

# Wrap Fee Brochure

May 07, 2012

## **Sachs Investment Group, LLC**

*a Registered Investment Adviser*

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This wrap fee brochure provides information about the qualifications and business practices of Sachs Investment Group, LLC (hereinafter "SIG"). If you have any questions about the contents of this brochure, please contact please contact Ronald E. McGrath at (502) 637-1949. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Sachs Investment Group, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Sachs Investment Group, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This section of the wrap fee brochure discusses only the material changes that have occurred since SIG's last annual update of the wrap fee brochure on May 2, 2011. SIG does not have any material changes to disclose in this Item.

## Item 3. Table of Contents

Item 1. Cover Page .....	i
Item 2. Material Changes .....	ii
Item 3. Table of Contents.....	iii
Item 4. Services, Fees, and Compensation .....	4
Item 5. Account Requirements and Types of Clients.....	5
Item 6. Portfolio Manager Selection and Evaluation .....	5
Item 7. Client Information Provided to Portfolio Managers .....	11
Item 8. Client Contact with Portfolio Managers.....	11
Item 9. Additional Information .....	11

## Item 4. Services, Fees, and Compensation

The Sachs Investment Group Wrap Program (the “Program”) is an investment advisory program sponsored by SIG. The Program provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges.

To join the Program, a client must:

- (1) Complete an investor profile that describes the client’s financial needs, investment objectives, time horizon, and risk tolerance, as well as any other factors relevant to the client’s specific financial situation and any other supporting documentation the Program requires;
- (2) Complete the investment advisory wrap fee agreement (the “*Agreement*”) with SIG;
- (3) Complete a new account agreement with Fidelity Institutional Wealth Services (“*Fidelity*”) or another broker dealer SIG approves for participation in the Program (together with *Fidelity*, the “*Financial Institution*”); and
- (4) Open a securities brokerage account with the *Financial Institution* and deposit those assets designated for participation in the Program into the account.

After an analysis of any information provided by the client to SIG, SIG assists the client in developing an appropriate investment strategy for the assets in their accounts. Thereafter, all clients are encouraged to discuss their needs, goals, and objectives with SIG and to keep SIG informed of any changes thereto. SIG contacts ongoing clients at least annually to review its previous services and/or recommendations and to determine whether changes should be made to their investment strategy.

### Management of Your Portfolio

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All clients in the Program grant SIG discretionary authority to buy, sell, and otherwise trade in the type of securities described in Item 6 (below), for their accounts and to liquidate previously-purchased securities that the client has transferred to their Accounts. Assets are managed by one of SIG’s investment adviser representatives.

### Fees for the Program

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Clients in the Program pay a single annualized fee for participation in the Program (the “*Program Fee*”). The *Program Fee* is prorated and charged monthly, in advance, based upon the market value of the assets being managed by SIG under the Program on the last day of the previous month. The *Program Fee* varies (between 1.25% and 2.00%) depending upon the market value of the assets under management and the type of investment management services.

SIG, in its sole discretion, may negotiate to charge a lesser *Program Fee* based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be

managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

## Fee Comparison

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Under the Program, clients receive both investment advisory services and the execution of transactions for a single, combined annualized fee, the *Program Fee*. Participation in the Program may cost the client more or less than purchasing such services separately. The number of transactions made in the client's accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. The *Program Fee* may be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

## Other Charges

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Clients may incur certain charges imposed by third parties in addition to the *Program Fee*, charges imposed directly by a mutual fund or exchange-traded fund in the account, which is disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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.

## Item 5. Account Requirements and Types of Clients

The Program participants include individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

## Item 6. Portfolio Manager Selection and Evaluation

SIG acts as the sponsor and portfolio manager to the Program. Certain wrap programs involve the services of multiple parties in these capacities, which may involve additional conflicts of interest that the sponsor would be required to disclose in this section. SIG has no disclosures to make under this section.

## Advisory Business

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SIG also provides discretionary and non-discretionary investment management services to its clients outside of this Program. Fees for such other services shall be based upon assets under management that do not include transaction fees, commissions, and other costs, which are incurred separately by the client. The terms and conditions for these other services are set forth in the Form ADV Part 2 Disclosure Brochure of SIG, which is available upon request.

SIG's Principal, Morton Sachs, is the general partner of Windhurst I Partnership and Windhurst II, LLC (the "*Vehicles*"), which were formed to engage primarily in the business of owning and managing real property. Interests in the *Vehicles* are not offered to clients, although some existing clients have invested in the *Vehicles*.

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

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#### ***Methods of Analysis***

SIG's primary methods of analysis are fundamental, technical and cyclical analysis.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. SIG will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that SIG will be able to accurately predict such a reoccurrence.

*Cyclical analysis* is similar to technical analysis in that it involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental analysis of the health of the particular company that SIG is recommending. The risks with cyclical analysis are similar to those of technical analysis.

#### ***Investment Strategies***

SIG's investment management goal is simple: to build "real" wealth for clients—returns after taxes, fees, and inflation. As a long-term, disciplined investment adviser, SIG believes this can be achieved by adhering to four key principles:

- *Portfolios Structured to the Client's Objectives* – Each client has a unique financial situation, attitude toward risk, and set of financial goals. SIG not only strives to identify those factors, but also to carefully determine each client's investment objectives. Once determined, SIG tailors an investment strategy accordingly.
- *Specialized Investment Team* – In today's complex investment environment, professionals who specialize in particular investment styles achieve the best results. That's why SIG believes its

highly-focused, specialized investment management team supported by its own economic, equity, and fixed-income research, offers a great value to its clients.

- *Asset Diversification* – Wealth building and volatility reduction can only be achieved through disciplined diversification among many investment styles.
- *Active Investment Management* – SIG believes that an active approach to investing produces better results than passive (index) investing.

SIG works to understand and exceed its clients' needs. SIG does this by paying close attention to all costs associated with the investment process, by offering superior client service, and by maintaining its leadership position in the investment management industry.

SIG utilizes the following processes for determining its clients' investment objectives and for selecting investments to meet clients' needs:

- SIG converses with clients to understand their financial condition and expectations including, but not limited to, investment objectives, risk tolerances, and time horizons;
- SIG establishes asset allocations appropriate to clients' needs and builds portfolios suitable to them; and
- SIG reviews initial portfolios with its clients. Thereafter, SIG strives to meet with clients at least annually for portfolio reviews, but the frequency of meetings are based on each individual relationship. Of course, SIG's clients are welcome to contact the firm anytime.

SIG's expertise is in research and selection of domestic common stocks. SIG manufactures its ideas based on the combination of top-down macro analysis, market cycle analysis, contrarian views, and technical analysis. SIG reviews long-term charts to find securities low in price in relation to their historical price trends to determine when to buy and sell.

For asset and sub-asset classes other than domestic common stocks, SIG relies on exchange traded funds (ETFs) and institutional money managers via mutual funds to provide portfolio diversification as needed to accommodate clients' needs.

### *Value Investment Strategy*

SIG's value investment strategy consists of searching for undervalued securities with basic investment value and a reduced level of risk. SIG uses technical indicators and fundamental analysis to find and identify industries that meet its value criteria. This approach consistently produces superior returns with less risk than other methods of investing.

SIG's equity process includes:

- An emphasis on seasoned, established companies that are available at a price discount from their book or takeover value, and significantly below previous highs;

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- Sound valuations with below average price-to-earnings or price-to-sales ratios;
- Real revenue and earnings growth, positive cash flow developments, and dividend growth; and
- Recent signs of accumulation indicating renewed investor interest.

SIG's investment managers' disciplined management process includes:

- Adhering to value style, given the advance of the market;
- Identifying attractive investment themes;
- Screening investment theme stock groups for value;
- Making informed selections; and
- Monitoring the selections.

### *Growth Investment Strategy*

SIG's growth investment strategy entails searching for companies who are offering new products or services that provide superior growth prospects. SIG seeks companies that are dominant within their respective industries.

In SIG's search for businesses that fit its growth criteria, SIG uses technical indicators to reveal stocks that break out on higher volumes and fundamental analysis to identify companies with high appreciation potential.

SIG's growth equity process includes:

- An emphasis on companies that have a history of superior growth rates;
- Chart patterns that show stock appreciation on higher than average relative volume;
- Revenue and earnings growth; and
- Recent signs of accumulation indicating renewed investor interest.

SIG's disciplined management process includes:

- Running daily stock screens for new potential buy candidates;
- Utilizing fundamental analysis to review potential candidates for buying;
- Identifying attractive investment themes;
- Making selections; and
- Monitoring the selections.



## *Income Investment Strategy*

SIG's general objective for fixed income accounts is to produce the highest level of income while remaining consistent with safety of principal. Because long-term investors are not paid to minimize risks with income instruments, SIG focuses on buying quality.

SIG's income investment strategy includes:

- A focus on investment grade quality to reduce risk and preserve capital;
- Evaluation of risk versus yield reward;
- Duration and forecast for interest rate environment; and
- Active management to reduce volatility and maintain income levels.

Income investments include BBB+ rated or better corporate bonds, U.S. Treasuries and, if appropriate, foreign government bonds. Preferred stocks, convertible bonds, and dividend producing income stocks provide a competitive level of income and a hedge against inflation with potential for an increasing income stream.

## **Risks of Loss**

### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV.

There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Market Risks*

The profitability of a significant portion of SIG's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that SIG will be able to predict those price movements accurately.

### *Use of Margin*

To the extent that a client authorizes the use of margin, and margin is thereafter employed by SIG in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to SIG will be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin shall correspondingly increase the management fee payable to SIG. Accordingly, the decision as to whether to employ margin is left totally to the discretion of the client.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client's securities and/or other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Voting of Client Securities**

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SIG is required to disclose if it accepts authority to vote client securities. SIG does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

## Item 7. Client Information Provided to Portfolio Managers

SIG acts as the sponsor and portfolio manager to the Program. Certain wrap programs involve the services of multiple parties in these capacities. In those circumstances, the sponsor is required to disclose how and what type of information about client that it provides to portfolio managers. SIG has no disclosures to make under this section.

## Item 8. Client Contact with Portfolio Managers

There are no restrictions on a clients' ability to contact and consult with SIG.

## Item 9. Additional Information

### Disciplinary Information

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SIG is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management.

Jennifer Dobbins, a supervised person of SIG was sanctioned by the National Association of Securities Dealers, Inc. ("NASD"), on January 15, 2003, during her employment with The Sachs Company for failing to establish and maintain a supervisory system reasonably designed to achieve compliance with SEC Regulation T S220.8, a violation of NASD rules 2110 and 3010(a). Ms. Dobbins was fined in the amount of \$10,000.00, and suspended from any principal or supervisory activity for ten (10) days on March 17, 2003 to March 28, 2003.

### Other Financial Industry Activities and Affiliations

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SIG is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. SIG does not have any required disclosures to this Item.

### Code of Ethics

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SIG has adopted a code of ethics ("*Code of Ethics*") made up of its personal securities transaction and insider trading policies and procedures. Its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by SIG or any of its associated persons. The *Code of Ethics* also requires that certain of SIG's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

As permitted in SIG's *Code of Ethics*, SIG's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access*

*Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of SIG's clients. In fulfilling its duties to its clients, SIG endeavors at all times to put the interests of its clients first. Generally, SIG combines or "batches" clients' securities orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among clients' differences in prices and commissions, or other transaction costs. Under this procedure, transactions will generally be averaged as to price and allocated among the SIG's clients pro rata to the purchase and sale orders placed for each client on any given day.

The foregoing policies and procedures are not applicable to (a) transactions effected in any account over which neither SIG nor any of its *Supervised Persons* (as defined in this Form ADV) has any direct or indirect influence or control; and (b) transactions in securities that are: direct obligations of the government of the United States; bankers' acceptances, bank certificates of deposit, commercial paper, and high quality short-term debt instruments, including repurchase agreements; or shares issued by registered open-end investment companies. This policy has been established recognizing that some securities being considered for purchase and sale on behalf of SIG's clients trade in sufficiently broad markets to permit transactions by clients to be completed without any appreciable impact on the markets of such securities.

Due to the fact that not all client accounts are reviewed on the same day that a securities order is placed, securities orders for client accounts reviewed on subsequent days could be executed after certain *Access Person* trades are complete. SIG permits this policy because it believes that by taking part of the initial risk, it can ensure that certain investment opportunities are appropriate for client accounts before completing all transactions. SIG will make all efforts to ensure that this practice does not negatively impact its advisory clients.

Clients and prospective clients may contact SIG to request a copy of its *Code of Ethics*.

### **Review of Accounts and General Reports**

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SIG monitors assets as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis.

Clients are provided with transaction confirmation notices and regular summary account statements directly from the *Financial Institutions* for assets.

### **Client Referrals and Other Compensation**

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SIG is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, SIG is required to disclose any direct or indirect compensation that it provides for client referrals. SIG does not have any required disclosures to this Item.

## Financial Information

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SIG does not require or solicit the prepayment of more than \$500 in fees six months or more in advance. In addition, SIG is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. SIG has no disclosures pursuant to this Item.

## Item 10. Requirements for State Registered Investment Advisors

### Principal Executive Officers and Management Persons

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Below is the formal education and business background of each of SIG's principal executive officers and management persons:

#### **MORTON SACHS**

Born 1934

#### **Post-Secondary Education**

Indiana University | MBA, Finance | 1959

Indiana University | BS, Finance | 1956

#### **Recent Business Background**

Sachs Investment Group, LLC | Managing Member | May 2009 – Present

Louisville Trust Company | Chairman | February 1999 – December 2009

The Sachs Company | Chairman | March 1974 - Present

#### **JAMES E. BUCHHEIT**

Born 1971

#### **Post-Secondary Education**

Denison University | BA, History | 1994

#### **Recent Business Background**

Sachs Investment Group, LLC | Director of Advisory Services, Investment Advisor Representative | May 2009 – Present

Louisville Trust Company | Vice President | December 2008 – December 2009

Nat City Investment Inc. | Investment Advisor Representative | June 2007 – December 2008

Merrill Lynch | Investment Group | June 2005 – June 2007

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None of the *Supervised Persons* of SIG are compensated for advisory services with performance-based fees. In addition, neither SIG nor its management persons have been the subject of the type of disciplinary event in the instructions to Item 19. Neither SIG nor any of its *Supervised Persons* have a relationship or arrangement with any issuers of securities not disclosed in response to Item 10 (above).

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