

# **SVL INVESTMENT MANAGEMENT**

## **FIRM BROCHURE MARCH 1, 2012**

***SVL Investment Management  
1620 N. Placentia, Suite 100  
Placentia, CA 92870  
Phone: (714) 986-2222***

This brochure provides information about the qualifications and business practices of SVL Investment Management. If you have any questions about the contents of this brochure, please contact Steven Le at (714) 986-2222. 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.

SVL Investment Management is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about SVL Investment Management is available on the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for the Adviser is 135098.

## **2. MATERIAL CHANGES**

We have no material changes to report since our last update in March 2011.

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#### **4. ADVISORY BUSINESS**

SVL Investment Management (“we”, the “Firm” or “SVL”) is a registered investment adviser. The Firm’s services are described below.

##### **A. OWNERSHIP/ADVISOR HISTORY**

SVL Investment Management was registered as a SEC investment adviser on September 4, 1987. SVL Investment Management is a dba for SVL Holding Corporation, a California corporation that was formed on May 3, 1989. It was registered as a California investment adviser on September 21, 1990 and then as a SEC investment advisor on January 31, 2007. Steven S. V. Le, Ph.D. is the sole shareholder of the Firm. Additional information about Dr. Le is available in his Supplemental Brochure, ADV Part 2B, which accompanies this Brochure.

##### **B. ADVISORY SERVICES OFFERED**

SVL is a research oriented money management firm offering fundamental portfolio management services for a select group of investors. SVL’s approach to investing is fundamental, paying close attention to economic trends, market conditions and the businesses of selected companies.

SVL’s portfolio management services are provided to individual accounts, profit sharing plans, pension funds, foundations, endowment funds, and trusts. All portfolios are individualized for each Client. SVL works with each Client to formulate a personalized portfolio based upon its/his/her objectives, time frame, risk parameters and other investment considerations. This is achieved through the information provided by clients in the agreement/account applications package or a series of personal interviews and the use of questionnaires. SVL’s goal is to help its clients understand their requirements and financial risk constraints.

SVL’s approach to investing requires patience. The major aspects of SVL investment policy is conservation of capital, growth of portfolio value, low volatility, and a global perspective. SVL’s approach is also to invest for the long-term, at least two to three years at a time.

##### **Conflicts of Interest Disclosure**

Pursuant to California Code of Regulations Section 260.238(k), in this Part 2, the Firm, its representatives and employees have disclosed all material conflicts of interests that could reasonably be expected to impair the rendering of unbiased and objective advice.

##### **C. TAILORED SERVICES**

As discussed above, the Firm works with each Client to formulate an individualized portfolio based upon its/his/her objectives, time frame, risk parameters and other investment considerations.

#### **D. WRAP PROGRAM**

The Firm does not sponsor a wrap program. However, it is the portfolio manager for the Liberty Group, LLC's wrap program. More information about Liberty Group's wrap program is available in Liberty Group's disclosure brochure.

#### **E. CLIENT ASSETS MANAGED**

As of December 31, 2011, the Firm manages \$42,863,941 in assets on a discretionary basis.

### **5. FEES AND COMPENSATION**

#### **A. PORTFOLIO MANAGEMENT SERVICES**

The annual fee for portfolio management services will be charged as a percentage of assets under management, according to the schedule below:

<b>Assets Under Management</b>	<b>Annual Management Fee</b>
First \$1,000,000	2.00%
Next \$4,000,000	1.75%
Next \$5,000,000	1.50%
Next \$10,000,000	1.00%

The Firm's portfolio management service fee is negotiable and the final fee schedule will be indicated on the Client's Investment Management Agreement. All fees will be calculated and due quarterly in advance and withdrawn directly from the Account's custodian.

The portfolio management fee will be calculated on the Account's previous quarter end value as reported by its custodian. The portfolio management fee is tiered. A tiered fee means the applicable rate will be applied to the value in each applicable range of account value. For example, a Client's portfolio with a quarter-end value of \$2,000,000.00 will be charged a quarterly fee of \$9,375.00; \$5,000.00 for the first \$1,000,000.00 and \$4,375.00 for the next \$1,000,000.00. (Fees for new accounts will be prorated for the number of days that services were rendered in the quarter.) Cash balances and investments in money market funds, demand deposit accounts, and certificates of deposit at banks or brokerage firms are covered by the Account and are included in the fee calculations.

The Firm'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 to Firm's fee and it shall not receive any portion of these commissions, fees, and costs.

Fees will not be based upon a share of capital gains or capital appreciation of the funds or of any portion of the funds under advisory contract. Fees for services to be performed will not be collected six or more months in advance.

The Firm may from time to time unilaterally amend its fees and billing arrangements. Any change will only become effective after thirty (30) days prior written notice.

#### Termination of Investment Supervisory Services

A Client may terminate this service for any reason within the first five (5) business days after signing the contract without any cost or penalty. Thereafter, the contract may be terminated at any time by giving fifteen (15) days written notice to the Firm at SVL Investment Management, 1620 N. Placentia, Suite 100, Placentia, California 92870. Upon written notice of termination, fees will be refunded based upon a prorated number of days that services were rendered during the termination quarter.

#### **B. OTHER SECURITIES COMPENSATION**

The Firm and its representatives do not receive any other securities related compensation. This section is not applicable.

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

The Firm 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). Therefore, this section is not applicable.

### **7. TYPES OF CLIENTS**

The Firm's services are offered to individuals, high net-worth individuals, pensions and profit sharing plans, trusts, estates, endowment funds, and corporations or other business entities.

The Firm does not impose a minimum account size or any other restriction related to opening or maintaining an account.

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

#### **A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES**

The major aspects of the SVL's investment policy are conservation of capital, growth of portfolio value, low volatility, and a global perspective.

Our strategy for investing uses a fundamental Top-Down Approach. We first analyze global economic trends and market conditions. By analyzing global economic indicators, we are able to understand what world economies are up to and more importantly, in what direction they may go in the future. Since international trade accounts for a major portion of the US economy,

analyzing international economic indicators are as important as analyzing domestic ones when it comes to understanding its relationship to the world markets. The global analysis also considers the political and social outlook of particular markets. We take into account historical, current, and prospective events in regards to a particular market/country. We use these economic indicators and historical data to gauge the strength and help us determine when to move in and out of particular markets.

Our next step is to narrow this information down further by focusing on the industries and business of selected companies using three major strategies (Strategic Asset Allocation, Modern Portfolio Theory, and Statistical Valuation Analysis).

Some investment managers use a static approach to asset allocation, where a “basic mix” is allocated based on the expected returns of the client and is rarely changed. However, we believe it is necessary to make adjustments in response to changing global economic and financial market conditions. We implement a system of consistent rebalancing that seeks to improve the potential returns and limit the associated portfolio investment risks. This is known as Strategic Asset Allocation

We perform global Strategic Asset Allocation on a monthly basis, based on global economic & financial analysis, sector analysis, and value analysis. By monthly rebalancing, we attempt to maintain effective diversification to avoid being overly dependent on one fund category that may over-weigh the portfolio’s risk. In fact, rebalancing sometimes forces the portfolio to “cut back” on winners and increase the allocation on other undervalued categories. Each of our clients is able to see their reported portfolio breakdown of asset classes on a month-to-month basis.

In addition to Strategic Asset Allocation, we also believe one of the best ways to limit the effects of market volatility is through diversification. We apply the Modern Portfolio Theory, a mathematical approach to asset allocation developed by the 1990 Nobel Laureate Harry Markowitz, to balance the levels of risk and return.

This investment technique is a form of diversification where an investment portfolio is allocated among a number of asset classes, countries, and industries in order to help maximize returns while limiting risk exposure. Thus, a global diversification would allow for the same portfolio return with a reduced risk.

Finally, we use a multi-variable statistical valuation model pioneered in 1991 by Dr. Steven Le, which is adapted to today’s changing economic conditions. We apply this proprietary quantitative valuation model in a stock selection process to help assess the intrinsic value and potential return of stocks.

This style is a form of “Value Investing” and it allows us to quantitatively identify stocks and industry sectors trading at less than their calculated intrinsic value. To do this, we find companies and industries that offer income, growth potential, and safety at reasonable prices that:

- Indicate a potential increase in market values, reflecting future growth in earnings, dividends, cash flow, and asset value
- Produce products and/or services that the public currently demands
- Exhibit good management teams and solid asset base

Following our investment research, we select from bonds, common stocks, preferred stocks, and exchanged traded funds that meet our criteria under current market conditions. Occasionally and for diversification, we may also invest in mutual funds.

## B. INVESTMENT RISKS

All investments bear different types and degrees of risk and **investing in securities involves risk of loss that Clients should be prepared to bear.** While we recommend various securities that are designed to provide appropriate investment diversification, some investments have significantly greater risks than others. Obtaining higher rates of return on investments entails accepting higher levels of risk. Recommended investment strategies seek to balance risks and rewards to achieve investment objectives. Clients need to ask questions about risks they do not understand. We would be pleased to discuss them.

We strive to render our best judgment on behalf of our Clients. Still, we cannot assure or guarantee Clients that investments will be profitable or assure that no losses will occur in an investment portfolio. Past performance is an important consideration with respect to any investment or investment adviser but is not a reliable predictor of future performance. We continuously strive to provide outstanding long-term investment performance, but many economic and market variables beyond our control can affect the performance of an investment portfolio.

An investment could lose money over short or even long periods. A Client should expect his/her account value and returns to fluctuate within a wide range, like the fluctuations of the overall stock and bond markets. The Firm's performance could be hurt by:

- **Stock market risk:** The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.
- **Interest rate risk:** The chance that bond prices overall will decline because of rising interest rates. Interest rate risk will vary for the Firm, depending on the amount of Client assets invested in bonds.
- **Manager risk:** The chance that the proportions allocated to the various securities will cause the Client's account to underperform relevant to benchmarks or other accounts with a similar investment objective.
- **Rebalancing risk:** Monthly rebalancing may limit the gains of a position in the portfolio due to lowering the percentage allocated to the position during rebalancing.

### C. RECOMMENDED SECURITIES AND THEIR RISKS

The Firm recommends several types of securities. They and their risks are as follows:

#### **Bonds**

**Definition** – A bond is a debt investment in which an investor loans a certain amount of money, for a certain amount of time, with a certain interest rate, to a company or the government. A corporate bond is a bond issued by a corporation. It is a bond that a corporation issues to raise money in order to expand its business. The term is usually applied to longer-term debt instruments, generally with a maturity date falling at least a year after their issue date. (The term "commercial paper" is sometimes used for instruments with a shorter maturity.) A government bond is a bond issued by a national government denominated in the country's own currency.

**Interest rate risk** – This is the risk that a rise in interest rates will cause the price of a fixed rate debt security to fall. Generally, a bond with a longer the maturity or weighted average maturity of a bond, the greater the interest rate risk will be.

**Credit risk** – This is the risk that an issuer of a debt security or counterparty to an over-the-counter derivative could suffer an adverse change in financial condition that results in a payment default, security downgrade, or inability to meet a financial obligation.

**Liquidity risk** – This is the risk that the Firm may not be able to sell the bond in a timely manner at a desired price.

**Prepayment risk and extension risk** – Prepayment risk is the risk that the principal on mortgage-backed securities, other asset-backed securities or any fixed income security with an embedded call option may be prepaid at any time, which could reduce yield and market value. The rate of prepayments tends to increase as interest rates fall, which could cause the average maturity of the portfolio to shorten. Extension risk may result from a rise in interest rates, which tends to make mortgage-backed securities, asset backed securities, and other callable fixed income securities more volatile.

#### **Exchange Traded Funds ("ETF")**

**Definition** – An exchange-traded fund (ETF) is an investment fund traded on stock exchanges, much like stocks. An ETF holds assets such as stocks, commodities, REITs or bonds and trades at approximately the same price as the net asset value of its underlying assets over the course of the trading day. Most ETFs track an index, such as the S&P 500 or MSCI EAFE.

ETF investments and have risks similar to stocks. There are risks involved with investing in ETFs including the possible loss of money. The share price may trade above or below the purchase price.

**Market Risk** – Since the ETF invests most or a substantial portion of its assets in stocks, it is subject to stock market risk. Market risk involves the possibility that the value of the ETF's investments in stocks will decline due to drops in the stock market. In general, the value of the

ETF will move in the same direction as the overall stock market in which the ETF invests, which will vary from day to day in response to the activities of individual companies, as well as general market, regulatory, political and economic conditions.

**Trading Risk** – Although ETFs will be listed on the Exchange, there can be no assurance that an active or liquid trading market for them will develop or be maintained. In addition, trading in the ETF on the Exchange may be halted due to market conditions or for reasons that, in the view of the Exchange, make trading in the ETF inadvisable. Further, trading in the ETF on the Exchange is subject to trading halts caused by extraordinary market volatility pursuant to the Exchange “circuit breaker” rules. There can be no assurance that the requirements of the Exchange necessary to maintain the listing of the ETF will continue to be met or will remain unchanged.

**Value Stock Risk** – Value stocks are subject to the risk that their intrinsic value may never be realized by the market or that their prices may go down. While the ETF’s investments in value stocks may limit its downside risk over time, the ETF may produce more modest gains than riskier stock funds as a trade-off for this potentially lower risk.

### **Mutual Funds**

**Definition** – A mutual fund is a professionally managed type of collective investment scheme that pools money from many investors and invests typically in investment securities (stocks, bonds, short-term money market instruments, other mutual funds, other securities, and/or commodities such as precious metals). The mutual fund will have a fund manager that trades (buys and sells) the fund's investments in accordance with the fund's investment objective.

#### ***Risks:***

- Every type of investment, including mutual funds, involves risk. Risk refers to the possibility that you will lose money (both principal and any earnings) or fail to make money on an investment. A mutual fund's investment objective and its holdings are influential factors in determining how risky a fund is. Reading the prospectus will help a Client to understand the risk associated with that particular fund.
- Generally speaking, risk and potential return are related. This is the risk/return trade-off. Higher risks are usually taken with the expectation of higher returns at the cost of increased volatility. While a fund with higher risk has the potential for higher return, it also has the greater potential for losses or negative returns. The school of thought when investing in mutual funds suggests that the longer your investment time horizon is the less affected you should be by short-term volatility. Therefore, the shorter your investment time horizon, the more concerned you should be with short-term volatility and higher risk.
- Different mutual fund categories have inherently different risk characteristics and should not be compared side by side. A bond fund with below-average risk, for example, should not be compared to a stock fund with below average risk. Even though both funds have

low risk for their respective categories, stock funds overall have a higher risk/return potential than bond funds.

- Of all the asset classes, cash investments (i.e. money markets) offer the greatest price stability but have yielded the lowest long-term returns. Bonds typically experience more short-term price swings, and in turn have generated higher long-term returns. However, stocks historically have been subject to the greatest short-term price fluctuations—and have provided the highest long-term returns.
- Mutual funds face risks based on the investments they hold. For example, a bond fund faces interest rate risk and income risk. Bond values are inversely related to interest rates. If interest rates go up, bond values will go down and vice versa. Bond income is also affected by the change in interest rates. Bond yields are directly related to interest rates falling as interest rates fall and rising as interest rise. Income risk is greater for a short-term bond fund than for a long-term bond fund.
- Similarly, a sector stock fund (which invests in a single industry, such as telecommunications) is at risk that its price will decline due to developments in its industry. A stock fund that invests across many industries is more sheltered from this risk defined as industry risk. Stock funds also have the same risks as described under Stocks (equities).

### **Stocks (Equities)**

**Definition** – The equity or stock of a business entity represents the original capital paid into or invested in the business by its founders. It serves as a security for the creditors of a business since it cannot be withdrawn to the detriment of the creditors. Stock is distinct from the property and the assets of a business which may fluctuate in quantity and value.

**Principal Risk** – There is no guarantee that a stock will go up in value. A stock's price fluctuates, which means a Client could lose money by investing in an equity security.

**Risks of stock investing** – Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is the chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

**Investment style risk** – Different investment styles tend to shift in and out of favor, depending on market conditions and investor sentiment. Growth stocks tend to be more volatile than value stocks and their prices usually fluctuate more dramatically than the overall stock market. A stock with growth characteristics can have sharp price declines due to decreases in current or expected earnings and may lack dividends that can help cushion its share price in a declining market.

## **9. DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events with the past 10-years that would be material to your evaluation of the Firm or the integrity of its management.

In 2003, the Firm failed to file its annual financial statement to the State of California before the statutory deadline and it was fined \$1,500. In addition to the fine, the Firm must file its annual financial statements within 60-days of the close of its fiscal year instead of the standard 90-days.

## **10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. BROKER-DEALER AFFILIATIONS**

The Firm, its owner and investment adviser representative are not affiliated with a broker-dealer.

### **B. FUTURES/COMMODITIES FIRM AFFILIATION**

The Firm, its owner and investment adviser representative are not affiliated with a futures or commodities broker.

### **C. OTHER INDUSTRY AFFILIATIONS**

The Firm, its owner and investment adviser representative have no other securities industry affiliations.

### **D. SELECTION AND MONITORING OF THIRD PARTY INVESTMENT ADVISERS**

The Firm does not select and monitor third party investment advisers. This section is not applicable.

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

### **A. DESCRIPTION**

The Firm's Code of Ethics establishes ideals for ethical conduct upon fundamental principles of openness, integrity, honesty, and trust. The Firm will provide a copy of our Code of Ethics to any Client or prospective Client upon request.

The Firm's Code of Ethics covers all supervised persons and it describes 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 the Firm must acknowledge the terms of the Code of Ethics annually, or as amended.

## **B. MATERIAL INTEREST IN SECURITIES**

The Firm, its owner and investment adviser representative do not have a material interest in any securities.

## **C. INVESTING IN AND RECOMMENDING THE SAME SECURITIES**

On occasion, the Firm and its investment adviser representatives may buy or sell for their own accounts securities that are the same as, similar to, or different of those that they recommend to their Clients for purchase or sale. Differences can arise due to variations in personal goals, investment horizons, risk tolerance, and the timing of purchases and sales. The Firm attempts to mitigate the conflict of interest to the best of its ability through the enactment of the Firm's code of ethics, trading policies, and its fiduciary responsibilities. Nonetheless, the Firm generally attempts to place Client transactions ahead of the owners and investment adviser representative's trades. The associates of the Firm are aware of their fiduciary duty to their Clients and the prohibitions against the use of any insider information. Records of all associates' proprietary trading activities will be kept by the Firm, available to regulators to review on the premises.

# **12. BROKERAGE PRACTICES**

## **A. RECOMMENDATION CRITERIA**

When the Firm recommends brokers or custodians, it will seek broker-dealers who offer competitive commissions costs together with reliable services. A Client's choice of another broker-dealer is acceptable if proven feasible. The Firm has and continues to recommend TD Ameritrade Institutional, a Division of TD Ameritrade, Inc. or National Financial Services for transaction execution. The Firm recognizes its fiduciary responsibility in negotiating brokerage commissions, assuring best execution practices and assuring adequate investment availability/inventory on behalf of its Clients. The Firm does not receive compensation with respect to execution of trades at TD Ameritrade Institutional, a Division of TD Ameritrade, Inc. or National Financial Services.

With the use of independent broker-dealers, 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 to Firm's fee and it will not receive any portion of these commissions, fees, and costs.

### **i. RESEARCH AND SOFT DOLLAR BENEFITS**

"Soft dollars" are defined as a form of payment investment firms can use to pay for goods and services such as subscriptions or research. When an investment firm gives its business to a

particular brokerage firm, the brokerage firm in return can agree to use some of its revenue to pay for these types of services. The Firm does not receive “soft dollars” from any vender, service provider or custodian in exchange for its placement of brokerage services. In the event the Firm receives “soft dollars” it will be used to service all client accounts.

ii. BROKERAGE FOR CLIENT REFERRALS

The Firm does not receive Client referrals or any other incentive from TD Ameritrade Institutional, a Division of TD Ameritrade, Inc. or National Financial Services.

iii. DIRECTED BROKERAGE

Some Clients may direct us to a specific broker-dealer to execute securities transactions for their accounts. When so directed, we may not be able to effectively negotiate lower brokerage commissions or achieve best execution on Clients’ transactions. This can result in substantially higher fees, charges or dealer concessions in one or more transactions for the Clients’ account because the Firm cannot negotiate favorable prices.

B. TRADE AGGREGATION

Typically, the Firm trades each account individually. On occasion when Client’s have more than one account the Firm may aggregate trades. In general, the Firm will aggregate orders to a single block order against an average price account. The average price account will allocate proportionate shares to each Client’s account. It will also provide Clients with an average price for the securities transaction or transactions, which may reduce the transaction costs for the Client.

**13. REVIEW OF ACCOUNTS**

A. PERIODIC REVIEWS

All accounts are reviewed by the account manager on a monthly basis and periodically by an officer of the Firm.

B. OTHER REVIEWS

Additional reviews are conducted periodically depending on market conditions, economic or political events, or by changes in a Client’s financial situation (such as retirement, termination of employment, physical move or inheritance).

C. REPORTS

Portfolio Management Service Clients receive monthly and/or quarterly statement from their custodian. The Firm urges Client to carefully review these statements. The Firm does not prepare any other reports.

## **14. CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. OTHER COMPENSATION**

The Firm does not receive extra compensation or any other economic benefit for providing investment advice or other advisory services to Clients.

### **B. CLIENT REFERRALS**

The Firm uses the services of solicitors who introduce it to prospective clients. If the prospective Clients become Clients of the Firm, the solicitor is paid a portion of the Firm's portfolio management fee. The portion, which could be up to 45% of the Firm's fee, varies with each Solicitor. The exact amount is disclosed to the Client in the Solicitor Disclosure Document given to the Client upon engagement. Clients introduced through a Solicitor do not pay higher fees than Clients introduced otherwise.

## **15. CUSTODY**

All Client funds, securities and accounts are held at third-party custodians. The Firm does not take possession of a Client's securities or funds. However, the Client will be asked to authorize the Firm with the ability to deduct its fees directly from the Client's Account. This authorization will be to deduct the Firm's management fee only. When deducting the fee, the Firm will send a billing statement (invoice) to the client and the Client's custodian that indicates the fee to be withdrawn and how it was calculated from the account. A Client may object to the deduction of the Management fees from the Account by notifying the Firm at the address or telephone number shown on each billing invoice or by notifying Client's custodian. The Client's custodian shall also send a monthly statement indicating the amount of fees withdrawn from the client's Account. The Firm urges each Client to carefully review such statements.

## **16. INVESTMENT DISCRETION**

The Firm's portfolio management services are discretionary. The discretionary authority is obtained when a Client signs an investment management agreement. The agreement allows the Firm to manage the account through the purchase or sale of securities the Firm has selected, within the tolerance agreed to by the Client, and in the amounts the Firm deems suited to the agreed upon portfolio structure. It also allows the Firm to place each such trade without the Client's prior approval. However, the Firm does not possess the authority without the Client's consent to determine the broker or dealer to be used or the commission rates paid. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client account, and any other investment policies, limitation or restrictions.

## **17. VOTING CLIENT SECURITIES**

The Firm will not be responsible for responding to proxies that are solicited with respect to annual or special meetings of shareholders of securities held in Clients' accounts. All Proxy

statements should come directly from the Client's custodian. In the event the Firm receives a proxy solicitation, it will be forwarded to Clients for response and voting. If a Client has a question about a proxy solicitation, the Client should contact his/her investment adviser representative.

## **18. FINANCIAL INFORMATION**

### **A. BALANCE SHEET**

The Firm does not require or solicit prepayment of more than \$500 in fees per Client, six months or more in advance. Therefore, this section is not applicable.

### **B. FINANCIAL CONDITION**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the Firm's financial condition. The Firm has no financial commitment that impairs its ability to service its Clients.

### **C. BANKRUPTCY**

The Firm, its owners and its investment adviser representatives have not been the subject of a bankruptcy proceeding.

## **19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

### **A. EXECUTIVE OFFICERS AND MANAGEMENT**

**STEVEN S. V. LE**

#### **Education:**

*Iowa State University* (1973) – Bachelor of Science

*Iowa State University* (1975) – Master of Engineering

*Iowa State University* (1977) – Ph.D.

*Harvard University* – Advanced Studies in Investment Decisions and Finance

#### **Business Background:**

*SVL Investment Management* – 1987 – Present

- Owner
- President
- Investment Adviser Representative

*California State University, Long Beach, CA* – September 1985 – Present

- Professor of Finance, Investment & Portfolio Management
- Chairman of the Department of Finance (2010 - Present)
- Chairman of the Department of Finance, Real Estate & Law (1992-1993)

**Additional Biographical Information:** Dr. was a Director of Economics/Finance for two

national financial consulting firms. Dr. Le was also the Director of Economics/Finance for the State of Maryland. He was a key member of the corporate strategic planning team of a one-billion dollar asset company. Dr. Le has been an expert witness in more than 30 utility regulatory proceedings

During the past 32 years, Dr. Le has served on the graduate faculty of economics, finance, investments, portfolio management at the University of Baltimore, Virginia Polytechnic Institute & State University, Central Michigan University and Avila College. He is the author of over forty articles, monographs, and technical papers. Dr. Le has appeared as a guest speaker on economics and investment issues on several television and radio programs.

**B. OTHER BUSINESS ACTIVITY**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the Firm's financial condition. The Firm has no financial commitment that impairs its ability to service its Clients.

**C. PERFORMANCE BASED COMPENSATION**

Dr. Le does not receive performance based fees or any other additional compensation or incentives for providing investment advice.

**D. MANAGEMENT PERSON'S ARBITRATION AND DISCIPLINARY HISTORY**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events of its management person that would be material to your evaluation of each management person providing investment advice. This section is not applicable.

**E. ADDITIONAL RELATIONSHIPS WITH ISSUERS OF SECURITIES**

Registered investment advisers are required to disclose all material facts regarding any relationship with an issuer of securities. Neither the Firm nor Dr. Le has a relationship with an issuer of securities. Therefore, no information is applicable to this Item.