



# COMPANY BROCHURE – ADV PART 2

ALLIED PORTFOLIO MANAGEMENT, INC.

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This Brochure provides information about the qualifications and business practices of Allied Portfolio Management, Inc. If you have any questions about the contents of this Brochure, please contact us at 520-296-1035. 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.

Allied Portfolio Management, Inc. (hereafter “APM”) is a registered investment advisory firm. The registration of an Investment Advisor at APM does not imply any level of skill or training. The oral and written communications of an Advisor provide you with information with which you determine whether to hire or retain an Advisor.

Additional information about APM and its advisors is also available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

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## ITEM 2 – MATERIAL CHANGES

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated February 28, 2017 is a new document prepared according to the SEC’s new requirements and rules.

Since our last filing in April 2016, APM is reporting no material changes to this brochure.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary and without charge.

Currently, our brochure may be requested by contacting Steven L. Graham of Allied Portfolio Management, Inc. at 520-296-1035 or [info@alliedportfolio.com](mailto:info@alliedportfolio.com).

Additional information about APM and advisors of APM is available via the SEC’s website [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). The SEC’s website also provides information about any persons affiliated with Steven L. Graham who are registered, or are required to be registered, as investment advisor representatives of APM.

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## ITEM 4 – ADVISORY BUSINESS

APM offers personalized investment advisory services to individuals, trusts, estates, charitable organizations, corporations, and other business entities. APM is a privately held company and registered with the Securities and Exchange Commission. Steven L. Graham, licensed as an investment advisor representative, is the president and sole owner of APM. Financial advising has been his sole career since moving to Tucson in 1985.

APM provides both discretionary and non-discretionary portfolio management services in order to maintain client involvement in the investment process. As of February 28, 2017, APM is managing \$156,000,000.00 in client assets. Investment strategies are customized to meet the individual needs and investment objectives of the client. This customized investment strategy is based upon a client's current income and wealth, desired future income and wealth, planned retirement dates, employment and life style factors, risk tolerance, family and health considerations and may include other factors which are unique to the client Investment Services:

- Analysis of client's investments coming under Advisor's supervision;
- Determination of client's short and long-term investment objectives, time horizon, expectations, concerns, experience and risk profile;
- Development of an investment plan and related strategies designed to achieve client's objectives;
- Implementation of individual securities transactions;
- Monitoring the portfolio on a regular basis, rebalancing the portfolio as necessary while keeping in line with portfolio objectives and recommending specific changes as various market conditions and client circumstances may require;
- Preparation of periodic (quarterly) portfolio reports for clients.

As trusted advisors, and due to the personal relationship developed with many clients, APM's advisors may be asked to offer financial advice through consultations not specifically related to portfolio management, this may include financial planning related advice. A certain level of financial planning is utilized in order to set appropriate goals and customize strategy. Information obtained is used to identify risk tolerance, objectives, and appropriate asset allocation.

APM may offer advice on (but not necessarily recommend) all types of securities that may include: equity securities involving exchange-listed securities, securities traded over-the counter and foreign issuers, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities such as mutual fund shares, United States Government securities, and option contracts on securities.

## ITEM 5 – FEES AND COMPENSATION

All fees are subject to negotiation.

The specific manner in which fees are charged by APM is established in a client's written agreement with APM. The advisors of APM will manage your account for a percentage of the assets under its management. The annual fee ranges from 3/4 to 1-1/2 percent depending on the size and complexity

of your account. APM will generally bill its fees at the beginning of each quarter. With written client authorization, fees are directly debited from the client's account by the custodian. Management fees shall not be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded on a prorated basis, and any earned, unpaid fees will be due and payable.

APM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition APM's fee, and APM shall not receive any portion of these commissions, fees, and costs.

APM may charge up to \$150 dollars per hour for consultations, depending on the complexity of your financial situation. The fee is paid after the consultations. Our advisors will give you advice on your financial concerns, including but not limited to: investment strategies, asset allocation and portfolio analysis, insurance planning, inheritances and college funding. You are the sole determinant of how many hours of financial counseling you will need and may cancel at any time.

Item 12 further describes the factors that APM considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

## ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

APM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## ITEM 7 – TYPES OF CLIENTS

APM provides portfolio management services to individuals, corporate pension and profit-sharing plans, trusts, estates, and charitable institutions, foundations, and endowments.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

APM and its advisors are strongly committed to structured asset class investing. APM implements Modern Portfolio Theory (MPT). MPT demonstrates that markets are inherently efficient and the efforts of stock pickers are futile over time. APM has access to high-quality institutional investment firms with a unique implementation of this theory into an entire diversified family of funds. Each fund

captures the return behavior of an entire asset class, letting us accurately diversify client's investments across multiple assets classes-precisely incorporating the level of risk with which each investor is comfortable. Asset class investing is a systematic, global allocation of your portfolio.

APM's investment strategy focuses on investing for the long term. However, APM occasionally will implement advice given to clients that may include short term purchases (securities sold within the year), trading (securities sold within 30 days) and on rare occasions, short sales, margin transactions and option writing. All persons who provide advisory services through APM must be a registered investment advisor licensed with the state of Arizona or the Securities and Exchange Commission.

APM will not exercise discretion or the authority to determine, without obtaining consent from clients, securities to be bought or sold, the amount of securities, the broker or dealer used, and the transaction fees paid. APM or its related person does not solicit clients to invest in any partnership in which APM or its related person is a partner. On occasion, APM and/or its officers and employees may buy or sell securities that it recommends to clients. There is no conflict of interest as the securities are widely held and publicly traded and it is too small an advisor and investor to affect the market. In cases where same securities are held by the employees of APM and client, the client's best interest always come first.

APM reviews managed account portfolio holdings regularly and transactions daily, financial planning accounts annually and accounts with (third party) money managers quarterly. The calendar is the triggering factor for the quarterly and annual reviews. Quarterly reports prepared by APM are dependent on the specific account characteristics. All clients receive statements from their broker/dealers, mutual funds or any other money managers, as appropriate.

## ITEM 9 – DISCIPLINARY INFORMATION

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of APM or the integrity of APM's management. APM and its advisors has no information applicable to this Item.

## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

APM is not actively engaged in any other business other than giving investment advice. APM does not sell any product or services other than investment advice to clients. APM is not involved in any other financial industry activities or affiliations.

## ITEM 11 – CODE OF ETHICS

APM has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business

entertainment items, and personal securities trading procedures, among other things. All supervised persons at APM must acknowledge the terms of the Code of Ethics annually, or as amended.

APM anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which APM's advisors have management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which APM, its affiliates and/or clients, directly or indirectly, have a position of interest. APM advisors and employees are required to follow APM's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of APM and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for APM's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of APM 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. Under the Code of Ethics certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of APM's clients. In addition, the Code of Ethics requires pre-clearance of many securities transactions for APM's employees. In some circumstances, the Code of Ethics would permit employees to invest in the same securities as clients, where there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between APM and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with APM's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. APM will retain records of the trade order. Partially filled orders will be allocated on a pro rata basis.

APM clients or prospective clients may request a copy of the firm's Code of Ethics by contacting APM.

It is APM's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. APM will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an advisor, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment advisor in relation to a transaction in which the investment advisor, or any person controlled by or under common control with the investment advisor, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an advisor is dually registered as a broker-dealer or has an affiliated broker-dealer.

## ITEM 12 – BROKERAGE PRACTICES

APM will recommend a custodian based on the custodian's costs, skills, reputation and compatibility with the client, and never upon a financial arrangement between the recommended custodian and APM.

The majority of clients with APM establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. a registered broker-dealer, member SIPC/NYSE. Schwab Institutional provides APM with access to its institutional trading and operations services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors at no charge as long as they meet a required amount of assets. Schwab Institutional services may include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require significantly higher minimum initial investments. Schwab Institutional also makes available to withdrawal APM fees from its client's accounts, and assist with back-office support and client reporting, record keeping and client reporting.

The availability to APM of the previous products and services described is not contingent upon APM committing to Schwab Institutional any specific amount of business (assets in custody or trading). In no event will advisor's clients pay higher commissions in order to obtain the benefit of such product or services. APM endeavors to select brokers or dealers that provide quality services at reasonable commission rates and fees. The reasonableness of commissions and fees is based on several factors, including the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, and other services.

## ITEM 13 – REVIEW OF ACCOUNTS

APM monitors client accounts on a continuous basis to ensure the allocation is consistent with the client's investment needs and objectives. Financial planning accounts and other money manager accounts are reviewed quarterly. The calendar is the often the triggering factor for these reviews, although client life events, market volatility, and tactical reallocation and rebalancing can also prompt further assessment. APM provides quarterly reports and may also prepare additional reports to help facilitate client meetings and account reviews. In addition to these reports, clients receive statements from their broker/dealers, mutual funds or any other money managers, as appropriate.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Clients are often referred to APM because of relationships they may have with current clients or business associations. APM does not provide any direct or indirect compensation for such referrals.

## ITEM 15 – CUSTODY

As a general rule, APM does not accept custody of client funds or securities.

However, APM does take custody of client accounts and assets if a client has designated Steven L. Graham as successor trustee of a trust at the time of the client's death. When Steven L. Graham accepts the position, he serves as trustee to fulfill the terms of the trust. Under these circumstances, APM may be deemed to have custody of the account and assets and will therefore follow additional procedures to safeguard client assets.

Effective April, 2016, Steven L. Graham serves as trustee for multiple trusts and will host an annual examination by a qualified independent public accountant. The examination is commonly known as a



“surprise audit” because it will be performed at a time chosen by the accountant without prior notice or announcement to APM. The surprise audit examination date and time is irregular from year to year.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client’s investment assets. APM urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## ITEM 16 – INVESTMENT DISCRETION

APM provides both discretionary and non-discretionary portfolio management services.

When selecting securities and determining amounts, APM observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, APM’s authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

## ITEM 17 – VOTING CLIENT SECURITIES

As a matter of firm policy and practice APM does not exercise the authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. APM may provide advice to clients regarding the clients’ voting of proxies.

## ITEM 18 – FINANCIAL INFORMATION

Registered investment advisors are required to provide you with certain financial information or disclosures about APM’s financial condition. APM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.