

## **Item 1: Title Page**

March 26, 2024

The Brochure for

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**VAN STRUM & TOWNE**  
INVESTMENT COUNSEL - FOUNDED 1927



This brochure provides information about the qualifications and business practices of Van Strum & Towne, Inc. If you have any questions about the contents of this brochure, please contact us at 415.981.3455. 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 with the Securities and Exchange Commission does not imply a certain level of skill or training.**

Additional information about Van Strum & Towne, Inc. also is available at the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

There have been no material changes since our last filing on March 29, 2023.

### **Item 3: Table of Contents**

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#### **Item 4: Advisory Business**

- A. Van Strum & Towne is an independent investment advisory firm wholly owned by its two principals and portfolio managers, James L. Collins, CFA and Barbara A. Wright, CFA. The firm was founded in 1927. Our income is derived solely from professional fees for managing assets. We are registered with the Securities and Exchange Commission (SEC) under the Investment Advisors Act of 1940 and are members of the Investment Advisor Association.

Van Strum & Towne requires that all principals have a college degree and comprehensive knowledge of investments, banking, and finance. In addition, any associated persons involved in determining investment strategy or giving investment advice to clients must pass the Series 65: Uniform Investment Adviser Law Examination. Both of the firm's principals have college degrees, have passed the Series 65 Uniform Investment Adviser Law Examination and are Chartered Financial Analyst (CFA) Charterholders.

The CFA charter is a globally respected, graduate-level investment credential established in 1962 and awarded by the CFA Institute which is the largest global association of investment professionals.

To earn the CFA charter, candidates must:

- Pass three sequential, six-hour examinations
- Have at least four years of qualified professional investment experience
- Become members of the CFA Institute
- Commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

The three levels of the CFA Program test proficiency within a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning.

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA Charterholders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

- B. We provide the following advisory services to clients:

- Investment portfolio management
- Retirement plan analysis
- Financial planning
- Asset allocation
- Investment policy analysis
- Ongoing portfolio review
- Other investment or financial asset analysis

Most of our clients are high net-worth individuals. We also manage accounts for individuals, trusts, foundations, charities, IRAs, 401(k) plans, partnerships, and pension and profit-sharing plans. Accounts under management are both discretionary and non-discretionary.

The size of our firm gives us the flexibility to act on investment opportunities in a timely manner and provides our portfolio managers the time and resources needed to work closely with clients. Our firm's portfolio managers work collaboratively to determine investment strategy, asset-mix guidelines, and maintain an approved list of securities.

Our portfolio management responsibilities focus on achieving client objectives and controlling portfolio risk. We do this by selecting equity investments in companies that we believe will achieve success over the long term. We also emphasize bond investments in entities that we deem to be of high quality. We do not provide investment advice for derivative instruments, structured securities or private funds.

Our investment process is characterized by low portfolio turnover though we are organized to act quickly when conditions warrant.

- C. Our first objective in working with a new client is to understand a client's unique financial profile, investment objectives and specific requirements. This understanding enables us to work closely with clients to develop an investment strategy that defines realistic investment objectives, designed to meet client-specific needs. We establish the asset-mix in an effort to achieve realistic, long-term investment objectives. This iterative process, which requires ongoing communication with clients, enables us to position client portfolios to benefit from long-term growth in the investment markets.

Clients may impose restrictions on investing in specific securities, companies, or industries. We rely on our clients to update us about changes in their investment circumstances or risk tolerance that may impact their portfolio asset mix decision or liquidity requirements.

We encourage frequent contact with clients and their tax, legal and other professional advisors. We provide our clients with written quarterly portfolio appraisal reports as well as year-end capital transaction reports. We have the capability to tailor our reports and their frequency to meet client requirements.

- D. Van Strum & Towne does not participate in wrap fee programs.
- E. As of December 31, 2023, our firm managed approximately \$380,740,658 on behalf of 100 clients, with \$341,684,245 in discretionary assets and \$39,056,413 in non-discretionary assets.

### **Item 5: Fees and Compensation**

- A. Van Strum & Towne earns the majority of its fees based on a percentage of the market value of assets under management.

The following fee structure applies, but other arrangements, including fixed fees, are possible given the specifics of an account:

1% on first	\$2,000,000
3/4% on next	\$3,000,000
1/2% on next	\$5,000,000
Negotiable above	\$10,000,000
Minimum Annual Fee	\$20,000

All fees are negotiable at Van Strum & Towne's sole discretion subject to the particular circumstances of each client.

- B. Fees are billed quarterly and may be deducted directly from the client account or paid directly by the client. Clients may select either method of payment
- C. Fees associated with money market funds, exchange traded funds, mutual funds, and other funds are paid by the client in addition to Van Strum & Towne's fee. The client also pays other fees such as custodian fees, trustee fees, and commissions. Please see Item 12 for a discussion of brokerage arrangements.
- D. Invoices are neither presented nor payable in advance of services rendered. If an investment management agreement is terminated by either party mid-quarter, the management fee is prorated to the termination date.
- E. Supervised persons are not compensated for the sale of securities or investment products.

### **Item 6: Performance-Based Fees and Side-by-Side Management**

Van Strum & Towne does not charge performance-based fees.

### **Item 7: Types of Clients**

Van Strum & Towne provides investment counsel and wealth management services to high net-worth individuals, individuals, trusts, foundations, charities, IRAs, 401(k) plans, partnerships, and pension and profit-sharing plans.

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

### **A. Methods of Analysis:**

Van Strum & Towne's primary method of security analysis is fundamental analysis which is discussed in detail below under Common Stock Investing. The firm may supplement fundamental analysis with technical, charting and cyclical analysis. The sources of our analytical materials include annual reports, prospectuses, SEC filings, company press releases and other corporate presentations, financial newspapers, magazines and journals, corporate rating services, and research materials prepared by others.

### **Investment Strategy:**

Our investment philosophy is based on principles of capital preservation, growth of capital, and minimization of risk.

Van Strum & Towne's investment strategy is dictated by each client's unique circumstances. We invest according to client objectives as described in Item 4 C. Client portfolios may include investments in common stocks, preferred stocks, convertible securities, warrants, real estate investment trusts or limited partnerships, oil and gas limited partnerships, certificates of deposit, money market funds, mutual funds, exchange traded funds, corporate bonds, municipal bonds, United States Treasury and United States Government Agency bonds.

Van Strum & Towne does not use leverage as part of its investment strategy, although clients may request an account be placed on margin. The client must sign a margin account application with the broker-dealer when the margin account is opened. Van Strum & Towne's investment approach generally emphasizes long-term holding periods. Van Strum & Towne may at times take action or give advice to some clients that differs from actions and/or advice given to other clients.

Our investment approach primarily emphasizes common stock and fixed income investments, which are discussed further below.

### **Common Stock Investing:**

Van Strum & Towne uses fundamental analysis when selecting common stocks. This analysis considers a company's historical and prospective earnings and earnings growth, financial strength, valuation, and overall ability to generate future cash flow. These factors are key inputs in the investment decision-making process for common stock investments. Where appropriate, we invest in selected smaller companies when they offer unusual opportunities for capital appreciation. Van Strum & Towne may review technical analysis and charting research, but these tools are not primary inputs.

Fixed Income Investing:

Van Strum & Towne selects fixed income investments according to client objectives and tax circumstances. We emphasize investment grade securities using tools such as issuer financial statements and reports, rating agency reports, prospectuses, and historical pricing analysis.

Exchanged-Traded, Closed End and Mutual Funds Investing:

Van Strum & Towne utilizes these funds in some instances to gain access to certain markets or asset classes. For example, while we may view some fixed-income or equity classes as too risky for individual security selection we may determine they are investable if purchased through a diversified basket of securities in one of these fund types.

Through its investment strategies, methods of analysis and understanding of individual client circumstances Van Strum & Towne seeks to mitigate investment risk. **However, investing in any type of security involves risk of loss that clients should be prepared to bear.**

B. Risks associated with our investment strategy include, but are not limited to:

Event risk – the risk that low probability, high magnitude events have on markets and individual securities. Examples include, but are not limited to, such events as natural disasters, pandemics, epidemics, and geopolitical events that have outsized impacts on the economy and financial markets.

Risk of loss – the risk that an investment loses a portion of or its entire value and is deemed worthless.

Market risk – the risk any security experiences due to changes in the broad economy or its respective industry.

Entity specific risk – the risk specifically associated with one entity and its management.

Interest rate risk – the risk that a portfolio of fixed income investments fluctuates with changes in interest rates.

Reinvestment risk - the risk investors bear when forced to reinvest proceeds from fixed income securities that have matured or been called in a lower interest rate environment than when the securities were originally purchased.

Liquidity risk – the risk that the ability to convert a security to cash is greatly diminished due to market dislocations or supply/demand imbalances.

Default risk – the risk that an issuer of a fixed income investment is unable or unwilling to pay scheduled interest or principal payments.

Litigation risk – the risk that major litigation harms an investment’s intrinsic value.

Currency risk – the risk that relative changes in currencies and interest rates may adversely affect the intrinsic value of a security.

Fraud risk – the risk that a material fraud adversely impacts the intrinsic value of a security.

Cyber risk – the risk that a cyberattack materially disrupts or disables not only the ability of a company to deliver its products or services to the market, but also includes potential breaches of systems at client custodians, or other third-party providers.

Counterparty risk - is the probability that the other party in an investment, credit, or trading transaction may not fulfill its part of the deal and may default on the contractual obligations.

- C. Van Strum & Towne invests primarily in common stocks of publicly traded companies, exchange-traded funds, money market funds, and fixed income securities. The material risk of investing in these securities is total principal loss. The general risks associated with these investments are described above in Item 8 B.

#### **Item 9: Disciplinary Information**

There are no disciplinary violations to report for Van Strum & Towne, Inc. or its management personnel.

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

- A. Neither Van Strum & Towne nor any of its management persons are registered or have an application pending to register as a broker-dealer or registered representative of a broker-dealer.
- B. Neither Van Strum & Towne nor any of its management persons are registered or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity-trading advisor, or an associated person of the foregoing entities.
- C. Neither Van Strum & Towne nor any of its management persons have a business or financial industry relationship with a related person that would present a material conflict of interest for our advisory business or clients.
- D. Van Strum & Towne does not recommend other investment advisers to our clients for compensation.



### **Item 11: Code of Ethics**

- A. Van Strum & Towne is regulated by the SEC and has adopted a Code of Ethics pursuant to SEC rule 204A-1. All employees are required to comply with our Code of Ethics as well as other applicable federal and state securities laws. The Code of Ethics articulates standards of conduct expected of all employees to ensure adherence to our responsibilities as fiduciaries. A fiduciary is a person or entity in a position of trust that owes a duty of loyalty and care to another person or entity. A fiduciary is expected to act in an honest and good faith manner with regard to all client matters. Other topics covered in the Code of Ethics include privacy, personal trading, insider trading, and general standards of conduct.

A copy of Van Strum & Towne's Code of Ethics is made available to clients and prospective clients upon request.

- B. Van Strum & Towne and its related persons do not recommend to clients, or buy and sell for client accounts, securities in which the firm or related person has a material financial interest.
- C. Van Strum & Towne and its related persons may invest in the same securities for its personal accounts that it recommends to clients. As a fiduciary, Van Strum & Towne is required to place the interests of clients above the interests of the firm or its related persons' own interests. To address and mitigate possible conflicts of interest when trading in personal accounts, Van Strum & Towne has instituted policies and procedures that establish guidelines for employees to receive pre-clearance prior to placing trades in their personal accounts. All employees require pre-clearance for IPOs and private placements. Pre-clearance is also required for any single covered trade greater than a specified de minimis amount. Van Strum & Towne monitors compliance with these guidelines by reviewing employees' monthly brokerage statements.
- D. In addition to the guidelines for trading in personal accounts discussed in Item 11 C above, to address and mitigate possible conflicts of interest when trading in client and personal accounts at or about the same time, Van Strum & Towne may declare blackout periods for a particular security which prohibits employees from trading those securities during that period. Van Strum & Towne monitors compliance with this guideline by reviewing employees' monthly brokerage statements.

### **Item 12: Brokerage Practices**

- A. Van Strum & Towne suggests custodians or broker-dealers to clients based on a number of factors such as the size of the account, service requirements, and trading activity. Van Strum & Towne also considers the reasonableness of commissions, administrative support, and other services provided by the custodian or broker-dealer to the client.

Further consideration is given to the following factors:

- Capability to execute, clear, and settle trades
- Capability to facilitate transfers and payments to and from accounts
- Breadth of available investment products
- Availability of investment research and tools that assist us in making investment decisions
- Competitiveness of the price of those services
- Reputation, financial strength, security and stability

In executing transactions for discretionary accounts, Van Strum & Towne selects broker-dealers with the objective of obtaining the best available price and most favorable execution ("best execution") for each transaction. In selecting broker-dealers, Van Strum & Towne uses its judgment in determining which broker-dealers provide the best overall execution or services for a given transaction. To achieve best execution, investment advisers are not required to select the broker-dealers that offer the lowest possible commissions, but instead are required to evaluate a broad array of criteria such as financial stability, responsiveness, back-office capabilities, confidentiality, and any other factors that affect the overall value received by the client in exchange for the brokerage commissions.

1. Research and Other Soft Dollar Benefits

Van Strum & Towne selects certain broker-dealers with the intent of directing brokerage to receive research and services directly related to the investment decision-making process. This is a benefit for Van Strum & Towne as it reduces our need to directly purchase certain research and services. This creates an inherent conflict between obtaining the lowest possible commission and Van Strum & Towne's need for research and services that benefit all clients. Van Strum & Towne determines in good faith that it receives best execution and that commissions paid are reasonable in relation to the value received.

In exchange for brokerage commissions, broker-dealers provide investment information and research services such as reports on domestic and global economic trends, industry analysis, specific individual companies, regulatory updates, tax law changes, and other information that may affect the investment management decision-making process. Such research includes advice, given either directly or through publications or writings, as to the value of securities, and advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities.

Van Strum & Towne complies with Section 28(e) of the Securities Exchange Act of 1934 that provides a safe harbor for investment advisors to use commission dollars to obtain investment research and brokerage services. Van Strum & Towne has a relationship with a broker-dealer under which a portion of client brokerage commissions are used to pay for software that integrates and automates the investment management process and facilitates data integration. This software is considered a "mixed-use" product which is defined as a service or product provided to an investment

manager by a broker-dealer through a brokerage arrangement that has the capacity to be used in both the investment decision-making process and the management of the firm.

#### Charles Schwab Products and Services Available to Van Strum & Towne

Charles Schwab Advisor Services is Schwab's business serving independent investment advisory firms like Van Strum & Towne. They provide our firm and our clients with access to its institutional brokerage trading, custody, reporting, and related services many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help Van Strum & Towne manage or administer our clients' accounts, while others help our firm manage and grow our business.

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which Van Strum & Towne might not otherwise have access or that would require a significantly higher minimum initial investment by our clients.

Schwab also makes available to Van Strum & Towne other products and services that mainly benefit our firm. These products and services assist Van Strum & Towne in managing and administering our clients' accounts and operating our firm. They include investment research, both Schwab's own and that of third parties. We use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also:

- Provides access to client account data (e.g., duplicate trade confirmations and statements)
- Facilitates trade execution and allocate aggregated trade orders for multiple client accounts
- Provides pricing and other market data
- Facilitates payment of our fees from our clients' accounts
- Assists with back-office functions, recordkeeping, and client reporting

The availability of these services from Schwab benefits our firm because we do not have to produce or purchase them. We do not have to pay for Schwab's services. These services are not contingent upon our firm committing any specific amount of business to Schwab in trading commissions or assets in custody. The fact that we receive these benefits from Schwab is an incentive for our firm to recommend the use of Schwab rather than making such a decision based exclusively on our client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest.

2. Brokerage for Client Referrals

Van Strum & Towne does not direct brokerage to certain broker-dealers for client referrals.

3. Directed Brokerage

- a. Van Strum & Towne does not recommend, request, or require clients to direct us to execute trades through a specified broker-dealer.
- b. Van Strum & Towne does allow clients to select directed brokerage. The Directed Brokerage Clause of our Investment Management Agreement explains that a directed brokerage may result in the following disadvantages to the client in relation to other clients:
  - client may not receive best execution due to potentially higher commissions or other fees
  - inability to participate in trade order aggregation

B. Trade Order Aggregation

Periodically, Van Strum & Towne aggregates securities sale and purchase orders when it wants to make those transactions in all or many client accounts. Aggregated transactions result in the same price and commission fee for each account in the aggregated transaction resulting in a more equitable result than could be achieved through separate transactions.

**Item 13: Review of Accounts**

- A. Van Strum & Towne's portfolio managers review the investments in client accounts on a continuous basis. Our internal portfolio review and control procedures are designed to ensure that we are meeting client objectives and include an assessment of asset mix, diversification, price of securities, cash management, risk characteristics, and individual issues held.

Additionally, the portfolio managers are actively involved with clients and hold account reviews that are collaborative to ensure that portfolios are aligned with client objectives, asset mix, and other portfolio requirements. The portfolio managers expect clients to notify them if the client's objectives or financial circumstances should change.

- B. As stated in A. above, the Portfolio Managers review client accounts on a continuous basis.
- C. Van Strum & Towne's written and oral reports to clients provide a comprehensive description of their investment portfolio's performance and status. Clients receive quarterly portfolio appraisals that describe their holdings, transactions and gain and loss summaries.

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

- A. Van Strum & Towne does not compensate any non-client person or entity for client referrals.
- B. Neither Van Strum & Towne nor any of its related persons compensate any person who is not a supervised person for client referrals.

#### **Item 15: Custody**

Van Strum & Towne has custody of certain client assets and is also engaged as the investment manager for those assets. Additionally, Van Strum & Towne does have limited power of attorney to automatically deduct management fees directly from clients' accounts.

All clients receive monthly or quarterly statements from qualified custodians or broker dealers as well as quarterly Van Strum & Towne statements that display a recommendation to clients to compare the qualified custodian/broker dealer statements to Van Strum & Towne's statements.

#### **Item 16: Investment Discretion**

The majority of clients grant Van Strum & Towne discretionary authority over managed assets, subject to specific client objectives and restrictions. This authority is detailed in the investment management agreement. Most clients grant Van Strum & Towne authority to execute trades and deduct management fees via qualified custodian or broker-dealer account applications or limited power of attorney (LPOA) agreements. If an account is discretionary, Van Strum & Towne will make and implement investment decisions, including which securities are purchased and sold, when these securities are purchased and sold, and the total amount of securities to be purchased and sold. These transactions will be made in accordance with Van Strum & Towne's understanding of the client's objectives, circumstances, and restrictions and without prior consultation with the client. Clients may impose restrictions on investing in specific securities, companies, or industries.

### **Item 17: Voting Client Securities**

- A. Clients may authorize Van Strum and Towne to vote their securities via qualified custodian or broker-dealer account applications or LPOA agreements.

Van Strum & Towne does not employ proxy advisory firms. Portfolio managers are responsible for voting proxies. Generally, votes are cast in favor of proposals that maintain or strengthen the interests of shareholders. Votes are cast against proposals deemed to have the opposite effect. Any material conflicts of interest are presented to and resolved by the Investment Policy Committee in the best interest of clients. Clients have the right to inquire how Van Strum & Towne votes a particular proxy and may obtain a copy of our written proxy voting policies and procedures upon request. Clients may also request that Van Strum & Towne vote a proxy in a specific manner assuming that sufficient advance notice is given.

- B. If clients retain the right to vote proxies, they will receive their proxy material directly from the custodian or broker-dealer. Clients may contact Van Strum & Towne for advice regarding the proxy but are responsible for placing the proxy vote.

### **Item 18: Financial Information**

- A. Van Strum & Towne does not require or solicit prepayment of fees and therefore is not required to include an audited balance sheet with this brochure.
- B. Van Strum & Towne has custody of certain client assets. Van Strum & Towne does not require or solicit prepayment of fees. Van Strum & Towne has discretionary authority and is unaware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to clients.
- C. Van Strum & Towne has not been the subject of a bankruptcy petition within the last ten years.