**

Profit Sharing Plans

Non-Profit Organizations

The Cavanaugh Group is no longer taking new clients.

Our primary focus is utilizing a balanced approach to asset management. We provide a suitable asset allocation through weightings in equities, fixed income, mutual funds and cash. As a result, the firm is able to satisfy the various needs of the client by providing growth and income from stocks and mutual funds and liquidity of cash investments.

Our philosophy is based on a conservative, long-term approach to investing. Our goal is to maximize returns, while limiting risk, through proper portfolio diversification. We focus on time, not timing, with a disciplined plan unaffected by the emotionalism generated by the day-to-day fluctuations of the market.

Decisions for structuring a portfolio are based upon the individual needs and objectives of the client. Clients may request restrictions upon securities to which they prefer not to own.

We do not participate in any wrap fee programs.

As of March 13, 2024, the firm manages \$434,643,802 in discretionary accounts and \$2,689,180 in non-discretionary accounts.

## **FEES AND COMPENSATION**

The fees charged for service is 1% per annum, payable quarterly in advance. The initial fee is based on the market value of the particular securities placed under our supervision, valued as of the inception of the agreement and valued thereafter at the end of each calendar quarter. This fee for service is withdrawn directly from the client's account at the brokerage firm. Client's do have the option of being billed for services in lieu of the automatic withdrawal from their brokerage firm.

The Cavanaugh Group does not receive any other types of compensation in connection with the purchase or sale of securities. The firm does not accept performance-based fees.

For those clients with a significantly larger amount of assets under management, the following fee schedule is offered to them.

### **Fee Schedule**

First \$5 Million	1.00% per annum
Next \$5 Million	.80% per annum
Next \$10 Million	.65% per annum
Over \$20 Million	.35% per annum

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Neither The Cavanaugh Group nor any *supervised persons* accept *performance-based fees*. Neither The Cavanaugh Group nor any *supervised persons* manages both accounts that are charged a *performance-based fee* and accounts that are charged another type of fee.

## **TYPES OF CLIENTS**

The Cavanaugh Group provides investment advisory services to Individuals, Trusts, Non-Profit Organizations and The Cavanaugh Group Profit Sharing Plan.

## **METHODS OF INVESTMENT ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Equity Selection Process**

Investing in securities involves risk of loss that clients should be prepared to bear. However, The Cavanaugh Group tries to minimize that risk by investing in companies with a history of consistently outperforming their industry group, while maintaining the highest level of financial responsibility. The firm focuses primarily on well capitalized, diversified, dividend paying companies. Priority is given to those who consistently increase dividends on an annual or semiannual basis. Emphasis is placed on the company's management structure as it pertains to the goal of enhancing shareholder value. Of particular importance is the amount of financial resources devoted to research and development with the companies we monitor. The valuation process is based on the above criteria as well as the current price of the company common stock in determining whether the opportunity for capital appreciation and increasing income are present in the current market environment.

It is preferable that the various debt ratings associated with our equity holdings are above the industry average. In applying historical financial information, we view the company's financial strength in times of recession and difficult market environments. This may also be applicable to future challenges that every company and economy face.

We acquire companies who offer diversity, not only in their product offering to the consumer, but also in their geographic market position. A global penetration is essential in today's marketplace. The firm monitors the world's economies to determine areas of strength and weakness that are ever present. From this standpoint, we determine which industry will most likely prosper in the foreseeable future. Applying the above criteria, the firm narrows its focus to those companies which are expanding both horizontally and vertically within the established markets.

The benefit of this philosophy over time is a rate of return that is consistent with the goals and objectives of the client. The firm does not make dramatic changes based on the day-to-day fluctuations in the financial markets. Historically, it is this disciplined philosophy of long-term, constantly monitored investment opportunities that has proven to be reliable and consistent in achieving desirable returns.

### **Fixed Income Selection Process**

The Cavanaugh group invests in fixed income instruments when the macro-economic indicators justify a fixed income allocation.

In determining the appropriate balance of fixed income holdings within a client's portfolio, we look to short and medium range interest rate forecasts. By analyzing economic statistics, as well as the commodity prices at the consumer and producer levels, we select a coupon rate and decide on the length of the maturity. The majority of our decisions are based on internal economic models.

We assess the creditworthiness of all debt instruments in order to determine the assumed risk to the investor. We utilize significant research of the various ratings agencies including Standard & Poor's and Moody's. Consequently, one strict standard we impose is the utilization of corporate debt instruments, rated A or better.

In order to maintain the highest standard of fixed income allocation, we principally invest in US Government obligations such as Treasury Bills, Notes and Bonds. By utilizing a staggered maturity, we mitigate the day-to-day volatility of the interest rate markets.

When utilizing a tax-free fixed income investment, we analyze the creditworthiness of the municipality in which the client resides. The firm determines an appropriate price and yield, as well as a maturity range. The emphasis on staggering the maturities in municipalities is paramount to best protecting the client against interest rate volatility.

## **DISCIPLINARY INFORMATION**

The Cavanaugh Group was the subject of an order by the Securities and Exchange Commission for failure to File Form CRS by the required date of submission. The Cavanaugh Group settled with the Commission and was imposed a civil penalty.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATES**

The Cavanaugh Group has no affiliations or activities with any other financial industry.

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN *CLIENT*** **TRANSACTIONS AND PERSONAL TRADING**

The Cavanaugh Group, Inc. (TCGI) has developed statements of policy to help prevent situations from occurring where the firm or any of its employees actually or seemingly benefit at the expense of a client. Strict compliance with the provisions of this Code of Ethics shall apply to all supervised persons.

**Material (Non-Public) Insider Trading Information:** This rule prohibits any trading for one's own account while in possession of any confidential information. The legislation extends liability to firms or other "controlling persons" who knowingly or recklessly fail to take appropriate measures to prevent the occurrence of insider trading violations.

Each associated person of TCGI is hereby advised that they are prohibited from trading in or acting upon or encouraging any other person to act upon non-public insider information that may come to their attention that could affect the future price of a security.

Trading activities of registered representatives of TCGI will be reviewed to determine if any excessive trading activities are evident which might indicate trading activities which may constitute a violation of the act.

**Personal Securities Transactions:** On occasion associated persons of TCGI will purchase the same securities of clients. TCGI has a strict policy that no employee may purchase or sell a security the same day it is doing so for a client. This eliminates the possibility of the employee receiving a better execution price. Any person wishing to purchase or sell a security for a personal account must first get approval from the portfolio manager.

TCGI will maintain records for each personal transaction in a security. The records will include (a) the name of the security; (b) the amount of the transaction; (c) whether it was a buy or a sale; (d) the price of the security; and (e) the date of the transaction. This information will be recorded by Jessica Keith within 10 days after the calendar quarter it was affected.

**Compensation for Client Solicitation:** TCGI does not compensate other firms or individuals in any way for referring clients to the firm.



**Confidentiality:**

**Internal Operating Procedures and Planning:** Associates shall at no time discuss confidential information or provide copies of written material concerning the firm's internal operating procedures or projections for the future to unauthorized persons outside the firm.

**Initial Public Offerings and Private Placements:** Access persons at TCGI must obtain approval from the President prior to investing in any IPO or private placement. As of this date The Cavanaugh Group has never participated in any IPO or Private Placement.

### **BROKERAGE SELECTION/CUSTODY OF ASSETS**

The Cavanaugh Group does not have custody of any client's assets. The firm currently has a relationship with Charles Schwab in which they custody client assets. The firm has chosen to use Charles Schwab for their clients as they have found through research that they tend to be the least expensive as well as offer the best transaction and back-office services of other brokerage firms. Clients, however, are welcome to custody their assets at a brokerage firm of their choosing. In that case, the client must be aware that the firm may be unable to achieve most favorable executions of client transactions, and this may cost clients more money. The Cavanaugh Group has no incentive for using Charles Schwab, we do not receive client referrals, nor do we receive research or other products or services from them. The firm also has no soft dollar arrangements with them. The firm does not aggregate the purchase or sale of securities for various client accounts.

### **REVIEW OF ACCOUNTS**

Client accounts receive daily downloads from Charles Schwab. These daily downloads are reviewed every morning for accuracy prior to posting the client's accounts. Research and monitoring of the stock market is also a daily review.

Accounts are monitored by the portfolio manager on a monthly basis. A full portfolio review for each client is performed to ascertain the appropriate weighting of securities, fixed income and cash positions. Client portfolios are also reviewed any time there is a fundamental change in the economic forecast or client objectives.

On a monthly basis, the client will receive a brokerage statement directly from Charles Schwab. On a quarterly basis, clients will receive an internal portfolio appraisal from The Cavanaugh Group printed from the financial software program. Prior to mailing client appraisals, an asset reconciliation of client's assets is reviewed to be sure our internal records match those of Charles Schwab and that there are no discrepancies in reporting.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

The Cavanaugh Group does not compensate any person for *client* referrals. We do not receive any other compensation outside of our quarterly investment advisory fees.

## **CUSTODY**

The Cavanaugh Group does not have *custody* of client's assets.

## **INVESTMENT DISCRETION**

The Cavanaugh Group has accepted discretionary authority as well as non-discretionary authority on client accounts. The type of discretion will be clearly worded in the Investment Advisory Agreement between the client and the firm.

## **VOTING CLIENT SECURITIES**

The Cavanaugh Group does not vote client securities. Security Proxies are mailed directly to the client. This is stated in the Account Application they review and sign from Charles Schwab.

## **FINANCIAL INFORMATION**

The Cavanaugh Group does not require or solicit prepayment for any amount six months or more in advance. The Cavanaugh Group has discretionary authority over most clients. The firm has no financial condition that is reasonable likely to impair the ability to meet contractual commitments to its clients.

## **REQUIREMENTS FOR STATE-REGISTERED ADVISORS**

Daniel C. Keith is the President and sole portfolio manager for The Cavanaugh Group. Mr. Keith graduated from the University of Baltimore with a degree in Marketing. Mr. Keith has been in the investment management business for close to 40 years. Prior to forming The Cavanaugh Group in 1995, Mr. Keith was Vice President, Senior Portfolio Manager, and Director of a Maryland financial services company since 1985.

Jessica P. Keith is a registered investment advisor who manages the firm and is an assistant portfolio manager. Mrs. Keith graduated from York College of Pennsylvania with a Bachelor's Degree in Computer Information Systems and took some graduate courses at The Johns Hopkins University. Prior to co-founding the Cavanaugh Group in 1995, Jessica worked as an Assistant Portfolio Manager at two different Investment Advisory Firms in Maryland from 1987 to 1993. Jessica was also a consultant in New Jersey for various Investment Advisory Firms helping with the setup of financial software and inputting of client and financial data from 1993 to 1995.