

**Firm Brochure**  
Part 2A of Form ADV  
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This brochure provides information about the qualifications and business practices of Yon-Drake & Associates, Inc. If you have any questions about the content of this brochure, please contact us by phone at (803) 256-1212 or by email at [info@yondrake.com](mailto:info@yondrake.com). The information contained in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC), or by any state securities authority.

Yon-Drake & Associates, Inc. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. Additional information is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 - Material Changes

In July 2010, the SEC adopted amendments to Part II of Form ADV that became effective in October 2010. The revision requires investment advisers to prepare a “Firm Brochure” (Part IIA) and “Brochure Supplement” (Part IIB).

These amendments revised the SEC’s filing requirements and now mandate the filing of a narrative brochure(s) electronically in a text searchable PDF format on IARD and to deliver the brochure to clients. Yon-Drake & Associates, Inc. is required to file a narrative brochure(s) with our annual amendment filing that is due by March 31, 2018. We will provide additional disclosure information of material changes as needed.

Our Firm Brochure can be obtained by contacting us at (803) 256-1212 or by email at [info@yondrake.com](mailto:info@yondrake.com).

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## Item 4 - Advisory Business

### A. Firm Description

We are an independent, fee-only; investment consulting firm providing advice to institutional investors, on investments and related fiduciary issues. Founded in 1984, Yon-Drake & Associates, Inc. (“Yon-Drake”) is registered with the SEC as an Investment Adviser.

The firm is registered with the State of South Carolina as an S-Corporation and headquartered in Columbia, SC. We devote 100% of our resources to providing investment consulting services and do not engage in any other outside business activities. We do not sell any investment products and devote our full interest and attention to providing consulting services to our clients. We do not receive any compensation, fees, incentives, commissions, promotional goods or services, from any source other than the fee paid by the client.

### B. Ownership

The company is an S-Corporation owned equally by David A. Yon (50%) and Michael C. Drake (50%). We are an independent firm and have no outside ownership, or affiliation.

### C. Services

Yon-Drake provides a package of investment consulting services based upon the dynamic and integrated nature of institutional investment programs. We work for an annual fee based upon the market value of assets under advisement. Our services are divided into five interrelated areas, as follows:

#### 1. Financial Program Analysis and Evaluation

Comprehensive Investment Program Reviews involve the collection and review of historical financial and investment information, including: statutory requirements, financial statements, investment policies, investment holdings, market values, investment performance reports, manager contracts, prospectuses, projected liabilities, and actuarial reports. This information is organized and evaluated to provide insight into where the investment program has been, how well it has met expectations and compliance with policy, and the opportunities for improvement going forward.

Early in the process, we disseminate, collect and analyze anonymous fiduciary surveys indicating the client’s knowledge, experiences, preferences, attitudes and opinions regarding investments. Completed surveys are synthesized into a report on the findings of the survey and serve as the basis for conducting fiduciary education.

#### 2. Investment Policy Design and Development

This process is oriented toward understanding the purpose of the funds, expectations for achieving success and the appropriate policies to follow to achieve success. The initial

“Financial Program Analysis and Evaluation” reveals the client’s expectations for risk and returns in the portfolio and serves as input on the design of an appropriate asset policy mix. In some cases, this step simply means reviewing the current policy and suggesting revisions to the written document. In most cases, this step involves a comprehensive rewriting of the policy to incorporate a fresh approach.

This process involves the development of an asset mix policy primarily oriented toward a strategic asset allocation perspective. In the case of actuarially sensitive funds such as defined benefit plans and insurance funds, this may require the use of asset/liability modeling to hedge against interest rate movements. Foundations and endowments are provided with the results of our spending model designed to provide scenario forecasts for determining the appropriate asset mix relative to spending requirements.

In most instances, we write an investment policy planning document detailing various policy issues to be addressed by fiduciaries in designing and documenting written investment policy guideline statements for all investment portfolios. As part of this process, we conduct a fiduciary education seminar to discuss the written policy planning document and to provide fiduciaries with information designed to assist them with making reasonably informed investment policy decisions. Make policy recommendations on an on-going basis.

### 3. Manager Evaluation and Selection

The investment policy document serves as the guide for the process of evaluating and selecting the managers appropriate to a portfolio. The policy document will provide the specifications for asset classes, asset mixes, styles, types of managers, manager competency requirements, performance standards, et. al. Our search process involves the design and development of a management structure to meet the client’s needs. We screen manager candidates using a professional, credible universe of qualified investment managers containing quantitative and qualitative data with regard to the organization, personnel, investment philosophy, process and historical performance. Yon-Drake makes use of several sources of information on managers including commercial databases to assist with manager data collection, compliance, screening, evaluation and reporting.

In some cases, we employ questionnaires, RFP packages, and other communication materials necessary to execute a successful manager search and evaluation process for fiduciaries. This approach involves the screening of candidates, the transmission of bid packages, handling inquiries, collecting, assimilating and analyzing the bid packages. From this process, we recommend a list of qualified candidates to be interviewed and/or recommended.

After a manager is hired, we assist the client with contract negotiations to ensure favorable commercial, operational and service agreements with all managers.

### 4. Performance Measurement, Evaluation, Reporting

Yon-Drake conducts performance measurement and evaluations on an ongoing basis. We conduct account reviews monthly with reports designed to show changes in market value, asset mix compliance and investment returns relative to policy benchmarks. This process

serves as the impetus for rebalancing the portfolio back to portfolio policy weights. Based on the need of individual clients, we provide a monthly report containing the information in their required format. Quarterly, we conduct a more formal, rigorous review that includes a comparison with the investment policy, comparative returns with absolute goals, benchmarks and peers. We provide an analysis of portfolio characteristics, risk statistics, and manager compliance.

Routinely, we require signed audit reports from each manager documenting their stated returns and market values. These reports are compared with custody reports and used to uncover discrepancies and errors between Yon-Drake's report and that of the managers and custodian.

We attend quarterly meetings with the client to evaluate the performance of all investments and managers. In these quarterly reviews, we provide an overview of general market conditions and insights into the performance of various asset classes, styles and markets influencing the performance of the client's portfolios. Also, we review the progress of individual managers showing their performance versus absolute goals, benchmarks and peer universes. Recommend changes of investment managers and funds, and/or asset mix as necessary.

#### 5. Ancillary Services

In addition to the services described above, we perform other tasks related to maintaining a healthy, successful investment program. These include the following:

- Ongoing Manager Due Diligence.

We continue to monitor all managers after they are hired as long as they are employed by our client(s). In addition to using the manager databases mentioned above, we send direct questionnaires to the managers requesting information on such things as legal/regulatory problems, organizational changes, personnel turnover, account turnover, comparative portfolio characteristics and risk statistics compared side-by-side with prior quarters.

- Investment Policy Audits.

We perform investment policy audits whereby each provision of a client's investment policy is evaluated. We issue a management report showing which policy provisions are out of compliance and recommend courses of corrective action.

- Fiduciary Education

In addition to the education of policy makers during the policy design process, Yon-Drake provides ongoing education to new fiduciaries to orient them to the philosophy and rationale for the institution's investment program.

- Third-Party Service Provider Searches

Yon-Drake conducts searches for third-party service providers such as custodians, actuaries, DC plan administrators, DC plan package providers, banking relationships, and others.

## **Item 5 - Fees and Compensation**

Yon-Drake charges its clients an annual retainer fee based on the total value of assets under advisement. Our fees include all services enumerated in *Item 4* above and include ordinary travel and expenses. Our fees schedule is 0.25% (25 basis points) of assets. All fees and expenses are negotiable based on the complexity, size of assets and unique circumstances of each client assignment.

Fees are assessed in arrears and payable within 30 days. Invoices outstanding over 30 days are subject to a 1% per month service charge on the amount outstanding. All fees will be paid in hard dollars.

Our service agreements allow clients to leave at will upon 60 days advanced notice. Since our standard policy mandates billing in arrears, we minimize the circumstance of refunding client fees. However, should fees be owed to a client at the termination date, we will issue a refund in the amount of the over-collection of fees.

Yon-Drake does not have discretion over assets. We do not sell securities or other products nor provide custody to our clients. To avoid conflicts of interest, we do not accept manager fees, 12b1 fees, wrap fees or other forms of revenue sharing. As a fee-only firm, neither Yon-Drake nor its employees receive any additional form of compensation, other than the fees paid directly by the client, as outlined herein. Some clients may be grandfathered under prior fee schedules in existence at the time of creation of the relationship.

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

Yon-Drake & Associates, Inc. does not offer performance-based fees, nor participate in any side-by-side arrangements. It is our belief that such arrangements create potential conflicts of interest contrary to the best interests of the client.

## **Item 7 - Types of Clients**

We provide a wide range of investment consulting services on an ongoing basis to institutional investors such as healthcare institutions, foundations, endowments, pension and defined contribution funds (profit-sharing, 403(b), 401k, etc.) and self-insurance funds.

## **Item 8 - Methods of Analysis, Investment Strategies & Risk of Loss**

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

With the evolution of trust law, including the force and effect of the Uniform Prudent Investors Act of 1995, the Uniform Prudent Management of Institutional Funds Act of 2006 and relate law favoring the use of Modern Portfolio Theory (“MPT”) by fiduciaries, Yon-Drake employs the principles of MPT as the primary method of analyzing portfolio composition and efficiency. MPT is a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio

risk, or equivalently minimize risk for a given level of expected return, by evaluating and choosing the weightings of various asset classes.

MPT is based upon the concept of diversification to lower expected risk or increase expected returns based on the portfolio mix. The fundamental premise is that the composition and weights of assets in a portfolio should not be selected individually, but based upon the correlation among all asset classes.

## B. Investment Strategies

We do not manage money and do not make recommendations on the selection of individual securities. However, the design and development of investment policies entails the formulation of an investment philosophy and overall strategy for the management and deployment of an investment portfolio. This is the process with which we are most involved.

Based on the belief that asset allocation mixes have a disproportionate impact on long-term investment returns, we are dedicated to the use of strategic asset allocation in the design of our client's investment portfolios. Looking at the client's time horizon, unique purpose, goals and objectives, we employ an asset allocation modeling technique designed to weigh the risk/return characteristics of possible portfolio combinations. This is used to determine the appropriate risk tolerance and return expectation of the institution.

Another strategy is a commitment to efficiency in the cost and operation of a strategy. Indexation offers an opportunity to capture asset class returns in efficient markets at a fraction of the cost of active management. The scope of investments has an impact on a client's investment strategy. A decision to use international investments introduces a degree of complexity that may not be tolerated by certain sponsors. One of the overarching influences on the design and implementation of an investment strategy is concerned with mitigating and controlling the risk in a portfolio of securities discussed below.

## C. Risk of Loss

Investing in securities is a risky undertaking. Valuations and prices fluctuate constantly and the possibility of losing money in a portfolio must be internalized by the institutional investor. How much variability and risk of loss an institution can tolerate is based upon their tolerance for experiencing losses. There is no guarantee that past investment returns and strategies will be repeated in the future.

There are a number of different types of risk: manager risk, asset class risk, market risk, liquidity risk, interest rates, inflation, political/economic risk, credit risk, call and reinvestment risk, industry risk, security risk, currency risk and Force Majeure. The increase in uncertainty, lack of trust and variability has extinguished investor's appetite for risk. Our task is to assist the client with understanding and assessing the potential impact of risk on their portfolio and to design policies and strategies designed



to mitigate such risks. There is no guarantee that all risks can be foreseen or avoided nor that policies and strategies designed by Yon-Drake will neutralize these risks.

### **Item 9 - Disciplinary Information**

Neither the Firm nor any employee(s) has been subject to any legal, disciplinary or regulatory actions related to the provision of services to our client. As a Registered Investment Adviser, Yon-Drake is required to receive routine examinations by the United States Securities & Exchange Commission and other regulatory entities.

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

We devote 100% of our time providing institutional investment consulting services and do not engage in any other outside business activities. We have no other affiliations or financial activities.

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

#### **A. Code of Ethics**

Yon-Drake is committed to serving the interests of its clients first and foremost, above all else. The Firm and its employees strive to eliminate even the slightest appearance of conflicts of interest. We avoid any financial interests and make no recommendations based upon our own financial self-interest. We rigorously inform clients of any circumstances that may be construed as impacting the interest of the clients. We do not sell financial products, nor receive any commissions or management fees. Yon-Drake does not receive compensation of any kind from any third party. In addition, we will not invest money with our clients (e.g. financial limited partnerships) and do not make recommendations adverse to a client's interests. We believe that it is improper for the Company or its employees to:

- Use for their own benefit (or the benefit of anyone other than the client) information about the Firm's advice and recommendations for client accounts.
- Take advantage of investment opportunities that would otherwise not be available to clients and the general public.

Also, as a matter of business policy, Yon-Drake endeavors to avoid even the appearance that the Firm, its employees or others receive any improper benefit from information about client trading or accounts or from our relationships with our clients, managers or with the brokerage community. Yon-Drake expects all employees to comply with the spirit of the Firm's Code of Ethics, as well as the specific rules contained in the Code. The Firm treats violations of this Code (including violations of the spirit of the Code) very seriously.

If employees violate either the letter or the spirit of this Code, the we may take disciplinary measures against an employee, including, without limitation, imposing penalties or fines, reducing your compensation, demotion, requiring unwinding of the trade, requiring disgorgement of trading gains, suspending or terminating your employment, or any combination of the foregoing.

Improper trading activity can constitute a violation of this Code. Employees may also violate this Code by failing to file required reports, or by making inaccurate or misleading reports or statements concerning trading activity or securities accounts. An employee's conduct can violate this Code even if no clients are harmed by his/her conduct.

#### B. Participation or Interest in Client Transactions

We rigorously avoid any transactions involving a relationship between our financial interests with those of the client. We avoid any financial interests and make no recommendations based upon our own financial self-interest. We rigorously inform clients of any circumstances that may be construed as impacting the interest of the clients. We do not sell financial products, nor receive any commissions or management fees. Yon-Drake does not receive compensation of any kind from any third party. In addition, we will not invest money with our clients (e.g. financial limited partnerships) and do not make recommendations adverse to a client's interests.

#### C. Personal Trading

Employees are required to report all securities transactions to the Chief Compliance Officer monthly. Such reviews are designed to uncover any conflicts with client interests. In some cases, employees may own publicly traded mutual funds that may be used by some clients. This is most common in defined contribution plan fund lineups.

### Item 12 - Brokerage Practices

Yon-Drake is **not** an NASD broker/dealer. We do not sell securities or other products nor provide custody to our clients. To avoid conflicts of interest, we do not accept manager fees, 12b1 fees, wrap fees or other forms of revenue sharing. As a fee-only firm, neither Yon-Drake nor its employees receive any additional form of compensation, other than the fees paid directly by the client, as outlined herein.

### Item 13 - Review of Accounts

Yon-Drake performs account reviews monthly. These reviews are designed to show changes in market value, asset mix compliance and investment returns relative to the constituent and plenary portfolio policy benchmarks. This process will serve as the impetus for rebalancing the portfolio back to portfolio policy weights. Based on the need of individual clients, we provide a monthly report containing the information in their required format. Quarterly, we conduct a more formal, rigorous review that includes a comparison with the investment policy, comparative returns with absolute

goals, benchmarks and peers. We provide an analysis of portfolio characteristics, risk statistics, and manager compliance.

Routinely, we require signed audit reports from each manager documenting their stated returns and market values. These reports are compared with custody reports and used to uncover discrepancies and errors between Yon-Drake's report and that of the managers and custodian.

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

Yon-Drake does not have any relationships based on client referrals for a commission, fee or any other thing of economic value. We do not pay, nor receive, any referral compensation.

#### **Item 15 – Custody**

We do not custody any client assets. In the course of ongoing relationships, we conduct searches for third-party custody agents based upon resources, personnel, systems, reporting and operation capabilities.

#### **Item 16 - Investment Discretion**

Yon-Drake does not have discretion over client assets.

#### **Item 17 - Voting Client Securities**

Yon-Drake does not vote on proxies regarding client securities. Normally, proxies are forwarded to the Clients will receive their proxies directly from their custodian, transfer agent, or manager.

#### **Item 18 - Financial Information**

Yon-Drake has been in business for the past 34 years. Over that time, we have maintained a very healthy financial condition and believe that the firm is strong and stable. We are not aware of any financial condition that would adversely impact the interests of our clients or the solvency of the business.