

## **AMI INVESTMENT MANAGEMENT, INC.**

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March 10, 2015

*Form ADV Part 2*

This brochure provides information about the qualifications and business practices of AMI Investment Management (AMI). If you have questions about the content of this brochure, please contact us at 260-347-1281 and/or [info@amiinvestment.com](mailto:info@amiinvestment.com). 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 AMI is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

AMI is a registered investment advisor. Registration of an investment advisor does not imply any certain level of skill or training. The oral and written communications of an advisor provide you with information which you may use to determine to hire or retain an advisor.

## **ITEM 1 – COVER PAGE**

## **ITEM 2 – MATERIAL CHANGES**

The last update of this brochure was filed on August 28, 2014 and no material changes have occurred since the date of that filing, with the exception of updated assets under management figures in item 4 below.

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#### ITEM 4 – ADVISORY BUSINESS

Founded in 1995 by Michael D. Axel, CFA, AMI provides independent investment management services to individuals and institutions. AMI is a registered investment advisor (RIA) fully owned by management (Mr. Axel). AMI focuses on providing investment management services primarily for long-term investors. Our goal is to protect and enhance the purchasing power of our clients' assets and our guiding principle is to treat clients the way we would want to be treated if our roles were reversed. We aim to avoid conflicts of interest between us and our clients, operate with full transparency, carry on a high-quality and meaningful dialogue with our clients, adhere to sound long-term investing principles and rely on our bottom-up fundamental research when constructing investment portfolios.

AMI focuses on the management of our clients' investment assets. We work with our clients to develop an investment policy statement (IPS) that meets their long-term goals and objectives. The IPS typically sets forward limits on what percentage of the client's portfolio can be invested in a given asset class (e.g. stocks or bonds). The IPS is crafted to meet both the client's *ability* and *willingness* to accept investment risk. AMI generally has discretionary authority over our clients' investments, meaning that we are able to make decisions regarding the purchase or sale of investment securities without obtaining the consent of the client. Clients are generally free to impose restrictions on investing in certain securities or types of securities, although the majority impose no such restrictions outside of the standard language set forth in the IPS.

AMI invests across a broad range of securities, including but not limited to domestic and international stocks, corporate and sovereign bonds, real estate investment trusts, exchange-traded funds and mutual funds. AMI invests in alternative investments if given authority by the client. For qualifying clients, this could include private investment structures such as limited partnerships (such investments require specific client approval). We do not limit ourselves to providing advice to any specific set of investments or investment classes. More information on our investment strategies can be found in Item 8.

As of December 31, 2014, AMI managed \$428,792,500.00 million in assets. AMI does not participate in any wrap fee programs.

#### ITEM 5 – FEES AND COMPENSATION

The annual fee charged to a client is computed as a percentage of the value of the assets under management on the last day of the preceding quarter. Such fees are payable quarterly in advance, and are deducted from the client's account unless the client requests to be billed directly. AMI's fee schedule is as follows:

##### Equity/Balanced Accounts

1.0% of the first \$ 2.5 million  
.80% of the next \$ 2.5 million  
.60% of the next \$ 5 million  
.40% of the balance

##### Fixed Income Accounts

.50% of the first \$ 1 million  
.45% of the next \$ 2 million  
.40% of the next \$ 2 million  
.30% of the next \$ 5 million  
.20% of the balance

Cash Management Accounts

.25% of the first \$ 1 million  
.20% of the next \$ 1 million  
.15% of the next \$ 2 million  
.10% of the balance

Advisor Service (Mutual Funds)

1.0% of the first \$ 2.5 million  
.80% of the next \$ 2.5 million  
.60% of the next \$ 5 million  
.40% of the balance

Prorated fees are charged at the inception of a signed investment advisory agreement. Fees are refunded, at a prorated rate, to the date of termination if the client terminates their relationship with AMI. Clients pay all additional expenses related to an account, including custodian fees, brokerage charges and commissions and taxes. AMI regards its fees as non-negotiable, though we retain the right to make exceptions to this policy. AMI generally does not charge for any other services associated with the management of the client's account, such as retirement planning.

Certain assets under management may be invested in mutual funds or similar investment structures. Mutual fund companies pay advisory fees to their fund managers. The impact of this management fee is the reduction of the funds' net asset value. Therefore, clients pay two levels of advisory fees for assets invested in mutual funds, one directly to AMI and one indirectly to the managers of the mutual funds held in their portfolio.

AMI does not share in any of the mutual fund's compensation and is focused on the performance of the fund net of any fund manager fees. AMI does not accept compensation for the sale of securities or any other investment product. Though AMI may make exceptions, we intend to utilize no-load or load-waived funds exclusively.

AMI will use any broker dealer at the request of a client. However, AMI may suggest brokers to clients. For more information on AMI's brokerage relationships, please see Item 12.

**ITEM 6 – PERFORMANCE-BASED FEES**

AMI does not charge any performance-based fees.

**ITEM 7 – TYPES OF CLIENTS**

AMI provides services to a variety of types of investment clients, including the following:

- Individuals (other than high net worth individuals and includes trusts, estates, IRAs and 401(k) plans)
- High net worth individuals (includes trusts, estates, IRAs and 401(k) plans)
- Pension and profit sharing plans
- Charitable organizations and non-profits
- Corporations

AMI has a stated minimum of \$1,000,000, but we are free to waive this minimum at our discretion.

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

AMI divides its research efforts into three different buckets: fixed income, equities (stocks), and external managers. In each case, AMI relies on bottom-up research as opposed to top-down decision making, meaning that our investment activity is driven by our fundamental research on the underlying investment security, not macroeconomic considerations. We are generally value investors, meaning that we attempt to buy investments at a discount to our estimate of intrinsic value. The main sources of information that we use include, but are not limited to: interviews with company management, annual reports, prospectuses, filings with the Securities and Exchange Commission, company press releases, financial newspapers, financial magazines, inspection of corporate activities and research materials prepared by others. Although our research across the buckets listed above is largely similar, clients may find it useful to consider the following investment parameters that we hope to meet when purchasing a given investment:

- Fixed income: AMI tries to construct broadly diversified fixed income portfolios that provide income and safety. Our fixed income portfolios carry investment-grade ratings and we generally avoid taking outsized credit risk. This does not preclude the possibility of loss, however, and we may choose to take on more credit risk if we believe the potential reward outweighs our estimation of the risks. Based upon our views of interest rates, we may adjust the duration of the portfolio (the sensitivity of the portfolio to interest rates). When selecting individual bonds, we consider the investment quality of the borrower, the duration of the security and the fit with the overall portfolio.
- Equities: AMI looks to purchase stocks in companies that (a) have understandable long-term economics, (b) are not subject to outsized financial or operational risks, (c) have an aligned and trustworthy management team and (d) are priced at a discount to a conservative estimate of intrinsic value. AMI relies on fundamental research to make these determinations and our research does not preclude the possibility of loss. We generally try to focus on our best ideas and companies that we know well, resulting in a portfolio of 10-30 stocks. We typically invest in domestic securities.
- External managers: This typically refers to mutual fund managers, although it may also include other forms of investment vehicles. AMI uses external managers for asset classes outside of core stocks and bonds, such as international stocks or emerging market bonds, and for core stocks and bonds in cases where the client utilizes AMI's Advisor Services or AMI believes that the inclusion of the given manager would be beneficial to the investment portfolio. AMI approaches manager due diligence with the same framework of in-depth research as we do our bond or stock portfolios. AMI tries to partner with managers that display the following characteristics: (a) an aligned incentive structure, including reasonable fees and meaningful co-investment, (b) focus on a specific investment class or niche where the manager has a sustainable investment edge, and (c) a commitment to value-investing principles and fundamental research. AMI's goal is to locate a handful of investment partners that we can build long-term relationships with. However, AMI has no affiliations with external managers and we are free to change relationships at any time. AMI's manager due diligence process does not preclude the possibility of loss.

Each client's account, subject to their IPS, is managed according to a strategic policy portfolio. This means that given the risk tolerance of the investor as defined by their allowable asset allocation ranges in their IPS, the portfolio is targeted to a specific stock/bond mix, such as 60% in stocks and 40% in bonds. Cash and alternative investments are incorporated into this policy portfolio based upon our

estimate of their underlying risk. We believe that it is usually difficult to add value by deviating from these policy weights. However, in certain cases, where AMI believes that a given asset class is significantly mispriced such that its risk-adjusted return potential is materially different from both historical experience and competing asset classes, we will choose to deviate from the strategic asset allocation targets. For instance, if we believe that stocks, as a whole, are priced well in excess of what we think they are worth, we may underweight equities. We would likely only do this if (a) we were unable to find individual stocks that we thought were worthy of purchase, (b) we thought the market was clearly overvalued based upon fundamental valuation metrics and (c) investor psychology supported the notion of a speculative investment bubble. Such actions have been historically rare and any such actions in the future may be unsuccessful.

AMI considers itself a long-term investor, generally planning to hold investments for several years. Though there are occasionally exceptions, we believe that investment strategies with high turnover rates and investment theses based on short-term expectations are largely ineffective, due both to heightened costs from frequent activity and inattention to the long-term factors that we believe drive successful investments. This does not preclude AMI from making short-term investments.

Clients should be aware that AMI's investment approach is not guaranteed to be effective, that past results are not indicative of future results and that investments in securities may result in capital gain or loss. Clients should be comfortable with the asset allocation ranges outlined in their IPS.

#### **ITEM 9 – DISCIPLINARY INFORMATION**

AMI has not had any type of legal or disciplinary events.

#### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

AMI is not currently involved in any other business activities nor does it have any material business affiliations.

#### **ITEM 11 – CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Our employees are required to read, sign and comply with the firm's "Code of Ethics" which explains our standards of conduct and the requirement that all employees must file quarterly and annual activity and holdings reports with our Compliance Officer. Employees must also read, sign and comply with "AMI Investment Management's Fiduciary Duty Policy" which details our policies regarding our fiduciary and other obligations. We always act in the best interest of the client which represents the guiding principle of our firm. Both forms are available upon request. AMI employees buy or sell stocks, bonds, mutual funds and/or other investments that are also recommended to clients. Stock trades are generally included in an aggregated or "block" trade where one trade covers many accounts and the execution price is the same for all accounts. The quantity is then allocated into these accounts according to the guidelines in the client's IPS. AMI employees generally hold the same investment securities as our clients and any exceptions require approval from the Compliance Officer and the President.

#### **ITEM 12 – BROKERAGE PRACTICES**

AMI does not maintain custody of clients' assets that we manage. All assets must be maintained by a broker dealer (broker). We will use any broker of the client's choice; however, this may limit or

eliminate our ability to negotiate competitive commission rates and best price for trade executions. Additionally, such accounts may not be able to participate in aggregated purchase or sale orders.

AMI places aggregate or “block” orders for the same equity security held in two or more accounts in order to achieve best execution for our clients as well as a measure to ensure that all clients are treated fairly and equitably. In the event that there are partially filled orders in the execution of a block trade, AMI will allocate fills on a pro rata basis to each client participating in the trade.

We seek to use a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, but not limited to:

- Combination of transaction execution services and asset custody services
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests etc.)
- Breadth of available investment products (stocks bonds, mutual funds, exchange-traded funds (ETF’s) etc.
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service record

AMI suggests that clients custody their assets at Schwab Institutional. All broker dealers provide AMI clients institutional rate commission schedules. Investment research supplied by brokers is used in servicing all accounts. Any broker who supplies investment research does not receive preferential treatment from AMI and must provide competitive commission schedules. AMI does not have any oral or written arrangement with any broker where it receives some economic benefit (including equipment or non-research services). AMI does not receive any referrals from the brokerage firms that it works with.

#### **ITEM 13 – REVIEW OF ACCOUNTS**

Investments are monitored on an ongoing basis with regard to fundamental value, risk, and expected return. Individual client accounts are reviewed on an ongoing basis by portfolio managers, who utilize various electronically prepared reports. Reviewing instructions include targeted asset allocations, buy/hold/sell determinations and any investment policy guidelines by the client. Clients receive from AMI, at a minimum, a quarterly report and appraisal of their portfolio’s current status. Supervisory account reports include all positions held, the market value and cost of such positions, yield and percentage of assets allocated to each position, recent account activity, realized gains and losses and relevant performance information. Some clients request more frequent reports. Depending on preference, every client receives both physical or electronic trade confirmations and monthly (or quarterly if there is no activity) brokerage statements from their custodian.

#### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

AMI does not directly or indirectly compensate anyone for referrals.



#### **ITEM 15 – CUSTODY**

Under government regulations, we are deemed to have custody of your assets, if for example, you authorize us to instruct your broker (who maintains actual custody) to deduct our management fees directly from your account or if you grant us authority to move your money to another person's account. You will receive account statements directly from your broker monthly (or quarterly if there is no activity). They will be sent to the email or postal mailing address that you provide to AMI. We urge you to compare your broker's statements to the reports that you receive from us.

#### **ITEM 16 – INVESTMENT DISCRETION**

Based on your IPS, AMI has the discretionary authority to determine, without obtaining consent, what securities are to be bought and sold, the amount of securities to be bought or sold and the broker to be used. Clients may elect to put additional restrictions on investment accounts outside of the standard language set forth in the IPS.

#### **ITEM 17 – VOTING CLIENT SECURITIES**

Unless retained by the client, AMI assumes proxy-voting responsibility. AMI's proxy voting guidelines are guided by one overriding principal: What is in the best interest of the company's long-term shareholders (our clients). At all times when reviewing proxies we will think like an owner of the business we are reviewing (which we are) and make decisions based on what is best for its shareholders, not what is best for management. If clients choose to retain proxy voting responsibilities, they will receive the proxies or other solicitations directly from the custodian. Clients are welcome to contact AMI with questions about any solicitation. Our proxy voting policy is available upon request. Copies of proxies voted on and related material and/or information related to proxy voting decisions will be maintained in our office for a minimum of five years and are available upon request.

#### **ITEM 18 – FINANCIAL INFORMATION**

AMI has no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding.

#### **ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISORS**

We are an SEC-Registered Investment Advisor; accordingly, this item is not applicable.

## Form ADV Part 2B – Brochure Supplement

Michael D. Axel, CFA

Jacob D. Benedict, CFA

Ryan A. Kay

August 28, 2014

This brochure supplement provides information about Michael D. Axel, CFA, Jacob D. Benedict, CFA, and Ryan A. Kay that supplements AMI Investment Management's (AMI) brochure. You should have received a copy of that brochure. Please contact AMI at 260-347-1281 and/or [info@amiinvestment.com](mailto:info@amiinvestment.com) if you did not receive AMI's brochure or if you have any questions about the contents of this supplement.

### ITEM 1 – COVER PAGE

### ITEM 2 – EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

#### **Michael D. Axel, CFA / President and Founder**

Prior to founding AMI in 1995, Mr. Axel served as investment manager for the Dekko Foundation and Group Dekko International and was a member of the Dekko Foundation Board of Directors. Mr. Axel established initial investment policies for Group Dekko, the Dekko Foundation and several related accounts.

Mr. Axel graduated from Wabash College with a Bachelor of Arts degree in economics and was a member of the Dean's List for academic excellence. He received his MBA from Vanderbilt University with a concentration in finance and investments. Mr. Axel was awarded the Chartered Financial Analyst (CFA) designation in 1994 and is a member of the CFA Institute.

Mike has been active in the community and has served on the Dekko Foundation Grants Review committee, the Parkview Health Board of Directors and the Oak Farm School Board of Directors. He is married and has four children. He was born on October 11, 1966.

#### **Jacob D. Benedict, CFA / Director of Research**

Prior to joining AMI in the fall of 2008, Mr. Benedict worked for CRA International, Inc., a global economic consulting firm. At CRA, Mr. Benedict worked on business valuation projects. Jacob previously worked for the Mergers and Acquisitions division of J.P. Morgan, where he assisted in valuation and acquisition analysis.

Mr. Benedict graduated *summa cum laude* from the University of Notre Dame with a Bachelor of Arts degree in economics and mathematics. He was a Lilly Scholar and is a member of the Phi Beta Kappa Society. Jacob was awarded the Chartered Financial Analyst (CFA) designation in 2011 and is a member of the CFA Institute. He has been active in the community, serving on the board of the Notre Dame Club of Fort Wayne and the Noble County Thrive steering committee. He is married. He was born on December 18, 1984.

**Ryan A. Kay, Financial Advisor**

Prior to joining AMI in the summer of 2014, Mr. Kay worked as a financial advisor for an independent wealth management firm in Fort Wayne where he provided financial guidance to individuals and institutions. Previously, he ran his own branch office for a national broker/dealer for several years where he oversaw operations and implemented financial solutions for clients.

Mr. Kay graduated from Purdue University with a Bachelor of Science degree in management. While at Purdue he minored in international business and economics and received the Certificate in Entrepreneurship. Ryan is active in the community and is the current President of the Purdue Club of Fort Wayne, a member of the John Purdue Club and is on the board of directors for the Powerhouse Youth Center. He enjoys teaching and is Adjunct Lecturer at Indiana University – Purdue University, Fort Wayne lecturing on topics of financial planning and investing. He is married and resides in Fort Wayne. He was born on April 1, 1986.

**The Chartered Financial Analyst (CFA) Designation**

The CFA charter is awarded to a very select group of investment advisors who have:

- Mastered a rigorous curriculum that requires hundreds of hours of study over at least three years and have passed three increasingly difficult levels of examination.
- Demonstrated their mastery and expertise in applying this knowledge across a broad range of investment-related subjects. (The average passing rate for a CFA examination is 40-50%, and it is estimated that less than 20% of candidates who begin the program eventually earn the designation.)
- Committed to being held to the highest ethical standards in all dealings with investor clients. (Program subject areas include: ethics, probability and statistics, economics, financial reporting and analysis, corporate finance, equity valuation, fixed income valuation, derivatives, alternative investments and portfolio management.)

Charterholders must comply with the CFA Institute Code of Ethics and Standards of Professional Conduct, which requires them always to place the client's interests first, to maintain independence and objectivity, and to serve with integrity and honesty.

The idea for the CFA designation took shape with Benjamin Graham, Warren Buffett's mentor and teacher. Graham desired to create a professional designation for security analysts similar to those witnessed in "fields of accounting, law, medicine and other professions."

Today, Investors recognize the CFA designation as the definitive standard for measuring competence and integrity in the fields of portfolio management and investment analysis. The magazine *The Economist* referred to the CFA charter as the "gold standard," writing that:

[The] qualification is roughly equivalent to a specialized postgraduate finance degree, including a mixture of economics, ethics, law, and accountancy... Whereas there are tens of thousands of finance degrees available around the world, ranging from the excellent to the worthless, there is only one CFA, managed and examined by an American association of financial professionals, the CFA Institute.

The CFA designation should not be interpreted as a promise or guarantee of future investment performance.

**ITEM 3 – DISCIPLINARY INFORMATION**

Mr. Axel, Mr. Benedict and Mr. Kay have not had any type of legal or disciplinary events.

**ITEM 4 – OTHER BUSINESS ACTIVITIES**

Mr. Axel, Mr. Benedict and Mr. Kay are not involved in any other material business activities.

**ITEM 5 – ADDITIONAL COMPENSATION**

Mr. Axel, Mr. Benedict and Mr. Kay do not receive any relevant additional compensation.

**ITEM 6 – SUPERVISION**

Not applicable.

**ITEM 7 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Not applicable.