

## Item I: Cover Page

### Securities & Exchange Commission Form ADV, Part 2A (Firm Brochure)

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This brochure provides information about the qualifications and business practices of Athena Investment Management. If you have any questions about the contents of this brochure, please contact us at 925-254-1649. 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 Athena Investment Management is available on 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 Athena Investment Management's last annual update, dated March 31, 2023.

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## Item 4: Nature of Advisory Business

Athena Investment Management is an independent investment advisory firm managing securities portfolios for individual and institutional clients. Its owner and sole principal is Jack E. Andrews III. He has owned the business since June 30, 1995. The business was founded in 1977 in Pasadena, California by Jack E. Andrews Jr.

Athena Investment Management provides comprehensive investment advisory and management services. These include: Preparing and executing a suitable investment plan for each client; providing clear progress reports on a regular basis; advising and facilitating account creation, funding and distributions to optimize tax considerations and to resolve estate matters; maintaining and distributing records necessary for tax filings associated with investment accounts; and maintaining an open dialogue with clients in order to adjust planning as necessary.

Client portfolios are managed with the objective of achieving the maximum, long-term, after-tax total return possible given the client's income and liquidity needs, risk tolerance, time horizon, and tax considerations. Client portfolios are managed individually and are not commingled. There are similarities across accounts, particularly in security selection, as, when building portfolios of domestic large-cap stocks, Athena focuses on a distinct universe of 100 companies. Similarly, among mutual funds, there is a strong tendency for clients to hold similar funds which meet key criteria for performance, volatility, cost, availability, etc. The exact mixture of securities held in each portfolio, however, is determined by the investment allocation plan specific to that portfolio, which is in turn determined by that client's risk tolerance and the specific portfolio's investment horizon and cash flow projections. Individual client preferences regarding specific securities or industries to be avoided or emphasized are accommodated if and when they are not considered to detract materially from prospects for long-term, risk-adjusted performance.

As of 12/31/23, assets under management totaled \$267.2 million. Of this total, Athena Investment Management had discretionary authority to execute trades over \$266.4 million in assets and did not have discretionary authority over \$0.8 million in assets under management.

Athena Investment Management does not participate in any wrap fee programs.

#### Item 5: Fees and Compensation

Advisory fees are determined on a percentage of assets under management basis and billed quarterly, after services are rendered. For billing purposes, assets under management are calculated as the average of the beginning and ending values, with a weighted average method employed when large additions or withdrawals occur during the billing period. Athena's management fee rises as assets increase, but declines as a percentage of assets under management, according to the following schedule:

- 1.00% per year of total assets under management up to \$250,000.
- 0.75% per year of assets under management from \$250,000 to \$500,000.
- 0.50% per year of assets under management from \$500,000 to \$1,000,000.
- 0.25% per year of assets under management from \$1,000,000 to \$5,000,000.
- 0.167% per year of assets under management from \$5,000,000 to \$10,000,000.
- 0.10% per year of assets under management over \$10,000,000.

Other client fees may differ due to prior negotiations. In certain cases, single rate fees are negotiated. In this circumstance, client fees as billed are the lesser of the negotiated rate or the rate as computed by the standard fee table.

Client fees are either billed directly to the client or can be deducted directly from one or more of the client's investment accounts if this authority is granted by the client.

Other investment costs, such as brokerage transaction charges or mutual fund operating expenses, are also borne by the client. This is discussed further in Item 12: Brokerage Practices,

Client fees are billed after each quarterly billing period, never before, or, in cases of termination, after complete conclusion of services.

No one at or directly affiliated with Athena Investment Management ever receives compensation for the sale or placement of any security or investment product in any client account.

Under specific client direction and agreement, Athena may provide additional administrative services on an hourly rate basis.

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

Athena Investment Management does not charge or accept any performance-based fees or have any side-by-side management arrangements.

#### Item 7: Types of Clients

Athena currently manages portfolios only for individual (including families) clients or entities, such as 401K accounts, or LLCs controlled by an individual, and for charitable institutions. Account types include individual, high-net-worth individual, joint tenants, trust, IRAs, pension and profit-sharing, 401Ks, educational saving accounts and 529s, variable annuity accounts, LLCs and charitable foundations. Athena can manage investment accounts held in virtually any title, as long as the account holder, trustee, custodian, or entity, has the power to assign a limited power of attorney to a 3<sup>rd</sup> party investment manager.

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

Athena Investment Management recognizes that any individual security has the potential to lose all or a large portion of its value. Therefore, carefully monitoring total allocations to any one security or entity is a primary risk-management tool. Athena does not generally hedge positions by purchasing derivative securities designed to perform directly counter to securities already owned. Rather, to mitigate broader portfolio risks, allocations between industry groups and across broader equity classes (domestic vs. international and large-cap vs. small-cap stocks) are carefully monitored to ensure adequate diversification. Athena Investment Management believes that attempts to render equities or any investment riskless are inherently misleading.

Athena employs a relative value approach when investing in individual equity securities. Estimates of future earnings are maintained for all securities in the AIM universe of 100 companies. These projections are compared with current market prices to determine price to projected earnings ratios for all individual equities. These ratios are then compared with the price to estimated earnings ratios for the Dow Jones Industrial Average as a whole as well as other equity market indices. Companies with better prospects for growth and/or less risk are

considered worthy of purchase at higher relative price-earnings ratios than companies with weaker prospects and/or greater risk. When comparing different classes of equities, such as small-cap vs. large-cap or domestic vs. international, price-earnings ratios for these equity groups are compared against each other and against historic trends. When comparing asset classes in total, such as stocks vs. bonds, in order to set current allocation targets between these two asset classes, the inverse of the price-earnings ratio, the “earnings yield”, is compared with current rates of interest on highly secured bonds; typically, the benchmark 10-year US Treasury note, and with historic ranges for these yields. In all cases, quantitative models are used only as a guide and as a means to spur additional inquiry. Final investment and allocation decisions are always reserved for the portfolio manager.

Athena Investment Management would not generally be considered an active trader. After portfolios are initially constructed, turnover rates are very small by industry standards, on the order of 5% to 15% for most clients.

Athena Investment Management believes that the investment markets are generally rather efficient, meaning that market prices usually do a decent job of reflecting future return vs. risk dynamics. One result of this belief is that index funds are used for certain assets classes for many clients. At the same time, we believe that conditions do prevail periodically, for individual securities or for broader asset classes, that lead them to be significantly under or overpriced by the market as a whole. For this reason, we do employ what is commonly referred to as “tactical” asset management, meaning that allocation targets for equities, fixed-income securities of various duration, or equity sub-sectors, are not held static, but are adjusted as estimations change for future rewards vs. risks.

Additional, specific, Investment Policy Guidelines are as follows:

#### **Investment Policy Guidelines**

1. The most important decision regarding the investment of liquid assets is: How should the investments be distributed between equities (stocks and stock funds), fixed-income securities (bonds and bond funds), and cash equivalents? Certain formulas are used as a guide to whether equity or fixed-income allocations should be increased or decreased, with cash equivalent allocations generally determined by client liquidity needs. These formulas include adaptations of Graham’s “Central Value” method, which compares available yields to maturity on fixed-income securities against projected earnings yields on equities of various classes.
2. Individual stock portfolios should be constructed from a defined universe, diversified across industry groups, and regularly evaluated to determine issues that are relatively undervalued, fairly valued or overvalued based on fundamental data.
3. Individual stock portfolios should emphasize well-capitalized (low debt) companies in less-cyclical industries that pay dividends. Dividend yields on individual stock portfolios should be as high or higher than the dividend yield on the S&P 500.
4. Portfolios should be diversified. Over 7½% of portfolios in any one issue may trigger sales of that issue. Over 15% of portfolios in any one industry may trigger sales of stocks within that industry.

5. There may be justification for paying a higher price in relation to earnings for demonstrated growth, but a price to earnings multiple of over 1½ times the projected DJIA multiple suggests higher risk.
6. Fixed-income portfolios should be constructed of investment grade issues with a defined maturity and/or call dates. Additional time to maturity adds risk. The average maturity on interest earning investments should generally be restricted to ten years or less.
7. When substantial new assets are placed under Athena's management, or when changing client circumstances dictate adjustments to allocation strategy, prescribed changes should be described in writing and implemented over a defined period of time. Smaller asset additions/withdrawals relative to account size are phased in/out using incremental adjustments to projected cash flows, considered a "Cash Equivalent" for portfolio management purposes.
8. Taxes, trading costs and fund operating expenses can be a material detriment to portfolio performance and should always be taken into consideration when restructuring new or existing assets and when selecting between individual securities or mutual funds.
9. Clear and consistent reporting establishes transparency and improves understanding, enhancing the probability of successful client outcomes. A necessary component is performance reporting on a total return basis net of management fees, brokerage commissions, and any other expenses, with returns for a suitable benchmark included in an easily comparable format.

#### Item 9: Disciplinary Information

Neither Athena Investment Management, its current principal, Jack E. Andrews III, nor any current or former principals or employees, have ever been the subject of a disciplinary or legal event.

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

Athena Investment Management has no financial relationship with any other firm.

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

Pursuant to SEC rule 204A-1 Athena Investment Management maintains a Code of Ethics. The Code's core tenants are: 1) Put client interests first at all times. 2) Recognize existing conflicts of interest and actively consider potential conflicts of interest before investment decisions or recommendations are made. Take active steps to eliminate conflicts, avoid them, or, if unavoidable, report them to clients. 3) Seek at all times to build trust over the long term with clients by reporting and communicating accurately and comprehensively and by taking responsibility for and correcting errors when/if they are made in any aspect of our management. 4) Comply with all Federal, State, and Local statutes and the rules and requirements of entities with and through whom Athena does business, recognizing that proactive steps and established procedures are necessary to ensure smooth, efficient and safe delivery of service to clients.

A copy of Athena Investment Management's Code of Ethics is available upon request.

Other than advisory fees as described above, Athena Investment Management does not have any financial interest regarding any investment products recommended to Clients or transacted in Client accounts.

It is common for Athena Investment Management's principal and employees to have positions in the same securities as clients. In these cases we make every effort to avoid conflicts with clients. The firm, its principal and its employees are always "last in" and "last out" for the trading day when trading occurs in close proximity to client trades, or, from time to time, part of a collective "block trade" on equal terms with other participating client accounts. We will not violate our fiduciary responsibilities to our clients. Scalping (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), disclosure will be made to the client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading.

#### Item 12: Brokerage Practices

Athena does recommend brokers. Factors considered are: 1) Estimated total cost of managing the client's account(s) at that firm in the most effective manner; 2) Products or services offered with particular value for specific clients. Commissions considered reasonable are those that are the lowest or very near the lowest available among "discount" brokers with a comprehensive offering of products and services.

Research services received from brokers through whom Athena effects securities transactions are restricted to widely available, non-proprietary data such as S&P ratings, basic stock and bond quotes, security specifications and trade information.

Athena maintains an institutional relationship with Charles Schwab & Co. Inc., the largest advisory custodian in the industry, which provides a range of services that make it easier for Athena to execute its portfolio management services for clients. Examples of these services include bundled transactional capability, account information downloads, enhanced telephone and internet support for client services, and management fee processing directly from accounts where authorized by the client. Services such as these are a consideration only to the extent Schwab's commission rates and other services of direct benefit to clients are comparable to those of other "discount" brokers. A comparison of commission rates and other services between Schwab and other discount brokers is conducted annually.

Athena Investment Management does not accept referrals from brokers as this represents a material conflict of interest which is impossible to offset. Athena does not accept soft-dollar inducements, such as free "educational" trips or recreational outings, in exchange for movement, or encouraged movement, of client assets.

Because client portfolios are managed individually, circumstances where individual common stock trades are aggregated are rare. During periods of high market volatility, however, aggregated trades of equity index ETFs do occur. More frequently, when purchasing individual bonds, Athena will aggregate orders to satisfy minimum purchase amounts or to lower

transaction costs as long as the securities purchased meet other conditions of suitability for all accounts involved.

#### Item 13: Review of Accounts

Client accounts are reviewed regularly by the portfolio manager, Jack E. Andrews III. Accounts are reviewed at least monthly for accuracy and general allocation, but portfolios are priced and deviations from target allocations computed daily, prompting additional review and adjustment as often as necessary, prioritized by percentage deviation between actual and target allocations for each portfolio.

Computer-prepared portfolio valuations including performance computations on a total return after all fees and expenses basis are provided to clients quarterly along with a letter from the President of Athena Investment Management, Jack E. Andrews III. Schedules of capital gains and losses, projected taxable investment income, and other information pertinent to tax filings are provided to clients during the first quarter of each year.

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

Athena Investment Management does not provide compensation of any form for client referrals.

Athena does not receive compensation of any form from any party for the referral to that party of Athena clients for any form of business.

#### Item 15: Custody

Although client assets are held at 3<sup>rd</sup> party, independent custodians, Athena Investment Management is deemed to have custody of client funds for accounts where fee deduction authority has been granted by the client.

In addition to fee deduction as noted above, Athena retains custody of client accounts under two other circumstances: 1) The President of Athena Investment Management is the current Trustee of a Trust for which a client is the Trustor and related clients the beneficiaries. 2) Athena manages certain accounts via online platforms under log-in credentials shared by the client and is deemed to have custody of these accounts. In certain of these cases, other, non-managed client accounts are visible to Athena. Athena is deemed to have custody of these non-managed accounts as well as those that are managed.

All client accounts are held with 3<sup>rd</sup> party custodians from whom clients receive account statements either monthly or quarterly, either in the U.S. mail or electronically. Clients are urged to carefully review these statements and compare them with the reports they receive from Athena Investment Management. Minor variations may occur because of reporting dates, accrual methods of interest and dividends, and other factors. The custodial statement is the official record of each account for tax purposes.

#### Item 16: Investment Discretion

Athena has discretionary authority over most client accounts. The only exceptions are accounts where Athena's role is restricted to preparing reports, providing general guidance directly to the client, and factoring these assets into a broader investment program including other, discretionary accounts. Discretionary authority is established by the client's signature on Athena Investment Management's Investment Advisory Agreement and Limited Power of Attorney. Separate authority is also established with the client's brokerage firm with their own, in-house limited power of attorney document, where available. Where no practical alternative exists, and as authorized by the client, Athena will access, manage, and report on accounts using the client's online passcode. In these circumstances Athena is deemed to have custody, as noted above.

#### Item 17: Voting Client Securities

Pursuant to SEC rule 204(4)-6, Athena Investment Management maintains a Proxy Voting Policy. This policy outlines procedures in three areas: Voting client proxies; making decisions required in response to corporate reorganizations, and filing claims in class action lawsuits. In all matters, Athena performs as a fiduciary and acts as it would were it or its principal the owner of the securities in question. Upon request, clients may obtain a copy of Athena's Proxy Voting Policy and/or view a record of how some or all of their proxies have been voted.

Some brokerage firms do not allow for Athena to vote proxies on its clients' behalf. In these cases, or in cases where clients have not granted to Athena this authority, clients will receive proxies and corporate reorganization materials directly from owned companies and are encouraged to contact Athena with any questions they may have. In matters of corporate reorganization of material financial consequence, Athena ensures clients receive our recommended course of action and verifies execution to as great an extent possible.

#### Item 18: Financial Information

Athena does not require prepayment of its management fees and therefore is not required to post its most recent fiscal year balance sheet with this filing. Athena Investment Management is in sound financial condition with no risk of disruption or impairment of client services for the foreseeable future. Athena Investment Management has never been the subject of a bankruptcy petition.