

## **Marquette Associates, Inc.**

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### **FORM ADV PART 2A BROCHURE**

**This brochure provides information about the qualifications and business practices of Marquette Associates, Inc. (MAI). If you have any questions about the contents of this brochure, please contact Tim Hamann at (312) 527-5500 or at [thamann@marquetteassociates.com](mailto:thamann@marquetteassociates.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 MAI is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for this Adviser is 21572.**

**MAI is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

**July 19, 2013**

## **Material Changes**

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MAI experienced the following material changes during 2012 and first quarter of 2013:

- 1) Marquette acquired ownership of Fiduciary Consultants, Inc., an SEC-registered investment adviser located in St. Louis, Missouri. Fiduciary retained its own corporate and registration status as an adviser but became a wholly-owned subsidiary of MAI. This transaction was completed December 31, 2012.
- 2) Marquette acquired the clients and assets of Archstone Portfolio Solutions, LLC (APS), an SEC-registered investment adviser based in Baltimore Maryland. As a result of this transaction, the two principals of APS became minority owners in MAI. This transaction was completed March 31, 2013.

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## **Advisory Business**

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Marquette Associates, Inc. ("MAI") is an investment adviser registered with the Securities and Exchange Commission. MAI's primary service is to provide investment consulting services to institutions, individuals, families, trusts, and charitable organizations or other business entities. The firm was founded and began providing investment advice in 1986 under the same name.

MAI is headquartered at 180 N. LaSalle Street, Suite 3500, Chicago, IL 60601 and has an additional office located in Baltimore, Maryland. MAI has a wholly-owned subsidiary adviser, Fiduciary Consultants, Inc. located in St. Louis, Missouri. MAI is 100% employee owned; all eleven owners work full-time at the firm. The principal owners of the firm are Brian Wrubel and Tim Fallon, CIMA ®.

### **Investment Consulting Services**

MAI offers both non-discretionary and discretionary investment consulting services, although MAI provides primarily non-discretionary consulting services. These services include:

- Asset allocation modeling / asset-liability studies
- Manager search, selection, and oversight
- Performance reporting and attribution analysis
- Firm-conducted research and educational training for clients
- Investment policy development and oversight
- Fee negotiation and cost management
- Custom benchmark development and peer comparison
- Review and selection of custodial bank

MAI provides customized services to its clients and no two investment programs are

alike. Our consultants take into consideration factors such as the client's risk tolerance, forecasted liability, and return expectations when making recommendations. Clients are allowed to designate reasonable restrictions on their accounts.

In addition, MAI will provide fiduciary services which allows MAI to have the discretionary authority to rebalance accounts and hire and fire third party managers. Lastly, MAI may also work on special projects for prospective clients wherein MAI is retained to provide certain, discrete consulting services.

MAI does not participate in wrap fee programs or accept soft dollar payments for its services.

**Assets under Advisement**

As of December 31, 2012, MAI had \$80,928,363,135 under advisement on a non-discretionary basis and \$1,588,568,100 on a discretionary basis.

## **Fees and Compensation**

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### **Investment Consulting Fee**

MAI charges fees in three separate ways: 1) as a flat fee, 2) as a percentage of assets under management, and 3) hourly charges. Fees are negotiable. In the first instance, MAI negotiates a flat fee with clients for its provision of investment consulting services, dependent upon the value of the client's assets under advisement, complexity of portfolio, travel required, number of meetings per year, and various other relevant factors. Fees are billed quarterly in advance or in arrears dependent upon the client's choice. In that way, the annual agreed upon fee is billed to the client in four separate installments. In the event, the contract with MAI is terminated prior to the end of the agreed upon period, MAI will prorate the fee accordingly and either bill the pro-rated fee to the client or reimburse the client for the pro-rated amount already paid. Fees may range from \$2,500 to \$295,000 per year.

MAI also charges fees based upon a percentage of a client's assets under advisement. MAI charges a client quarterly based upon the value of the client's assets under advisement as of the last day of the previous quarter. Fees are billed in advance or in arrears dependent upon the client's choice. Fee percentages may range from .05% to .20% of assets under advisement on an annual basis.

Lastly, MAI may charge fees on an hourly basis for discrete projects for consulting services. These fees will be based upon a determination of the specific nature and circumstances of the relationship between MAI and the client. These hourly charges are billed upon the conclusion of the services and are payable within 30 days of completion of the services.

### Other Costs

Outside of the annual fee paid to MAI, clients may also incur additional charges from investment service providers, such as investment manager fees, transaction costs, or custodial fees. If a client invests in mutual funds with the selected manager it may incur mutual fund ticket charges and other transaction charges. These fees are in addition to the fees paid by the client to MAI.

None of MAI's supervised persons receives compensation for the sale of securities or other investment products, nor by recommending managers for selection. Our firm does not offer any proprietary products for investment.

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

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MAI does not charge or collect performance-based fees; therefore this section is not applicable.



## **Types of Clients**

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MAI provides independent investment consulting and fiduciary services to pension and profit sharing plans, charitable organizations, corporations, state and municipal government entities, Taft-Hartley plans, and individuals. In addition to pension and profit-sharing plans, MAI provides services to other types of benefit plans including, health and welfare, annuity, endowment, foundation, general funds, etc.

MAI does not have a minimum account size.

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

Form ADV Part 2A, Item 8

### Methods of Analysis, Sources of Information, and Investment Strategies

MAI provides customized investment advice for each of our clients. Typically, we evaluate an organization's cash flow needs, spending policy, liquidity constraints, and operating results to help determine an overall strategic plan. From this understanding, we model an investment program that optimizes a portfolio's investment return utilizing eight different risk factors. Once a target portfolio is established, we utilize top-tier investment managers to implement the strategy. Lastly, we emphasize low-cost investment managers and products to ensure that every dollar of the portfolio is working as efficiently as possible. MAI's advice is in compliance with the fiduciary standards declared by the Employee Retirement Income Security Act of 1974 (ERISA).

MAI also conducts asset allocation studies to stress test potential client portfolios under a variety of macroeconomic environments, which directly impact the performance of asset classes. A recommended portfolio is determined through a quantitative risk analysis approach. Our proprietary software is built to analyze critical features of portfolio construction, including liquidity, rebalancing, and net cash flow.

With that said, Marquette advises clients that all investment programs have certain risks that are borne by the investor. Our investment approach endeavors to prevent loss to client portfolios by considering the following types of risk:

- **Volatility:** The average simulated return over the average simulated standard deviation of each portfolio option.
- **Downside:** The average simulated return over the average downside risk of each portfolio option.

- **Peer Risk:** Peer risk is the risk associated with varying your asset allocation from your peers.
- **Interest Rate:** Interest rate risk focuses only on the fixed income portion of the portfolio and is the ratio of yield to worst over duration.
- **Credit Quality:** Credit quality is the same as interest rate risk replacing duration with a numerical definition of credit quality.
- **Equity Style:** Variation of the capitalization and style of the equity only portion of the portfolio from our benchmark database.
- **Equity Valuation:** Equity valuation focuses on the equity only portion of the portfolio. It is the ratio of the five year earnings growth over Price/Earnings (P/E).
- **Liquidity:** A measure of liquidity of each portfolio. The score is base on the target allocation of each portfolio option to illiquid asset classes (i.e. infrastructure, real estate opportunistic, real estate, mezzanine, timber, private equity – mezzanine, private equity, venture capital, private equity, LBO, private equity – special situation, and private equity fund-of-funds). The lower the Liquidity-Related Score the greater exposure to illiquid asset classes.

### **Disciplinary Information**

Form ADV Part 2A, Item 9

Neither MAI nor any of its owners has any material legal or disciplinary events to report.

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

Form ADV Part 2A, Item 10

MAI has a wholly-owned subsidiary, Fiduciary Consultants, Inc. (FCI), an SEC-registered investment adviser based in St. Louis, Missouri. MAI may receive fees and income from FCI from its consolidated operations as a wholly-owned subsidiary of MAI.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Form ADV Part 2A, Item 11

MAI has adopted a Code of Ethics & Conflict of Interest Policy that sets forth the standards of conduct expected of its employees and requires compliance with applicable securities laws. The Code also addresses the issues of the confidentiality of and the safeguarding of client information, the payment or receipt of gifts by MAI or its employees, and the recordkeeping requirements for all of the above.

The document establishes firm policies in the following areas:

- Standards of behavior regarding financial and vendor relationships, securities trading, and use of confidential information
- Ethics Training Program requirement for all employees
- Zero tolerance gift policy from investment managers and other professional with whom we conduct business
- Personal trading ("insider trading") policy regarding publicly traded companies for whom we are contracted for investment consulting services
- Whistleblower protection
- Internal enforcement of and compliance with aforementioned policies

Current employees are required to sign the Code of Ethics & Conflict of Interest Policy on an annual basis, as well as pass the CFA Code of Ethics examination upon hiring.

The firm will provide a copy of the Code of Ethics & Conflict of Interest Policy to current and prospective clients upon request.

## **Brokerage Practices**

Form ADV Part 2A, Item 12

In general, MAI does not execute client securities transactions and therefore is not involved with brokerage practices. However, on a discrete basis, MAI may rebalance clients' portfolios and in doing so executes at the custodian of record for the client.

MAI does not receive compensation, research or other products or services from broker-dealers or other third parties in connection with client securities transactions or client referrals. The firm's interests are aligned with that of clients, and consultants strive to negotiate the lowest possible fees in all brokerage practices.

## **Review of Accounts**

Form ADV Part 2A, Item 13

Client accounts are subject to a peer review rotations among MAI's consultants on a frequent basis. As the Director of Client Relations, Tim Fallon, CIMA ® oversees this process and facilitates communication among the consultants and research team on issues relevant to our clients.

The lead consultant on the relationship reviews the client's accounts on a monthly and quarterly basis, as well as when clients are contemplating asset allocation and/or investment manager changes. These reviews are complemented by proprietary manager searches and asset allocation studies.

On a quarterly or monthly basis, MAI's consultants prepare investment reports in hard copy or electronic form based on the client's preferences. By the standard consulting agreement, quarterly reports are made available to clients within 45 calendar days of the quarter end. Monthly "flash" reports are made available to clients as early as 15 calendar days after month end. Clients are urged to compare the reports provided by MAI with those statements that derive from the client's custodian of record.



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

Form ADV Part 2A, Item 14

MAI does not directly or indirectly compensate any persons or entities for client referrals.

## **Custody**

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MAI does not maintain custody of client funds, securities or assets. MAI ensures that clients' assets are held by qualified custodians and that the custodian is sending to both our firm and the client directly statements of the client accounts. MAI recommends that clients review these statements and compare data with the reports prepare by our firm.

## **Investment Discretion**

Form ADV Part 2A, Item 16

MAI offers a discretionary outsourced investment service option to its clients who want to delegate decision-making authority for their investment program to our firm. In this capacity, MAI would be responsible for asset allocation and rebalancing decisions, and investment manager review and selection.

MAI's Discretionary Committee meets on a monthly basis internally (or as market actions warrant) to review our discretionary programs. All decisions are communicated to the client on a timely basis, ensuring the client is always aware of what decisions have been made and where their assets are currently invested. Monthly reporting supplements the flow of information, helping to ensure the appropriate amount of transparency in the investment process.

## **Voting Client Securities**

Form ADV Part 2A, Item 17

As a matter of firm policy, MAI does not vote client securities on behalf of clients. Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

<b>Financial Information</b>
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Form ADV Part 2A, Item 18
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MAI has never been the subject of a bankruptcy petition at any time. Neither MAI nor its owners have any financial circumstances to report.
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## **Additional Information/Privacy Policy**

### **PRIVACY NOTICE (Regulation S-P)**

Pursuant to Regulation S-P adopted by the Securities and Exchange Commission, it is the policy of MAI to keep confidential nonpublic personal information ("*information*") pertaining to each current and former client (i.e., *information* and records pertaining to personal background, investment objectives, financial situation, investment holdings, account numbers, account balances, etc.) unless MAI is (1) previously authorized by the client to disclose *information* to individuals and/or entities not affiliated with MAI, including, but not limited to the client's other professional Advisors and/or service providers (i.e., attorney, accountant, insurance agent, broker-dealer, investment Advisor account custodian, etc.); (2) required to do so by judicial or regulatory process; or (3) permitted to do so in accordance with the parameters of regulation S-P. The disclosure of *information* contained in any document completed by the client for processing and/or transmittal by MAI in order to facilitate the commencement/ continuation/ termination of a business relationship between the client and nonaffiliated third party service provider (i.e. broker-dealer, investment adviser, account custodian, insurance company, etc.), including *information* contained in any document completed and/or executed by the client for MAI (i.e., Advisory agreement, client information form, etc.), shall be deemed as having been automatically authorized by the client with respect to the corresponding nonaffiliated third party service provider. Each individual and/or entity affiliated with MAI is aware of MAI's *privacy policy*, and has acknowledged his/her/its requirement to comply with same. In accordance with the MAI *privacy policy*, each such affiliated individual and/or entity shall have access to *information* to the extent reasonably necessary for MAI to perform its services for the client, and to comply with applicable regulatory procedures and requirements.

If you have any questions, please contact Brian Wrubel at (312) 527-5500 or at [bwrubel@marquetteassociates.com](mailto:bwrubel@marquetteassociates.com)