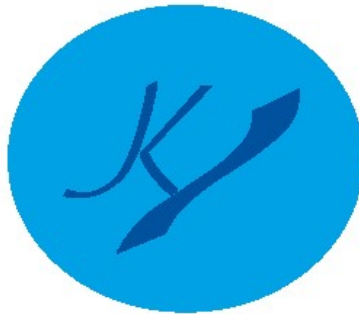


# **Kenney Investments**



**One Northfield Plaza Suite 505  
Northfield, Illinois 60093  
847.441.2642  
Fax 847.441.1898**

## **ADV Part II A**

### **Item 1: Cover Page**

This ADV Part II Brochure has not been approved by the SEC or state securities regulators. If you have any questions about this brochure, please call Greg Kenney at (847) 441-2640.

## Item 2: Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

No material changes to this Brochure dated March 20, 2019 have been made from the previous version dated March 23, 2018. As required, we have updated the assets under management on page 3.

## Item 3: Table of Contents

<b>Part II A</b>	Firm Brochure	
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	2
Item 4	Advisory Business	3
Item 5	Fees and Compensation	3
Item 6	Performance- Based and Side-by-Side Management	4
Item 7	Types of Clients	4
Item 8	Methods of Analysis, Investment Strategies, and Risk of Loss	4
Item 9	Disciplinary Events (none)	4
Item 10	Other Financial Industry Activities and Affiliations.	5
Item 11	Code of Ethics, Participation in Client Transactions, and Personal Trading.	5
Item 12	Brokerage Practices	6
Item 13	Review of Accounts	7
Item 14	Client Referrals and Other Compensation	7
Item 15	Custody of Client assets.	8
Item 16	Investment Discretion	8
Item 17	Voting Client Securities	8
Item 18	Financial Information	8
<b>Part II B</b>	Brochure Supplement	
Item 1	Cover Page	9
Item 2	Educational Background and Business Experience	10
Item 3	Disciplinary Information	10
Item 4	Other Business Activities	10
Item 5	Additional Compensation	10
Item 6	Supervision	10

**Item 4: Advisory Business**

Kenney Investments, Inc. (KI), established in 1989, is a privately held investment counseling firm owned by Brian Kenney and Greg Kenney. KI manages portfolios for high net worth individuals, charitable foundations, corporations, and retirement plans.

We are long-term investors with a relatively low portfolio turnover. Our philosophy is to treat clients individually to assess their risk parameters and to meet their investment objectives. Each portfolio is tailored to the particular client's needs and objectives and investment advice is provided on a continuing basis. Clients are free to impose restrictions regarding the purchase of individual securities or types of securities.

We are knowledgeable in the management of individual retirement plans and coordinating one's retirement plan with other investment accounts to minimize income taxes while meeting any minimum annual distribution requirements. In addition, we assist in making decisions on such related financial matters as gifts to family members and/or charity and the appropriate mortgage strategy in the purchase of a primary or second home.

As of 12/31/18 our assets under management were \$165,531,266; \$115,177,467 in discretionary accounts and \$50,353,799 in non-discretionary accounts.

**Item 5: Fees and Compensation**

Our fee is .75% per annum of the assets managed for a typical account and 1% for an account which involves a buy/write covered call program. Fees are paid quarterly in advance and may be paid directly from the client's account if authorized in writing by the client to the custodian. Fees are negotiable for larger accounts or accounts with a large holding of one security. Under various circumstances we may impose a flat quarterly fee instead of our normal percentage fee schedule. Generally, our minimum quarterly fee is \$2,500. KI includes the value of ETFs, closed end mutual funds, money funds, and cash in calculating the quarterly management fee; however, open ended mutual funds are excluded from the account billing value. Should the billable assets under management be at a level where the percentage calculation produces a fee below the quarterly minimum, the minimum fee is enacted for that period. Clients will also incur an embedded advisory fee on ETFs, closed end mutual funds, and money funds directly from the fund. The investment advisory contract is terminable by either the client or KI on 30 days-notice and any unearned portion of the prepaid fee will be refunded upon expiration of the 30 days.

KI has no affiliation with any other company and we do not make payments of any kind for new business referrals. As a benefit to housing accounts at Schwab, as described in **Item 12**, we receive online access to research, security quotes, and account records. We have no minimum commission requirements to these brokers, but this benefit could create a conflict of interest.

Client is responsible for all fees charged by the bank and or broker, see **Item 12**. KI does not participate in any "wrap fee" arrangements.

**Item 6: Performance-Based and Side-by-Side Management**

KI does not participate in any performance-based or side-by-side management fee arrangements.

**Item 7: Types of clients**

KI clients are made up of high net worth individuals, corporations, charitable funds, and retirement accounts. Our minimum account size is generally \$1.3 million.

**Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss**

Our investment strategy is to use large cap stocks for growth and income, exchange traded or mutual funds for international or special purpose investments, and high quality fixed income securities for income. We also employ a covered call program (known as a buy/write), where appropriate, to help our clients meet their income needs.

Our methods of analysis are entirely fundamental as opposed to technical. We use investment opinions expressed in the Wall Street Journal and financial information and company announcements via the internet or the financial press. We use investment reports from major brokerage firms in our research. We pay careful attention to the relationship of the price of a stock to current and estimated future earnings and dividends, if any. In selecting common stocks, we tend to emphasize those companies with strong balance sheets, good revenue growth, and, in some cases, rising dividends. In the fixed income area we favor higher quality securities as appraised by the major rating services.

The purchase of any security involves the risk of loss and this risk is borne entirely by the client. These risks include, but are not limited to, market risk, exchange rates, interest rate and credit risks, as well as forgoing some gains if the stock price increases above the option strike price in our covered call program. We attempt to moderate portfolio risk by using the following strategies:

- A. We invest in high quality, liquid stocks and bonds.
- B. We never sell short or buy on margin.
- C. Vary the asset allocation of stocks and bonds depending on our appraisal of the market outlook.
- D. Generally, limit initial individual security purchases to no more than 5% of the portfolio.
- E. We generally diversify our common stocks among a spectrum of twelve or so industries and usually limit our investment in any one industry to 15% of the portfolio's value.
- F. We attempt to maintain adequate cash reserves to meet client expenses that exceed portfolio income so that securities do not have to be sold in weak markets just for the purpose of meeting withdrawals.
- G. In some instances, we use index funds to enhance the diversification characteristics of clients' portfolios.

**Item 9: Disciplinary Events**

We have never had a disciplinary event against KI, any of its employees, or principals.

**Item 10: Other Financial Industry Activities and Affiliations**

As a fiduciary, Kenney Investments, Inc. has certain legal obligations, including the obligation to act in clients' best interest. Kenney Investments, Inc. maintains a Business Continuity and Succession Plan and seeks to avoid a disruption of service to clients in the event of an unforeseen loss of key personnel, due to disability or death. To that end, Kenney Investments, Inc. has entered into a succession agreement with Vestor Capital Partners, LLC, effective 02/28/16. Kenney Investments, Inc. can provide additional information to any current or prospective client upon request to Greg Kenney at (847) 441-2640 or greghkenney@gmail.com.

**Item 11: Code of Ethics, Participation in Client Transactions, and Personal Trading.****Code of Ethics:**

In accordance with SEC rule 204A-1 the following code of ethics was adopted by KI and is available in its entirety to our clients upon their request:

In adopting this Code of Ethics, KI recognizes that it and its Supervised Persons owe a fiduciary duty to KI's clients and must at all times:

- Place the interests of KI clients first;
- Minimize any actual or potential conflict of interest or any situation that has the appearance of a conflict of interest;
- Abide by all applicable federal and state securities laws;
- Use reasonable, independent professional judgment when conducting investment analysis, making investment recommendations, or taking investment actions on behalf of clients;
- Keep information concerning the identity of security holdings and financial circumstances of KI clients confidential;
- Never mislead a client or prospective client;
- Never engage in any act, transaction, practice, or course of business which would operate as a fraud or deceit;
- Conduct personal securities transactions in a manner consistent with this Code of Ethics and consistent with client interests; and
- Avoid any abuse of a position of trust and responsibility.

**Participation in Client Transactions, and Personal Trading**

All members of the firm maintain accounts with the firm. Changes in these portfolios are reviewed quarterly by the compliance officer to insure there are no conflicts with the best interests of the clients. Transactions are reviewed daily by the President for every client, employee, and immediate family member.

Principals and employees of the adviser may invest in the same securities purchased for clients. However, members of the firm may not buy or sell a given security until after any client trades in discretionary accounts in that security have

been executed. Transactions in mutual funds and obligations of U.S Treasury are exempted from this requirement. Firm members may buy and sell a given security before any trades in non-discretionary accounts if such non-discretionary client is unavailable to receive the advisor's recommendation, has not responded to the advisor's recommendation, or the advisor does not believe the transaction is suitable for the account at that time.

These policies apply to both public and non-public investments. However, very occasionally the principals of the firm will invest either simultaneously or ahead of the clients in the instance of a private investment only when three conditions are met: 1) The security is being offered for sale over a period of several months in a "best efforts" offering; 2) there is an ample supply of the security available to take care of any client interest for whom the security is suitable; 3) The price is the same to all during the offering period.

#### **Item 12: Brokerage Practices**

We recommend that our clients house their accounts at Charles Schwab because of their very low commission rates, compatible interface with our record keeping software, and overall professionalism. For those clients who elect to use a bank as a custodian, Schwab will not trade covered calls for accounts not housed with them. In those instances, we have to write the options through another broker where the commission rate on both options and any subsequent sale of the stock via option exercise are at higher rates than Schwab's. We receive research from Charles Schwab and other brokers, but do not have any requirement that we provide them with a minimum level of commissions. KI may have an incentive to select or recommend Schwab based on its interest in receiving their research, products or services, rather than on its clients' interest in receiving most favorable execution.

KI does not receive any commissions from any brokers. Clients may direct us to use any bank and broker of their choice. If a client does so direct, the advisor may be unable to negotiate commissions, obtain volume discounts, or otherwise ensure best execution, and in this circumstance a disparity in commission charges may exist among our clients. KI occasionally aggregates similar trades for client accounts because it is efficient and clients are treated equally. When this occurs the purchase or sale price is the same for every client when the trade is allocated to the individual accounts. When trades are not aggregated, trades are completed in the order in which they are received throughout the day and individual client's trades will be filled at the market price at that time. Clients may receive different prices for the purchase and sale of a security when such trades are not aggregated.

Schwab Institutional (SI) provides KI with access to its institutional trading and operations services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers at no charge to them so long as a total of at least \$10 million of client assets are held at Schwab. SI's services include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require significantly

higher minimum initial investments. SI also makes available to KI other products and services such as quotes, access to client's data, trade execution, and allocation of aggregated trades for multiple clients. Many of these services generally may be used to service all or a substantial number of the KI's accounts, including accounts not maintained at SI. SI may also provide KI with other services intended to help KI manage and further develop its business enterprise. These services may include consulting and publications on regulatory compliance and marketing. SI may make available or arrange for these types of services to KI by independent third parties. We require a custodian for client accounts; the expenses borne by clients at Schwab are very low and the level of service is very high. On an annual basis, we will review our custodian arrangement to ensure the best interest of our clients are being met and determine if a change in custodian is advisable.

KI rarely participates in IPO's; however, when we do the shares are allocated among our clients according to the following procedures:

1. Some weight is given to the rare client request for a specific IPO.
2. An IPO security must be suitable for a particular client in relation to his/her investment objectives, financial circumstances, current asset allocation, and common stock diversification as well as the amount of cash available for investment.
3. In purchasing a security (including IPO's) for our clients, we focus on the longer-term outlook as opposed to short term trading possibilities.
4. The above considerations are always subject to the IPO broker's requirements that the account which buys the IPO must hold its securities at the broker.

#### **Item 13: Review of Accounts**

Brian Kenney, President of KI, will provide ongoing documented review of all accounts. This will include quarterly reviewing objectives to assure they meet client needs and goals, asset allocation, diversification, and individual holdings. Performance will be reviewed at least annually. For taxable accounts, capital gain and loss statements are prepared, reviewed, and sent to clients (and their accountants where requested) at least annually, but quarterly where appropriate.

#### **Item 14: Client Referrals and Other Compensation**

KI does not receive or pay compensation for any client referrals.

We receive an economic benefit from Schwab in the form of support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us and possible conflicts of interest are described above (see **Item 12**). The availability of Schwab's products and services to us is not based on our giving particular investment advice, such as buying particular securities for our clients.

**Item 15: Custody of Client assets.**

KI does not have physical possession of any of its clients' assets. We require that all clients use a large bank or broker as custodian. Under SEC regulations, we are deemed technically to have custody of assets if we are authorized to instruct the bank or broker to deduct our advisory fees directly from the clients' account (see also **Item 5**).

Where Brian Kenney or Greg Kenney is trustee of a non-family account, they are deemed by the SEC to have custody of the assets and KI is subject to an annual CPA surprise audit. However, neither of them may at any time write/issue checks on the accounts to themselves, KI, or in any way to their benefit. Fees paid to the trustees are issued directly from the bank or broker housing the account after the bank or broker receives a fee letter or invoice from the trustee. Where we are deemed to have custody, the client receives at least quarterly, statements from the custodian bank or broker showing all security transactions as well as deposits and withdrawals.

All clients receive at least quarterly, portfolio valuations from both KI and the custodian. Clients are urged to carefully review and compare KI's portfolio valuation to that of the bank or broker. Custodians, of course, send copies of all client statements to us.

**Item 16: Investment Discretion**

KI manages both discretionary and non-discretionary clients.

For discretionary accounts, the adviser shall direct the investments of the client without prior consultation with client. The adviser has authority on behalf of the client (a) to buy, sell, exchange, convert, tender, and otherwise trade in all stocks, bonds, covered call options and other securities as the adviser may select; and (b) to execute trades with brokerage firms, dealers or banks the adviser and/or client may select.

With non-discretionary accounts, the adviser shall make investment recommendations to the client. When recommendations have been approved, the adviser will execute orders with brokerage firms, dealers or banks the adviser and/or the client may select.

**Item 17: Voting Client Securities**

KI does not accept the authority from clients to vote proxies on their behalf.

**Item 18: Financial Information**

Since we do not bill six months or more in advance, we are not required to disclose any financial information about the firm.



## **Part II B: Brochure Supplement**

### **Item 1: Cover Page**

This brochure supplement provides information about Brian Kenney and Greg Kenney.

Contact Information is:

Brian Kenney, President  
Kenney Investments, Inc.  
One Northfield Plaza, Suite 505  
Northfield, Illinois 60093  
[brkenney1@aol.com](mailto:brkenney1@aol.com)  
(847) 441-2642

Greg Kenney, Vice President and Chief Compliance Officer  
Kenney Investments, Inc.  
One Northfield Plaza, Suite 505  
Northfield, Illinois 60093  
[greghkenney@gmail.com](mailto:greghkenney@gmail.com)  
(847) 441-2640

Clients should contact Greg Kenney if they have not received both parts A and B of ADV Part II or if they have any questions about these brochure supplements.

## **Item 2: Educational Background and Business Experience**

Brian Kenney – Born 1939

Graduated from Harvard Business School (MBA) in 1962 and from Yale University (BA) in 1960. Sept 1989 to Present: President of Kenney Investments, Inc.

Greg Kenney – Born 1967

Graduated from DePaul University (BA) in 2005.

Sept 1989 to Present: Vice President, Secretary, and Chief Compliance Officer of Kenney Investments, Inc.

## **Item 3: Disciplinary Information**

We do not have any disciplinary items to report for Brian Kenney or Greg Kenney

## **Item 4: Other Business Activities**

Both Brian Kenney and Greg Kenney periodically are called upon to be trustees of family, friends, and client accounts. These accounts are traded the same as if they were personal accounts. See Item 11: Personal trading. Approximately 95% of their time is spent on their clients' accounts.

## **Item 5: Additional Compensation**

Brian Kenney and Greg Kenney receive compensation outside of KI when they are paid trustee fees or for consulting regarding the financial situations of persons who are not clients of KI.

## **Item 6: Supervision**

Brian Kenney and Greg Kenney are experienced business people and industry professionals. They determine and execute their respective responsibilities as indicated in our compliance policies and procedures manual. Brian Kenney as President has the ultimate responsibility for supervision, strategy, and direction of KI and Greg Kenney.

Greg Kenney is the Chief Compliance officer and as such oversees the day to day operations.