



Institutional  
Services  
Group, LLC

## Summary of Material Changes

**There have been no material changes in this document since our last offering of our ADV II in March, 2013.**

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**Institutional**  
**Services**  
**Group, LLC**

## **Institutional Services Group, LLC**

This brochure (*Form ADV, Part II*) provides information about the qualifications and business practices of the Institutional Services Group, LLC (ISG). If you have any questions about the contents of this brochure, please contact us at the telephone numbers and/or email addresses listed below.

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The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any State Security Authority. Additional information may be obtained on the Internet at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

Registration with the SEC does not imply a certain level of skill or training.

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## **Advisory Business**

The **Institutional Services Group, LLC** (ISG) is a limited liability company registered as an investment advisor with the Securities and Exchange Commission (SEC) focusing on creative asset management solutions for special institutional clients.

We consider ourselves a “niche” firm, searching for those many small markets that are significantly under served, believing that there are an unlimited number of fresh and creative solutions waiting to be employed.

### **Our Areas of Effectiveness**

*Strategic Planning – Research and formulate concepts that target narrowly served niches; e.g. Public Hospitals, Public School Districts, Community Colleges, Universities, Counties, Municipal sub-divisions, Foundations, and Endowments*

*Product Development – From broad concepts, design specific products & services unique to targeted markets; e.g. Local Government Investment Pools, Arbitrage Management Services, Fixed Income Accounting Models, and Sovereign Risk Portfolios*

*Portfolio Management – Provide consultation in areas of liquidity analysis, risk tolerance, economic & interest rate forecasts and asset allocation; actively manage the fixed income assets, provide liquidity, and deliver monthly reports.*

*Research - Design, validate and perform analysis on various enterprise and economic values pertaining to financial sector entities;*

ISG was co-founded by Victor E. Blaylock and Hugh L. Davis, III in July, 2007 and has been registered with the SEC since January, 2008.

### **Principal Owners:**

**Victor E Blaylock** (Vic) has worked continuously in the financial and investment fields since 1976. He is 60 years old and holds a bachelors degree in Public Management from the Mississippi State University. He has served on different committees of the Municipal Rule Making Board and National Association of Securities Dealers. Before forming ISG, Vic was a First Vice President of Institutional Investment Sales with BancorpSouth Investment Services, Inc, and prior to that, Senior Vice President and Manager of Government Trading with Deposit Guaranty Investment Services, Inc. He is ISG’s Managing Member and Senior Portfolio Manager. Additional duties include responsibility for Client Services.

**Hugh L. Davis, III** (Dave) is the Chief Compliance Officer and supervises Research for ISG. He co-founded the firm with Blaylock in July 2007. Dave is 57 years old and holds both a Bachelors and Masters degrees in Business Administration from the University of Mississippi. He is currently ABD toward a doctoral degree in International Development majoring in Economics. He began working in 1981 as an international lending officer with Deposit Guaranty National Bank and latter as an institutional portfolio manager for Deposit Guaranty’s Investment Subsidiary. In 2000 Davis partnered with Blaylock at BancorpSouth Investment Services, Inc. to design, organize and market highly customized services for Institutional clients.

**Types of Advisory Services**

ISG typically tailors its financial advisor and investment management services for institutional clients. The type of client includes banks, Investment Advisors, trade associations, trusts, corporations, charitable organizations, endowments and foundation.

More than 95% of our work is related to economic and monetary research or investment management. The balance might consist of advising clients on ancillary financial topics related to liquidity and capitalization like cash flow analysis, arbitrage management for bond issues and capital budgeting.

Of our assets under management, the super large majority are fixed income. Our style generally suits ultra-short and short/intermediate duration clients. With some few exceptions, we are generally a "Buy and Hold to Maturity" manager, avoiding continuous trading. Though we can purchase investment grade corporate securities for the portfolios we manage, A/A and above, we typically gravitate toward the higher rated securities and government issues to satisfy the portfolio's reinvestment needs.

We believe value comes from a specialized product design. As a result, we try to combine our strengths to formulate the best product/service design for the client. Each client is different, so solutions vary to address those differences.

We do not participate in wrap fee programs.

As of December 31, 2013, our firm had \$204 million of assets under management - \$190MM in Fixed Income, 14MM in Equity. All of these assets are managed on a discretionary basis, limited only by the restrictions placed upon them by the client's investment policy or law. ISG does not accept requests for nondiscretionary client accounts, nor do we receive or transfer client funds.

ISG requires no minimum assets under management before entering into an advisor relationship.

**Fees and Compensation**

An adviser that accepts compensation from the sale to a client of securities has an incentive to base investment recommendations on the amount of compensation it will receive, rather than on the client's best interests, and thus involves a significant conflict of interest.

As a result, ISG will receive as its only form of compensation Management Fees or Flat Fees for specific services. ISG is not compensated from product sales and accepts no commission, takedowns, markups or 12b1 fees that might be generated from an investment selection.

Fees are billed monthly or quarterly, in arrears, and may be negotiable based on the size and complexity of a client's account. Management Fees are calculated as a percentage of the liquidation value of assets under management. The basis of the value may be determined as the end of period, beginning of period, or use a daily period average.

In certain special cases ISG will perform services on an hourly basis at rates of \$150 to \$250 per hour or quote a flat contract rate.

Unless specifically otherwise negotiated, the Management Fee is an all inclusive fee charged by the firm.

Clients may terminate their relationship with ISG at anytime, subject to the terms of the Investment Advisor Agreement executed between parties.

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

ISG does not accept performance fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) and side-by-side management.

### **Types of Clients**

ISG typically target institutional clients. The types are “non persons” or not retail. Most meet the SEC definition of Sophisticated Investor or considered exempt because of the generally accepted financial expertise. They include but may not be limited to banks, investment advisors, trade associations, trusts, corporations, charitable organizations, endowments and foundations.

As mentioned earlier, ISG requires no minimum assets under management to enter into an advisor relationship.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

Investing in securities of any type involves the possibility of risk of loss that clients should be prepared to bear. There are numerous sources of risk: business risk (credit/default), financial risk (interest rate), liquidity risk, country risk (sovereign), etc. Historically, interest rate risk has had the greatest cumulative negative impact on fixed income securities. Over the last several years we have been reminded of how significant credit/default risk can be. Even the term sovereign risk has come into question regarding the solvency of government sponsored enterprises.

In the fixed income world, ISG believes the return on a security should equal its yield over its life. We practice a buy and hold to maturity discipline. This strategy is not normally affected by those factors that cause the fluctuations of Total Return. We do recognizing that the swing in the interest rate cycles offers occasional limited opportunities to improve the client's position. As a result, our firm may execute a short-term strategy to exploit those moments. This occurrence, though, is rare and may only be available as an option every 4 to 6 years.

Two factors are stand outs - liquidity and default. A mathematical calculation called Duration addresses liquidity and credit evaluation gives us insight into default risk.

ISG continuously calculates the portfolio's liquidity risk exposure through duration metrics, adjusting it up and down within a range to manage the portfolios' liquidity. We may also

offer portfolios with distinctly different duration range targets: e.g. money market, ultra-short, short, intermediate or long.

Our credit evaluation begins with a top down approach. We research the current credit ratings assigned by the two largest accepted credit rating agencies. Furthermore we review the rating in the context of the trend and direction of those recent assignments. This is supplemented with information from paid subscriptions to financial databases and publications. We also review financial newspapers, magazines, company reports, SEC filings, press releases, research materials prepared by other firms, as well as other types of useful data available over the internet.

ISG provides guidance on most fixed income investment types. This includes but is not necessarily limited to government and corporate bonds, fixed income mutual funds, unit investment trusts, commercial paper, certificates of deposit, flex repurchase agreements, depository accounts, money market mutual funds, Guaranteed Investment Contracts, mortgage backed securities, and government tax liens.

As mentioned earlier the risk a majority of our portfolios are exposed to are: a) interest rate and b) credit/default. Rising interest rates adversely impact the current valuation of Fixed Income securities. This results in unrealized losses. This risk is diminished as the security advances toward maturity. Credit/default risk can have a deeper and more permanent impact based upon the severity of the discounting or solvency of the underlying issuer. The unrealized loss may become “realized” if the issuer enters into bankruptcy. In that case, some or all of the investment may not be returned. Furthermore, market financial shock may cause the discount of rated securities to be even deeper and prolonged. In some cases, even highly rated securities may even lose their liquidity. For the foreseeable future, ISG believes that interest rate risk has the greatest probable impact on fixed income portfolios. Longer duration portfolios have greater risk to valuation fluctuation.

### **Disciplinary Information**

Neither ISG, nor its representatives, Victor E. Blaylock or Hugh L. Davis, III have been involved in any legal or disciplinary events that are material to a client’s evaluation of the integrity of the adviser or its management during the previous 10 years. Material events include but are not limited to convictions for theft, fraud, bribery, perjury, forgery, or any violation of securities laws by the adviser or one of its executives.

### **Discretionary Trading Authority**

ISG manages client investment accounts on a discretionary basis. This means that we typically have the right, without obtaining prior client consent, to determine the securities that are bought or sold in client accounts, and the amounts of those transactions. This authority is granted specifically in the Sub-advisor or Investment Advisor Agreement executed by and between the parties. ISG evaluates client’s legal restrictions, priority between liquidity and yield, estimated demand upon funds invested, and suitability to determine the breath of its discretion.

In some cases, we may also select the brokerage firm (see the prime brokerage arrangements discussed below). However, this discretion is not completely unlimited. In

almost all cases, either an appropriate state code is cited and/or a written investment policy statement is developed for and agreed to by each new client before any trading is undertaken. This policy statement guides all asset allocation and investment selection decisions.

Discretionary transactions are limited to stocks, bonds, mutual funds, certificates of deposit, government securities, municipal securities, government tax liens and other publicly traded marketable securities of a similar nature. Our discretion is further limited in that we cannot withdraw funds from client accounts. ISG may utilize cross trade opportunities for the benefit of the clients providing it is consistent with the firm's policies and procedures outlined.

As securities in the various portfolios mature or are called, excessive liquidity exists and requires reinvestment of assets. Often a bond may be purchased for a number of different accounts. The trades are aggregated. When aggregation occurs all of the accounts receive the same price for the purchase.

ISG does not assume the authority to vote client proxies. It will do so only at the instruction of the Trustee. Questions regarding proxies should be addressed to the Trustee.

### **Other Financial Industry Activities and Affiliations**

ISG does not participate in broker dealer activities nor have an application pending to be registered in that manner.

Although our clients may select any trustee or broker dealer, most, if not all, have chosen Trustmark National Bank for the custody and trading of at least a portion of their assets. There is no financial relationship between ISG and Trustmark, or any other brokerage firm or trustee regarding the purchase or securing Custody.

Other than a sub-advisor fee, ISG does not receive any other form of compensation from conducting business with Trustmark National Bank. We do realize certain benefits from Trustmark being an institutional client of our firm, such as access to Bloomberg information and pricing services. Bloomberg provides news sources, general market data, security descriptions, credit ratings, live bond quotes, and historical research sources for stocks, bonds and mutual funds. Other benefits available through Trustmark of similar nature include access to dedicated customer support teams, free software to download information on client account, research, business operation, and compliance resources.

ISG does not send out our company financial statements to its client. As a matter of good practice, clients should always compare the Account statements received from the custodian with the account statements the adviser.

Our firm does not recommend or select other investment adviser for our clients and receive compensation either directly or indirectly from those advisers.

### **Code of Ethics**



ISG has adopted a Code of Ethics for members, representatives, and employees of the firm. Members, representatives and employees are required to review the Code of Ethics at least annually or more often if amendments are made to the firm's document. A copy of this document is available upon request.

The Code of Ethics, among other things, determines the firm's and or its members, representatives, and employees participation or interest if any in client transactions, personal trading, or outside involvement that might be construed as a conflict of interest.

Employees of ISG will from time to time purchase or sell for themselves the same securities (except for IPO's) that are purchased for clients. There is deemed to be no conflict of interest as the securities involved (mostly government and corporate bonds) are widely held and publicly traded, and the transaction size is typically far too small to affect the market. In addition, when such situations arise, the interests of our clients are always placed above the interests of our employees.

Members, employees, and related person of ISG acting as principal are prohibited from buying or selling securities to a client. Such a practice could lead to impropriety and harm the client.

Members, employees and related person of ISG are prohibited from buying or selling securities for a client in which we or a related person has a material financial interest. Such a practice could lead to impropriety and harm the client.

Members, employees and related person of ISG are prohibited from acting as an investment advisor to an investment company that we recommend. Such a practice could lead to impropriety and harm the client.

Other than exempt securities, Members, employees, and related persons of ISG are prohibited from investing in the same securities that are recommended to the client without prior written disclosure to the client. As some classes of securities can have their price manipulated, such a practice could lead to impropriety and harm the client.

Other than exempt securities, Members, employees, and related persons of ISG are prohibited from investing contemporarily in the same securities that are recommended to the client without prior written disclosure to the client. As some classes of securities can have their price manipulated, such a practice could lead to impropriety and harm the client.

The Institutional Services Group, LLC does not receive any monetary compensation from any source other than the asset based and hourly fees paid by clients. We do not sell any investment products and do not receive any commission, income or 12b1 fees. ISG is completely independent and is in no way affiliated with any other organization. We do not serve as the general partner in any partnership in which clients are advised to invest.

### **Brokerage Practices**

ISG has established trading relationships that are independent of the firm or the client. They are based upon the experiences and contacts of the portfolio management team. The

number and utilization of these relationships may be expanded or contracted based upon current and projected factors in the economic cycle

ISG receives research on an unsolicited basis from a number of source including those in which we have a trading relationship. Soft dollar arrangements may occur between investment advisors and security providers. This is a practice of exchanging services for higher commissions or for the awarding of a purchase or sale of a security. ISG does not participate in any soft dollar arrangement. As we do not accommodate soft dollar considerations, preferences, benefits, offsets, aggregations, fees and commission schedules are not impacted.

No principals or employees can accept a referral from a Broker-Dealer for consideration or inducement to trade. ISG does not recommend broker dealers to clients for the execution of their own transactions. The client should perform specific due diligence to determine the fairness and parity of any fees, direct or otherwise charged by a broker dealers they may use. The firm does not maintain accounts that are directed by the client.

Though managed accounts are independent, it is common that the firm purchases in lot securities for multiple client accounts. In this aggregated transaction, all accounts receive the same average price for the securities purchased.

## **Review of Accounts**

Clients receive their statements with fee calculations regularly, according to their predetermined reporting interval. Both Blaylock and Davis review client accounts at least annually, but typically more frequently. Blaylock's role is Senior Portfolio Manager and Client Services. Davis is the Chief Compliance Officer and is Director of Research. Our review includes a portfolio listing of security holdings with current market valuation, comparison versus cost for each position, portfolio duration calculation and calculation of security and portfolio yields.

## **Client Referrals and Other Compensation**

We do not accept compensation or economic benefit, directly or indirectly, from persons who receive referrals and provide investment advice to clients of our firm. In turn, ISG does not compensate, directly or indirectly, persons who refer clients to our firm.

## **Custody**

ISG does not accept custody of client funds or securities. Third party arrangements with the Trustee or client is necessary. The client will receive account statements from that third party custodial provider. Client should carefully review those statements regularly. Any sub accounting statement that ISG might provide in addition to those sent by the custodian should be reconciled for accuracy and understanding.

## **Investment Discretion**

ISG exercises discretionary authority to manage securities on behalf of clients. Limitations on this authority come from the investment policy of the client or by Statute. We accept this discretionary authority through duly executed Investment Advisor Agreements and other germane documents.

**Voting Client Securities**

By policy, ISG does not exercise the voting of proxy for securities in the portfolio unless instructed by the Trustee. In those cases that proxies are delivered to ISG, the Trustee is notified and requests for instructions. Clients may contact ISG regarding how proxies were voted. Contact information is provided on the cover page of this document.

**Financial Information**

Though ISG does not require or solicit prepayment of more than \$1,200 in fees per client, six (6) months or more in advance, we do exercise discretionary authority over the purchase of client securities. As a result we are required to disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. We are not aware of any issues that would impair our ability to meet contractual commitments to clients.

Neither Davis nor Blaylock have been the subject of a bankruptcy petition.