

# SEC Form **ADV Part 2A** Firm Brochure



June 25, 2019

This brochure provides information about the qualifications and business practices of Truepoint Institutional Advisors, LLC ("Truepoint" or "Firm"). If you have any questions about the contents of this brochure, please contact Truepoint at 513-792-6648 or [Compliance@truepointwealth.com](mailto:Compliance@truepointwealth.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 Truepoint is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The CRD number for Truepoint is 105664.

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## SEC FORM ADV PART 2A

### Item 2 — Material Changes

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On June 25, 2019, our office address changed to 9999 Carver Road, Suite 200, Cincinnati, Ohio, 45242 as referenced on page 1 of this brochure.

# SEC FORM ADV PART 2A

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## Item 4 — Advisory Business

**About Truepoint Institutional Advisors, LLC**

Truepoint Institutional Advisors is a division of Truepoint Wealth Counsel, LLC, offering investment advisory services to charitable foundations and endowments, non-profits, retirement plans and other institutional investors. Our mission is to help small and mid-sized organizations manage their investments more effectively and efficiently. As of December 31, 2016, Truepoint Wealth Counsel, LLC (including Truepoint Institutional Advisors, LLC) had \$2.73 billion under management

**Principal Owners**

Truepoint, Inc. owns 55% of Truepoint Institutional Advisors, LLC, with Mr. Christopher M. Meyer owning the remaining 45%.

**Institutional Engagement Level**

Truepoint provides the following services for our institutional investment management clients:

- Assess investment objectives and risk trade-offs
- Establish appropriate asset allocation and portfolio structure
- Develop Investment Policy Statement (IPS)
- Ongoing monitoring and real-time portfolio rebalancing
- Portfolio benchmarking and clear performance reporting

Retirement plan services include:

- Plan sponsor consulting and sharing of fiduciary responsibility
- Truepoint management of each participant portfolio
- Optional development of low-cost menu for self-direction
- Ongoing employee financial education and consultation

**ERISA**

Truepoint is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to

the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such our firm is subject to specific duties and obligations under ERISA and the Code that include, amongst other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, we may only charge fees for investment advice about products for which our firm and/or related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which we receive such fees but such fees are offset by a commensurate reduction in our investment advisory fee.

**Assets Under Management**

We utilize a limited power of attorney to perform investment management services on behalf of our clients. We may provide on-going advice and guidance to clients on either a discretionary or non-discretionary basis. This includes assets in qualified retirement plans that are self-directed by participants, as well as private equity investments held by select clients. As of December 31, 2018, the allocation between discretionary and non-discretionary AUM was as follows:

Discretionary AUM	\$30,854,239
Non-discretionary AUM	\$0

# SEC FORM ADV PART 2A

## Item 5 — Fee Description

### Fee Description

As a fee-only firm, fees directly from clients are the sole source of Truepoint's compensation. The fee is calculated as a percentage of assets according to the schedule below:

Portfolio Value	Institutional
First \$5,000,000	0.50%
Next \$5,000,000	0.40%
Next \$10,000,000	0.30%
Next \$30,000,000	0.20%
Above \$50,000,000	0.10%

Truepoint Institutional Advisors, LLC seeks a minimum level of assets under management of \$1,000,000 for institutional investment management portfolios and \$1,500,000 for company retirement plans. Portfolio values below the suggested minimum are subject to a minimum fee of \$5,000, which may result in an annual rate in excess of 0.50%. Truepoint, in its sole discretion, may reduce its minimum fee and/or charge a reduced advisory fee based upon specific circumstances. The agreement for services may be terminated at any time upon written notice of either Truepoint or the client.

### Fee Invoice

For all types of ongoing advisory services, the client will be charged at the end of each calendar quarter for advisory services rendered. The fee is calculated on a percentage basis by multiplying one-fourth of the applicable annual rate against the asset value under management on the last day of the quarter. Truepoint will deduct the quarterly fee from the client's investment portfolio; however, clients may elect to remit payment via check. In either instance, the client receives an invoice with the fee calculation.

### Other Portfolio Expenses

#### Transaction Costs

Truepoint recommends a qualified third-party custodian to hold assets for clients. Clients are charged for all for custodial expenses (brokerage commissions or transaction fees) incurred on their behalf. These fees are levied by the custodian and charged directly to the client's account. Truepoint does not receive any income from custodial fees. Fees charged for buying and selling mutual funds and exchange-traded funds (ETF) generally range between no cost and \$25 per trade, but may be higher.

#### Expense Ratios

All mutual funds and ETFs include a management fee paid to the investment manager of the fund. These fees and expenses are described in each fund's prospectus and generally include a management fee, other fund expenses and a possible distribution fee. Truepoint exclusively recommends low-cost, no-load funds.

### Item 6 — Performance-Based Fees and Side-By-Side Management

To avoid potential conflicts of interest, Truepoint does not charge a performance-based fee, which is a calculation of the fee based upon the capital gains or the capital appreciation of any of the client's funds.

### Item 7 — Types of Client

#### **Description**

Truepoint Institutional Advisors delivers customized investment management solutions and independent, unbiased advice so organizational leaders can focus on fulfilling their mission. Our institutional clients include:

- Non-profit foundations and endowments
- Healthcare and community service organizations
- Private charitable foundations
- Defined benefit and pension plans
- 401(k) and other retirement plans
- Profit-sharing plans
- Trusts

#### **Account Minimums**

Truepoint recommends a minimum asset requirement of \$1,000,000 for institutions seeking services.

## Item 8 — Method of Analysis, Investment Strategies and Risk of Loss

**Investment Philosophy**

Truepoint employs a **holistic, evidence-based** investment philosophy. We believe our role is to work with the board/investment committee to assess the investment objectives and risk tolerance, establish an appropriate asset allocation, develop the investment policy statement, and construct portfolios based on the following philosophical beliefs:

- Emphasize **long-term** investment principles over short-term outcomes.
- Control risk through broad, **global diversification** as opposed to concentrated portfolio bets.
- Seek to capture market returns using **low-cost, rules-based investment strategies** instead of higher-cost, traditional active managers. Our strategy uses low-cost exchanged-traded funds (ETFs) and institutionally-priced mutual funds to accomplish this goal.
- Maintain the **strategic asset allocation** with **disciplined rebalancing** rather than attempting to tactically allocate (i.e., market timing) and allow emotions to influence rebalancing decisions.

We recognize that certain investment principles have been proven to be **persistent** and **pervasive** over time and employing these factors has led to superior results. These factors include:

- **Exposure to the market** – stocks are expected to outperform bonds over time. This will not occur every year or even every 5 or 10-year period, but should over the long-term. For long-term investors, we believe investing in assets with higher return expectations outweighs the short-term volatility risk, and therefore, invest the majority of the portfolio in stocks.
- **Value** – relatively cheap assets tend to outperform relatively expensive assets. Just as stocks sometimes underperform bonds, value stocks sometimes underperform

growth stocks. Nevertheless, we believe value should prevail over time, and therefore, tilt portfolios towards value.

- **Size** – small cap stocks should provide a performance premium over large cap stocks and therefore we employ a small cap tilt to portfolios.

Other factors that are incorporated into portfolios by the underlying investment managers include:

- **Profitability** – the tendency of more profitable assets to generate higher returns.
- **Momentum** – the phenomenon that assets that have performed well in the past relative to other assets continue to perform well in the future, and assets that have performed relatively poorly continue to perform poorly.

**Asset Allocation**

The process begins by understanding the following:

- Time horizon
- Return objectives
- Willingness to assume risk
- Liquidity needs

Once we have a clear understanding of the investment objectives, we leverage Markowitz mean-variance and Monte Carlo modeling as a tool to determine the appropriate strategic asset mix for each client. Because the inputs into the models are the drivers to ensuring the output is relevant, the investment team develops forward-looking capital market assumptions. Importantly, the risk (i.e., standard deviation) of the asset classes and the correlation between asset classes are also developed internally.

Although these models are effective tools, our understanding of the inputs and interpretation of the outputs are equally important. No model can give the “right” answer; therefore, these models should be complemented with a thorough



## Item 8 — Method of Analysis, Investment Strategies and Risk of Loss

understanding of the statistical formulas, good judgment, and a real world, common sense approach to asset allocation. We have years of experience working with institutional clients and a deep understanding of portfolio modeling, two key components of structuring a long-term, successful asset allocation.

### Portfolio Structure

The portfolio construction process includes designing well-diversified portfolios consistent with the asset allocation targets. The research is conducted internally, but relies on industry research, best practices, and manager research. Portfolio construction considerations include:

- Geographic weightings (i.e., U.S. vs. foreign exposures)
- Portfolio tilts (i.e., style and size)
- Use of index funds vs. rules-based strategies designed to outperform the indexes
- Number of funds and level of diversification (seek to avoid over- and under-diversification)

Extensive research and experience play key roles in designing custom portfolios to assist our clients in meeting their unique investment objectives.

### Managers: Rules-based Investment Strategies

Investment theory, academic studies, and real world results demonstrate that active equity managers have difficulty outperforming their benchmark returns. Even if there are skillful managers, investors would have difficulty identifying these managers beforehand. Relying on past performance is not a reliable measure of a manager's skill, as most do not have track records long enough to distinguish skill from luck and past performance is not a reliable indicator of future performance. Moreover, those investors who are confident in their ability to select superior managers are rarely patient enough to withstand the invariable performance slumps all active managers eventually experience. Therefore, we

invest with **index funds** and other **low cost, rules-based strategies** that consistently and efficiently capture desired market factors.

### Types of Investments

In addition to diversifying clients' accounts with mutual funds and ETFs, on a limited basis, Truepoint provides advice on private equity investments, hedge funds and institutional grade investments for qualified investors. Private equity investments carry a higher degree of risk because they are not publicly-traded and lack liquidity.

### Investment Risk

In determining the client's long-term investment objectives, Truepoint helps clients understand the inherent risks involved in investing in the capital markets. As with all investment securities, including mutual funds and ETFs, there is a risk of loss of both income and principal. Clients should not assume that future performance of any specific investment or investment strategy, including those recommended by Truepoint, will be profitable or achieve any specific performance level.

### Item 9 — Disciplinary History

Registered Investment Advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of firm or integrity of the firm's management in this item. Neither Truepoint, nor any of its employees, has any legal or disciplinary events to report.

### Item 10 — Other Financial Industry Activities and Affiliations

#### **Financial Industry Activities**

No employees of Truepoint are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker dealer.

#### **Affiliations**

Truepoint has a minority ownership interest (less than 2%) in a savings and loan holding company, National Advisors Holdings, Inc. (NAH). NAH has formed a federally chartered trust company, National Advisors Trust Company (NATC). NAH and NATC are regulated by the Federal Reserve and Office of the Comptroller of the Currency, respectively, and are FDIC insured. The trust company offers a low-cost alternative to traditional custodians and trust service providers.

Truepoint refers clients to NATC. Referrals to NATC are based expressly upon the clients' needs and objectives. Unlike banks, which generally do not allow trust accounts to retain outside investment advisors, NATC permits Truepoint to provide ongoing investment advisory services to accounts on which NATC is named as trustee. Both the client and Truepoint may benefit from this continuation of services. However, the client always maintains the right to remove Truepoint as the investment advisor, as well as replace NATC as trustee.

As previously stated, Truepoint is a fee-only financial advisory firm. Truepoint receives no income or compensation from NATC.

Effective April 2016, Truepoint Inc., parent of the Advisor, wholly owns RhineVest Advisors, LLC.

### Item 11 — Code of Ethics, Participation or Interest in Client Transaction and Personal Trading

As a fiduciary, Truepoint has a duty of utmost good faith to act solely in the best interest of each of our clients. Our clients entrust us with their assets, which in turn places a high standard on our conduct and integrity. Our fiduciary duty compels all employees to act with the utmost integrity in all of our dealings. This fiduciary duty is the core principle underlying this Code of Ethics Policy, and represents the expected basis of all of our dealings with our clients.

This Code of Ethics consists of the following core principles:

- The interests of clients will be placed ahead of the firm's or any employee's own investment interests. Employees are expected to act in the best interest of clients.
- Employees are expected to conduct their personal securities transactions in accordance with the Personal Trading Policy and will strive to avoid any actual or perceived conflict of interest with the client.
- Employees will not take inappropriate advantage of their position with the firm.
- Employees shall offer and provide professional services with integrity and objectivity.
- Employees are expected to comply with federal securities laws.
- Employees will provide services to clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which the employee is engaged.

A copy of the Code of Ethics in its entirety is available upon request to [Compliance@truepointwealth.com](mailto:Compliance@truepointwealth.com), at Truepoint's office address.

#### **Participation or Interest in Client Transactions**

Truepoint and its employees do not recommend investments in which any employee or related individual has a material financial interest.

#### **Personal Trading**

Truepoint and its employees may invest in the same mutual funds or ETFs as its clients. Truepoint and its employees are limited to making purchases or sales of mutual funds and ETFs, based on the employee's own unique investment goals. These transactions are not necessarily communicated to Truepoint clients.

## Item 12 — Brokerage Practices

**Selecting Brokerage Firms/Best Execution**

Fidelity Institutional Wealth Services (“Fidelity”), TD Ameritrade or National Advisors Trust. Factors that Truepoint considers in recommending a broker-dealer/custodian to clients include financial strength, reputation, execution, pricing and service. As referenced in **Item 5, Fees and Compensation**, broker-dealers and custodians generally charge commissions and/or transaction fees to effect certain securities transactions. Fidelity, TD Ameritrade and National Advisors Trust charge commission rates that are generally considered discounted from customary retail commission rates.

In seeking best execution, the determinative factor is not solely the lowest possible cost, but whether the transaction represents the best overall qualitative execution, taking into consideration the full range of a broker-dealer/custodian's services, including execution capability, commission rates, and responsiveness. Accordingly, although Truepoint will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions.

**Soft Dollars**

Truepoint and its employees do not receive any financial compensation from brokerage referrals, nor does it receive any targeted or customized research, etc. As part of the Institutional Wealth Services division of Fidelity, Truepoint will receive general research reports and newsletters that all such advisors receive. Any research services provided by Fidelity may be of benefit to all of our clients and not only clients having accounts at Fidelity.

**Order Aggregation**

On occasion, when initiating a global transaction in all client portfolios, trades in the same security will be bunched in a single order (a “block”) in an effort to obtain best execution at the best security price available. When employing a block trade:

- We will attempt to fill client orders by day-end;
- If the block order is not filled by day-end, shares will be allocated to underlying accounts on a pro rata basis, adjusted as necessary to keep client transaction costs to a minimum and in accordance with specific account guidelines;
- If a block order is filled (full or partial fill) at several prices through multiple trades, an average price and commission will be used for all trades executed;
- All accounts receiving securities from the block trade will receive the average price; and
- Only trades executed within the block on the single day may be combined for purposes of calculating the average price.

### Item 13 — Review of Accounts

#### **Description**

Members of Truepoint's investment team monitor accounts on a daily basis. With the use of software, portfolios are reviewed daily and rebalanced, as necessary, to the client's targeted allocations as noted in the client's Investment Policy Statement.

#### **Regular Reports**

As mentioned previously, Truepoint recommends independent, qualified custodians to hold client assets. Custodians directly provide clients with accounts statements at least quarterly.

Truepoint provides clients with quarterly performance reports detailing positions on an account level, as well as the asset allocation of the overall portfolio. These reports also provide the client with portfolio performance results and benchmark data for comparison. Clients are encouraged to compare the information presented in reports generated by Truepoint with the statements that are received from the custodian.

Item 14 — Client Referrals and Other Compensation

**Incoming Referrals**

We do not directly compensate for referrals.

**Referrals Out**

We refer business to estate planning attorneys, accountants and insurance brokers. We may receive client referrals from individuals or firms to whom we refer business. Truepoint does not directly pay for the referrals which it receives.

### Item 15 — Custody

All client assets are held at independent, qualified custodians. For certain clients, Truepoint is deemed to have custody because it has the ability to withdraw funds and securities from the client's account and/or directly debit fees. Clients will receive monthly or quarterly account statements directly from the custodian where these assets are held. Truepoint urges clients to carefully review these statements and compare those statements with statements they receive from Truepoint.



### Item 16 — Investment Discretion

#### **Discretionary Authority for Trading**

Clients may hire Truepoint to provide investment management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission

#### **Limited Power of Attorney**

We utilize a limited power of attorney to perform investment management services on behalf of our clients. As indicated, our investment management process employs a rebalancing strategy. This requires a client to pre-authorize Truepoint to execute transactions, which will return the portfolio to its targeted allocation.

### Item 17 — Voting Client Securities

#### **Proxy Voting Policy**

Proxy voting policies and procedures are most relevant for advisors who utilize individual securities as their primary investment vehicle. Although our investment process does not employ individual securities, the mutual funds and ETFs we utilize also issue proxies which we actively vote. The following highlights a few key provisions of Truepoint's proxy voting policy:

- Our utmost concern when voting proxies is that all decisions be based solely on the best interest of the client.
- We will limit our proxy voting to securities purchased in accordance with our investment recommendations.
- We will not vote proxies received for securities which are no longer held in a client's account.
- We will maintain our proxy voting records (statements received and votes cast) for five years.
- We will observe established guidelines for certain common proxy voting issues.

The description above is a concise description of Truepoint's proxy voting process. A copy of the proxy policy and procedures in its entirety is available upon request.

**Financial Condition**

Truepoint sustains a strong financial condition enabling it to meet contractual commitments to clients.

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