

# Montana Investment Advisors, Inc.

## **ADV Part 2A**

Montana Investment Advisors, Inc.  
104 East Main Street, Suite 416  
Bozeman, Montana 59715  
Telephone: 1.406.586.7711  
Fax: 1.406.586.4675

Mailing Address:  
P.O. Box 7090  
Bozeman, MT 59771

[www.montanainvestmentadvisors.com](http://www.montanainvestmentadvisors.com)

This brochure provides information about the qualifications and business practices of Montana Investment Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 406-586-7711 or [mintnd@aol.com](mailto:mintnd@aol.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. There have been no material changes since our last ADV filed with the United States Securities and Exchange Commission in 2010.

Additional information about Montana Investment Advisors, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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# Montana Investment Advisors, Inc.

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## ADVISORY BUSINESS DESCRIPTION

Montana Investment Advisors, Inc. ("MINT") was founded in 1992 by principals Brenda Molen Davis, Chair, and Nicholas H. Davis, President, each of whom own 50% of the common stock of the company. MINT manages stock and bond investments on a fee basis for individuals, corporations, endowments, trusts, charities, retirement, and pension accounts. MINT is a registered investment advisor with the United States Securities and Exchange Commission (SEC) and maintains its principal place of business in Bozeman, Montana. MINT has filed the requisite notice as a federal covered advisor with the State of Montana and each of its principals is registered as an investment adviser representative of MINT with the State Securities Commissioner.

MINT follows a consistent philosophy of investing in large, fundamentally sound growth companies that we believe to be undervalued and can be held for the long term. These equity securities are combined with U.S. Treasury and corporate securities which emphasize income, safety and liquidity to create a diversified balanced investment portfolio. The objective is to manage a diversified list of long term large capitalization growth investments with 3-5 year prospects which, in the analysis of MINT management, exceed GDP and general economic growth expectations. MINT does not sponsor any wrap fee products and does not manage or recommend to its clients any private investment funds. No specific skill level or training is implied by virtue of being a "registered investment advisor."

During the initial consultation, investment objectives, preferences and constraints are discussed. Management of the account is tailored to the needs of the client. For example, if the client needs more income, a greater percentage of income bearing investments are purchased for the account. All accounts are separately managed and held in a custodial bank or brokerage firm.

Montana Investment Advisors does not have any subsidiaries. As of December 31, 2011, Montana Investment Advisors, Inc. managed \$46,426,517 in client assets on a discretionary basis. Assets under management are computed by totaling all discretionary, fee paying assets that Montana Investment Advisors has managed for a minimum of 30 days. Montana Investment Advisors does not manage any non-discretionary assets.

## FEES AND COMPENSATION

Montana Investment Advisors, Inc. charges one percent annually, paid quarterly in arrears, on all accounts under \$1 million. Accounts with assets over \$1 million are charged one percent annually for the assets totalling \$1 million and one half of one percent annually for those assets in excess of \$1 million. While the fees are based upon an annualized percentage, the accounts are charged one quarter of the annual fees based on the fair market value of the total assets held within the account at the end of each quarter. All clients are provided a copy of the invoice for the fees with quarterly analysis of the account provided by MINT. The fees are automatically deducted from client

accounts during the first week following the end of a calendar quarter. All fees are charged in arrears. MINT reserves the right to provide discounts on fees for services to clients of longstanding.

When a client contracts with MINT for account management, the client selects from one of the three broker-dealers recommended by MINT to act as custodian for the client assets based on his or her specific needs. Clients are responsible for all brokerage fees and all other fees and expenses charged by the custodian. Examples of additional expenses that may be charged to the account by the broker-dealer include but are not limited to the following: brokerage fees, mark-ups or mark-downs, custodial charges, check writing fees, retirement account administration and wire transfers. All fees of the custodian are subject to the custodial agreements between the client and the custodian. MINT receives no cash payments or rebates of any fees paid to the custodian by the Client.

MINT does not charge and does not receive pre-paid fees, performance based fees or termination fees from its clients. MINT receives no transaction or commission related fees in any of its accounts. MINT pays no referral fees to any third party solicitor.

#### TYPES OF CLIENTS

Clients of the firm include individuals, retirement, pension and profit sharing plans, trusts and estates, charities and corporation retirement accounts. MINT requires that Client accounts have a minimum asset value of \$250,000 to be eligible for MINT services.

#### TYPES OF INVESTMENTS

Types of Investments include common stocks, corporate and U.S. Treasury bonds and bond funds, CDs and money market assets, mutual funds (including ETFs) and municipal bonds. Montana Investment Advisors follows a consistent philosophy of investing in large, fundamentally sound growth companies that we believe to be undervalued and can be held for the long term. These equity securities are combined with U.S. Treasury and corporate bond securities which emphasize income, safety and liquidity to create a diversified investment portfolio. Although MINT endeavors to preserve and grow assets, investing in securities involves risk of loss. Past results are not indicative of future results.

#### ANALYSIS AND STRATEGY

Montana Investment Advisors follows a consistent philosophy of investing in large, fundamentally sound growth companies that we believe to be undervalued and can be held for the long term. These equity securities are combined with U.S. Treasury and corporate bond securities which emphasize income, safety and liquidity to create a diversified balanced investment portfolio. The objective is to manage a diversified list of long term large capitalization growth investments with 3-5 year prospects which, in the analysis of MINT management, exceed GDP and general economic growth expectations.

We attempt to identify those industries which have the best visibility to grow in the U.S. and global economies over the next three to five years. We identify the leaders in each industry, then select what we believe to be the best of these companies for our Buy List, which is comprised of 15-25 equities. These equities are held for the long term unless there is a fundamental change in the company, dramatic price appreciation, or an industry sector has become over-weighted in our portfolios and needs to be scaled down. MINT also purchases individual Treasury bond and note issues as well as Aa corporate bond funds and individual issues. These are chosen based on their security and liquidity with yields and durations based on client needs.

Resources utilized include available Wall Street fundamental and technical research materials as well as many leading economic and financial publications including *Forbes*, *Fortune*, *Wall Street Journal*, *The Economist*, *Christian Science Monitor*, *Morningstar*, *Value Line*, *VectorVest*, and *Dow Theory Forecasts*.

Investing in securities involves risk of loss that clients should be prepared to bear. MINT attempts to mitigate equity risk by buying and investing in equity securities of leading large capitalization companies which have many years of earning and often dividend histories and to minimize debt risk by purchasing predominantly U.S. government and Aa corporate debt securities. MINT accounts are each advised consistent with a 3-5 year time horizon. Investments are intended to be held until either the fundamentals change or the position becomes overweight in the managed accounts.

#### DISCIPLINARY INFORMATION

MINT and the executives of Montana Investment Advisors, Inc., have had no regulatory, administrative or disciplinary actions filed against them.

#### FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Brenda Molen Davis and Nicholas H. Davis are not registered as broker-dealers or a registered representative of a broker-dealer. Neither of the management persons is registered as a futures commission merchant, commodity pool operator, or a commodity trading advisor. Neither of the management persons have any type of related business interests that create a conflict of interest. MINT and its executives receive no compensation from other entities.

#### CODE OF ETHICS

MINT has a code of ethics adopted pursuant to SEC rule 204A-1. MINT executives may own, purchase or sell securities similarly owned in client accounts, but may acquire the securities for their own accounts subsequent to the exercise of discretion to purchase the securities for the client accounts and the execution of the transactions for the client account. (*See MINT Code of Ethic Prohibited Transactions III.*) The only exception to this policy is that MINT executives may participate in block transactions which include client transactions provided the client is not disadvantaged as a result of the block

allocation. (See *Code of Ethics IIIF*) MINT executives are prohibited from insider trading, acting on material non-public information, selling securities directly into client accounts, and acting in any way intentionally deleterious to client interest, as further detailed in the MINT Code of Ethics which is on permanent file and available to clients upon request.

## BROKERAGE PRACTICES

Clients upon contracting with MINT may select among three brokerage/custodian alternatives-UBS Financial Services, Inc. and Robert W. Baird and Co. are national wire-house firms with higher commissions and national research and TD Ameritrade Securities is a national discount firm with significantly lower commissions. The clients make the choice of firm based on services provided, which include a variety of custodial and research services. MINT receives research and brokerage services from all three which are useful in the monitoring and investment decision making process which benefit all clients. MINT receives soft-dollar benefits only in the form of research publications and brokerage services from the broker-dealers which are used for the benefit of its client accounts. MINT receives no referral fees from any broker-dealer.

## REVIEW OF ACCOUNTS

Nicholas H. Davis, President, reviews the client accounts on a weekly basis. Investments are changed should company fundamentals deteriorate or positions grow overweight per account. Investment decisions are made to preserve a diversified list of large capitalized, industry leader companies, with a market judgment made as to equity/debt/cash mix based on MINT macro-economic analysis.

Clients receive broker confirmations per transaction as well as monthly statements from the custodian of their account. In addition, MINT provides a thorough account analysis on a quarterly basis. The client's quarterly report includes an appraisal of current assets at quarter end, portfolio performance, account diversification by security and industry, fees charged and taxable gains and losses for the period. ADV II reports are available for all clients and prospects. Clients also receive a copy of the *Montana Investment Advisor* newsletter on a quarterly basis.

## CUSTODY

MINT has no custody of client assets, other than the ability to deduct quarterly management fees from an account. At least quarterly, the client receives a statement from the broker-dealer custodian the client selects detailing all assets within the account, all transactions including management fees deducted and the current market value of the account. Each quarter, each client receives a statement from MINT detailing the fees to be deducted from their account at the brokerage firm as well as a quarterly analysis of their account. MINT requests that clients compare their MINT quarterly reports with the statements received from the custodian.

## INVESTMENT DISCRETION

MINT assumes discretionary management authority of client accounts by a contract between client and MINT which may be terminated at any time for any reason. MINT takes into consideration client objectives when managing the account.

## VOTING CLIENT SECURITIES

MINT does not vote client securities at any time.

## FINANCIAL INFORMATION

MINT exercises discretionary authority with respect to the client assets and has custody, as that term is defined by the Investment Advisors Act of 1940, as a result of its ability to deduct fees from client accounts on a quarterly basis. MINT and has no financial condition which might impair MINT's meeting any of its contractual commitments to its clients. MINT does not require or solicit prepayment of fees.

