

## item 1 – cover page



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# Part 2A of Form ADV: Firm Brochure

**April 1, 2020**

This brochure provides information about the qualifications and business practices of Greybox Investments. If you have any questions about the contents of this brochure, please contact us at 205.703.0900. 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. References to Greybox Investments as a “registered investment adviser” or descriptions of being “registered” do not imply a certain level of skill or training. Additional information about Greybox Investments also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Our CRD Number is 174077.

item 2 - material changes

Greybox Investments (“Greybox, we, us, our, ours”) last filed an annual updating amendment on March 27<sup>th</sup>, 2020. Since that date, we have applied for registration with the SEC.

We send you a summary of any material changes to our brochures by April 29<sup>th</sup> of each year. We may also provide updated disclosure information about material changes on a more frequent basis. Any summaries of changes include the date of our last annual update of our brochure.

You may request a copy of our complete brochure

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by contacting us at 205.703.0900 or via email at [dcarlson@greyboxinvestments.com](mailto:dcarlson@greyboxinvestments.com). We will provide you with our most recent brochure at any time without charge.

Additional information about our company is available via the SEC’s website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The SEC’s website also provides information about any persons affiliated with us who are registered as investment adviser representatives of Greybox Investments.

Information on our investment adviser representatives who work with your account can be found in our brochure supplements located at the end of our disclosure brochure

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## ***item 4 - advisory business***

DMC Group, LLC is a limited liability company organized under the laws of the state of Alabama in 2014. DMC Group, LLC, doing business as Greybox Investments, is an SEC registered investment advisory firm wholly owned by Donie M. Carlson.

As of December 31, 2019, we managed approximately \$77.3 million in client assets where we make the investment decisions. An additional \$28.5 million in client assets were managed where our clients make investment decisions based upon our recommendations.

### ***Custom Portfolio Solutions***

#### **Traditional Equity and Quantitative Equity Strategies**

We offer traditional and quantitative management of stocks across various types of styles of investing, capitalization ranges, and economic sectors. Using a relative valuation approach, we create traditional core equity portfolios that utilize a tax efficient, low cost approach to getting clients efficient equity exposure in large cap US Exchange traded equities.

Additionally, we utilize fundamental risk factor models to build style and sector based quantitative strategies for clients seeking cheap and efficient exposure to equities with a specific set of characteristics. Typically, our quantitative products are constructed using 30-60 stocks that provide clients access to component portfolios of value or growth stocks, using specific fundamental criteria (Price to Earnings, Price to Book, Sales Growth, ROE, ROA, etc.).

Both types of strategies (traditional and quantitative) involve the investment in US Exchange-traded equities and include the use of American Depositary Receipts (ADRs) or Global Depositary Receipts (GDRs) across all capitalization ranges.

### **Custom Portfolio Solutions**

Utilizing the same analytics and investment process we use to construct component equity strategies, we help clients build their own custom solutions that meet both their direct needs or in the case of other investment advisors, the needs of their end clients. Typically, we use an assortment of factors including risk constraints, style factors, sector exposures, and turnover constraints to build clients their own unique solution. These solutions can be delivered through a variety of formats be it a Unified Managed Account (“UMA”) or Separately Managed Account (“SMA”) model.

#### **Disruptive Opportunities Equity Strategy**

Given Greybox’s proprietary application of quantitative technology and forward-looking market forecasts, we offer investors a disruptive opportunities portfolio in the form of a research model or SMA. This portfolio component seeks to offer investors access to US Exchange traded companies participating in technologies we believe are redefining the global economy on a fundamental level. The strategy is an all cap US equity portfolio, built to provide exposure to all major GICS sectors, yet do so with companies that are participating in, or are direct beneficiaries of, these technologies.

## Wealth Management

We build asset allocations utilizing many different asset classes (equity, fixed income, mutual funds, Exchange Traded Funds (“ETF”), alternatives) and customized solutions to help clients allocate capital for their unique investment goals and time horizons. Our asset allocation approach involves forward-looking market forecasts for different asset classes in contrast to the traditional historical back test approach. We believe forward looking estimates of risk and return provide better results for clients over time, rather than viewing risk in general historical windows. In addition to utilizing both internal strategies and external strategies, we add tax efficient rebalancing and social equity screening for unique client needs. We recognize the accommodation of client specific constraints can lead to differences between account compositions and the timing of transactions, and can lead to differences in performance between accounts with and without these restrictions.

We use a variety of investment models:

- Wealth Management Mutual Fund/ETF Only Models
- Wealth Management Equity and Mutual Fund/ETF Only Models
- Wealth Management Customized Solutions

## item 5 - fees and compensation

We offer our advisory services on a fee-only basis. Our fee<sup>1</sup> is charged monthly or quarterly, chosen by you at the time your agreement is executed, in arrears. It is calculated during the month following the end of a month or calendar quarter, and is based upon the market value of the assets in your account on the last day of the previous month or quarter.

Broker-dealers and other financial institutions that hold client accounts are referred to as custodians. Your custodian determines the values of the assets in your portfolio.

Initial fees are based on the value of your cash and securities on the date the custodian receives them and are prorated based upon the number of calendar days in the month or calendar quarter that our agreement is in effect.

### Custom Portfolio Solutions Fees

Traditional equity and balanced portfolio management fees are asset based at 65 basis points. SMA Models are provided to SMA platforms at 45 basis points.

### Wealth Management Fees

Blended Tier:

First \$1,000,000	.95%
From \$1,000,001 to \$2,500,000	.75%
Over \$2,500,000 – Flat	.75%

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<sup>1</sup> All fees are negotiable at our sole discretion. Such negotiations may be based upon account size, scope and complexity of services, prior relationships and related account holdings.

## ***Additional Information about Fees***

You may authorize us to have the custodian pay us directly by charging your account. This authorization must be provided in writing. One-twelfth or one-fourth of the annual fee is charged in the month following the end of the month or each calendar quarter, as directed, in arrears.

Your custodian provides you with statements that show the amount paid directly to us. You should verify the calculation of our fees. If you do not authorize your custodian to deduct the fee directly from your account, Greybox Investments will send you an invoice. The fee is calculated in the same manner and you are responsible for sending payment to Greybox Investments

You may terminate the advisory agreement we have entered into within five (5) business days from the date the agreement is executed without penalty. Should either one of us terminate the advisory agreement we have entered into before the end of a billing period, any unpaid fees for services received by you become immediately due and payable. The amount owed by you is calculated by dividing the advisory fee due for the month or quarter by the total number of days in the month or quarter. This daily fee is then multiplied by the number of calendar days in the month or quarter that our agreement was in effect. This amount, which equals the amount we earned for the partial month or quarter, is your fee.

In addition to our fee, you may be required to pay other charges by your custodian/broker-dealer such as:

- custodial fees,

- brokerage commissions,
  - transaction fees,
  - SEC fees,
  - internal fees and expenses charged by mutual funds or ETF, and
  - other fees and taxes on brokerage accounts and securities transactions.
- None of these fees are paid to or are shared with us.

We will explain the specific costs associated with any recommended investments with you upon request. We also recommend no-load and load-waived mutual funds to further reduce conflicts of interest.

Please be sure to read the section entitled “Brokerage Practices,” which follows later in this brochure.

## ***item 6 - performance-based fees***

Performance-based fees are designed to give a portion of the returns of an investment to the investment adviser as a reward for positive performance. The fee is generally a percentage of the profits made on the investments. Greybox Investments does not charge any performance-based fees.

## ***item 7 - types of clients***

We provide advisory services primarily to individuals, high net worth individuals, charitable organizations, and corporations.

The minimum account sizes are:

- Wealth Management Mutual Fund/ETF Only Models - \$100,000 minimum

- Wealth Management Equity and Mutual Fund/ETF Only Models - \$250,000 minimum
- Wealth Management Customized Solutions - \$500,000 minimum
- Traditional Equity and Balanced Portfolio Management - \$200,000 minimum, with non-profit client minimum of \$1,000,000
- SMA Models - \$100,000 minimum

## ***item 8 - methods of analysis, investment strategies and risk of loss***

We primarily select specific investments for portfolios through the use of quantitative multi-factor analysis.

Quantitative factor analysis is the assessment of individual components of risk and their attribution to return. Multi-factor analysis seeks to quantify elements of risk that exist in each investment and their interaction with complimentary investments so that the aggregate portfolio is properly diversified. Quantitative factors include: size, valuation, leverage, growth and momentum.

In addition to quantitative analysis, fundamental assessment is applied to select specific sources of factor risk.

Fundamental analysis is a method of evaluating a company that has issued a security by attempting to measure the value of its underlying assets. It entails studying overall economic and industry conditions as well as the financial condition and the quality of the company's management. Earnings, expenses, assets, and liabilities are all important in determining the value of a company. The

value is then compared to the current price of the issuing company's security to determine whether to purchase, sell or hold the security.

Although we manage your portfolio in a manner consistent with your risk tolerances, there can be no guarantee that our efforts will be successful. You should be prepared to bear the risk of loss.

Our investment strategies may include long-term and short-term purchases and sales, and the use of options and margin. You may place reasonable restrictions on the strategies to be employed in your portfolio and the types of investments to be held in your portfolio.

All investments involve risks that can result in loss:

- loss of principal,
- a reduction in earnings (including interest, dividends and other distributions), and
- the loss of future earnings.

Additionally, these risks may include:

- market risk,
- interest rate risk,
- issuer risk, and
- general economic risk.

You must also be aware that the use of margin and options are higher risk strategies. It is possible to lose all of the principal you invest, and sometimes more. In a cash account, your risk is limited to the amount of money that you have invested. In a margin account, your risk includes the amount of money invested plus the amount that has been loaned to you.



## ***item 9 - disciplinary information***

We have not been the subject of any legal or disciplinary events that would be material to your evaluation of our business or the integrity of our management.

## ***item 10 - other financial industry activities and affiliations***

Neither Greybox Investments or any of our management persons is engaged in other financial industry activities or has other industry affiliations that would create a material conflict of interest.

## ***item 11 - code of ethics, participation or interest in client transactions and personal trading***

We have adopted a Code of Ethics (“Code”) to address the securities-related conduct of our supervised persons. The Code includes our policies and procedures developed to protect your interests in relation to the following:

- the duty at all times to place your interests ahead of ours;
- that all personal securities transactions of our supervised persons be conducted in a manner consistent with the Code and avoid any actual or potential conflict of interest, or any abuse of a supervised person’s position of trust and responsibility;
- that supervised persons may not take inappropriate advantage of their positions;

- that information concerning the identity of your security holdings and financial circumstances are confidential; and
- that independence in the investment decision-making process is paramount.

We will provide a copy of the Code to you or any prospective client upon request.

We do not buy or sell securities for our firm that we also recommend to clients. Our supervised persons are permitted to buy or sell the same securities for their personal and family accounts that are bought or sold for your account(s). The personal securities transactions by supervised persons raise potential conflicts of interest when they trade in a security that is owned by you or considered for purchase or sale for you.

We have adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our supervised persons to act in your best interest,
- prohibit favoring one client over another, and
- provide for the review of transactions to discover and correct any same-day trades that result in a supervised person receiving a better price than a client.

Supervised persons must follow our procedures when purchasing or selling the same securities purchased or sold for you.

## ***item 12 - brokerage practices***

The custodian you use to hold your assets typically will also serve as your broker-dealer. If you do not prefer a specific

custodian, we will recommend one. Your custodian/broker-dealer (“Custodian(s)”) will assist us in servicing your accounts. We are independently owned and operated and not affiliated with any Custodian. We do have mutually beneficial business arrangements with the Custodians our clients use. Information regarding the benefits of these relationships are described below.

In recommending the Custodian as the securities brokerage firm responsible for executing transactions for your portfolios, we consider at a minimum the firm’s:

- existing relationship with us,
- financial strength,
- reputation,
- reporting capabilities,
- execution capabilities,
- pricing, and
- types and quality of research.

The lowest possible transaction cost is not the determining factor in the recommendation of a broker-dealer to execute transactions for your accounts, but whether the firm can provide, in our view, the best qualitative execution for your account.

Your Custodian provides us with access to its institutional trading and custody services, which includes:

- brokerage,
- custody,
- research, and
- access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

We are not required to effect a minimum volume of transactions or maintain a minimum dollar amount of client assets to receive these services. However, some custodians do charge separately for holding client accounts, while others are compensated by you through other fees related to the securities transactions it executes for your accounts. Please review your custodial agreement carefully to determine what your custodial charges will be.

Custodians also make available to us other products and services that benefit us but may not benefit you directly. Some of these products and services assist us in managing and administering our client accounts, such as software and other technology that:

- provide access to account data such as:
  - duplicate trade confirmations,
  - bundled duplicate account statements, and
  - access to an electronic communication network for client order entry and account information;
- facilitate trade execution, including:
  - access to a trading desk serving advisory participants exclusively and
  - access to block trading which provides the ability to combine securities transactions and then allocate the appropriate number of shares to each individual account;
- provide research, pricing information and other market data;
- facilitate payment of our fees from client accounts;
- assist with back-office functions, record keeping and client reporting; and



- receipt of compliance publications.

Because the amount of our compensation or the products or services we receive may vary depending on the Custodian we recommend to our clients, there is a potential for a conflict of interest in making that recommendation. Our recommendation of specific broker-dealers may be based in part on the economic benefit to us and not solely on the nature, cost or quality of custody and brokerage services provided to you and our other clients. We nonetheless strive to act in your best interests at all times.

Commissions and other fees for transactions executed through the Custodians we recommend may be higher than commissions and other fees available if you use another broker-dealer firm to execute transactions and maintain custody of your account. We believe, however, that the overall level of services and support provided to our clients outweighs the benefit of possibly lower transactions cost which may be available under other brokerage arrangements.

Many of the services described above are used to benefit all or a substantial number of our accounts, including accounts not maintained at the Custodian providing the services. We do not attempt to allocate these benefits to specific clients.

We engage in bunched trading, which is the purchase or sale of a security for the accounts of multiple clients in a single transaction. If a bunched trade is executed, each participating client receives a price that represents the average of the prices at which all of the transactions in a given bunch were executed. Executing a bunched trade allows transaction costs to be shared

equally and on a pro rata basis among all of the participating clients. If the order is not completely filled, the securities purchased or sold are distributed among participating clients on a pro rata basis or in some other equitable manner.

Bunched trades are placed only when we reasonably believe that the combination of the transactions provides better prices for clients than had individual transactions been placed for clients. Transactions for nondiscretionary client accounts are not bunched with transactions for discretionary client accounts.

Transactions for the accounts of our employees and advisory representatives are included in bunched trades if they are purchasing or selling the same security as clients on the same day as clients. They receive the same average price and pay the same commissions and other transaction costs, as clients.

Transactions for the accounts of our advisory representatives or employees will not be favored over transactions for client accounts.

We are not obligated to include any client account in a bunched trade. Bunched trades will not be effected for any client's account if doing so is prohibited or otherwise inconsistent with that client's investment advisory agreement. No client will be favored over any other client.

### ***item 13 - review of accounts***

All client accounts are monitored either by our Senior Portfolio Manager or by our Portfolio Manager on an ongoing basis with a formal review conducted at least quarterly, or as agreed upon with individual clients. The reviews focus on the consistency of portfolio investments with each client's stated objectives and

risk tolerances. Reviews also consider investment restrictions requested by individual clients, investment time horizons, liquidity needs, tax considerations and other circumstances unique to each client.

You will receive statements from your custodian at least quarterly. These statements identify your current investment holdings, the cost of each of those investments, and their current market values. Clients within our Wealth Management program will receive quarterly reports that include performance and market commentary. Custom reports may also be created and sent to clients if requested.

### ***item 14 - client referrals and other compensation***

We receive certain economic benefits as a result of our participation in Schwab's institutional program. Those benefits are described in detail in the preceding section entitled "Brokerage Practices."

We do not directly or indirectly compensate any person who is not one of our advisory representatives or employees for client referrals.

### ***item 15 - custody***

You will receive statements from the custodian that holds your investment account on at least a quarterly basis. We urge you to carefully review these statements. You should verify that the transactions in your account are consistent with your investment goals and the objectives for your account. We also encourage you to contact us should you

have any questions or concerns regarding your account.

### ***item 16 - investment discretion***

Greybox Investments offers our advisory services on a discretionary and nondiscretionary basis. **Discretionary** means that we do not need advance approval from you to determine the type and amount of securities to be bought and sold for your accounts. **Nondiscretionary** means that we need advance approval from you to determine the type and amount of securities to be bought and sold for your accounts. We do not, however, have the ability to choose the broker-dealer through which transactions will be executed. Additionally, we do not have the ability to withdraw funds from your account (other than to withdraw our advisory fees, which may only be done with your prior written authorization.)

This discretion is used in a manner consistent with the stated investment objectives for your account, if you have given us written authorization to do so. We only exercise discretion in accounts where we have been authorized by you. This authorization is typically included in the investment advisory agreement you enter into with us.

### ***item 17 - voting client securities***

Subject to your direction, proxies on securities held in your accounts are voted by our internal managers, or by a selected third party. We have adopted policies and procedures designed to prevent conflicts of interest from influencing proxy voting decisions made on behalf of your

accounts, and to ensure that our decisions are in compliance with our fiduciary obligations to you. Our contract may permit you to direct the voting of a particular proxy if you choose. Our proxy voting policies and procedures, including information for you on how your securities were voted, are available upon written request to:

Greybox Investments  
Attention: Donie M. Carlson, Chief  
Compliance Officer  
880 Montclair Road, Suite 575  
Birmingham, Alabama 35213

We review, and may elect to participate in, class action lawsuits involving securities owned on behalf of you if we believe that doing so is in your best interest.

### ***item 18 - financial information***

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