

# Padovani Asset Management, Inc.

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Padovani Asset Management, Inc.. If you have any questions about the contents of this brochure, please contact us at (914) 400-1800 or by email at: paulpado@gmail.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 Padovani Asset Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Padovani Asset Management, Inc.'s CRD number is: 168354.*

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*Registration does not imply a certain level of skill or training.*

Version Date: 08/18/2020

## **Item 2: Material Changes**

The material changes in this brochure from the last annual updating amendment of Padovani Asset Management, Inc. on March 27, 2020 are described below. Material changes relate to Padovani Asset Management, Inc. policies, practices or conflicts of interests.

- Padovani Asset Management, Inc. has transitioned to registration with the United States Securities and Exchange Commission from its prior registration at the state level.
- Padovani Asset Management, Inc. has updated outside business activities, brokerage practices and financial information (Item 12, Item 15, Item 18).

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

Padovani Asset Management, Inc. (hereinafter “PAM”) is a Corporation organized in the State of New York. The firm was formed in June 2013, and the principal owner is Paul Padovani.

### B. Types of Advisory Services

PAM offers the following services to advisory clients:

#### *Portfolio Management and Pension Consulting Services*

PAM provides ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. For pension or other employee benefit plans (including but not limited to 401(k) plans), PAM offers ongoing pension consulting services based on the demographics, goals, objectives, time horizon, and/or risk tolerance of the plan’s participants. For each client, PAM creates an Investment Policy Statement, which outlines the client’s current situation (income, tax levels, and risk tolerance levels). Portfolio management services include, but are not limited to, the following:

- |                       |                                |
|-----------------------|--------------------------------|
| • Investment strategy | • Personal investment policy   |
| • Asset allocation    | • Asset selection              |
| • Risk tolerance      | • Regular portfolio monitoring |

PAM evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. PAM will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

PAM seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of PAM’s economic, investment or other financial interests. To meet its fiduciary obligations, PAM attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and, accordingly, PAM’s policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is PAM’s policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent, including initial public offerings (“IPOs”) and other investment opportunities that might have a limited supply, among its clients on a fair and equitable basis over time.

### ***Services Limited to Specific Types of Investments***

PAM generally limits its investment advice to mutual funds, equities, fixed income securities, ETFs (including ETFs in the gold and precious metal sectors), real estate funds (including REITs), and insurance products including annuities, although PAM primarily recommends ETFs and mutual funds to a majority of its clients. PAM may use other securities as well to help diversify a portfolio when applicable.

### ***Financial Planning***

Financial plans and financial planning may include, but are not limited to: investment planning; life insurance; tax concerns; retirement planning; college planning; and debt/credit planning.

### **C. Client Tailored Services and Client Imposed Restrictions**

PAM offers the same suite of services to all of its clients. However, specific client investment strategies and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels). Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent PAM from properly servicing the client account, or if the restrictions would require PAM to deviate from its standard suite of services, PAM reserves the right to end the relationship.

### **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. PAM does not participate in any wrap fee programs.

### **E. Assets Under Management**

PAM has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$125605614.00	\$0.00	February 2020

## **Item 5: Fees and Compensation**

## **A. Fee Schedule**

### ***Portfolio Management and Pension Consulting Services Fees***

<b>Total Assets Under Management</b>	<b>Annual Fee</b>
\$0.00 to \$250,000	1.5%
\$250,001 to \$500,000	1.375%
\$500,0001 to \$999,999	1.25%
\$1,000,000 and up	1.125%

These fees are generally negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract.

PAM uses an average of the daily balance in the client's account throughout the billing period, after taking into account deposits and withdrawals, for purposes of determining the market value of the assets upon which the advisory fee is based.

PAM will charge \$5 per month per account greater than \$50,000 for performance reporting.

## **B. Payment of Fees**

### ***Payment of Portfolio Management and Pension Consulting Services Fees***

Portfolio management fees are withdrawn directly from the client's accounts with client's written authorization.

### ***Financial Planning Fees***

#### **Fixed Fees**

The rate for creating client financial plans is between \$740 and \$2,000. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement.

## **C. Clients Are Responsible For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and



distinct from the fees and expenses charged by PAM. Please see Item 12 of this brochure regarding broker/custodian.

#### **D. Prepayment of Fees**

PAM collects fees in advance. Refunds for fees paid in advance will be returned within fourteen days to the client via check. For all asset-based fees paid in advance, the fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the billing period up to and including the day of termination. (\*The daily rate is calculated by dividing the annual asset-based fee by 365.)

Clients may terminate the agreement without penalty, for full refund of the advisor's fees, within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract with fourteen days' written notice.

#### **E. Outside Compensation For the Sale of Securities to Clients**

Neither PAM nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

### **Item 6: Performance-Based Fees and Side-By-Side Management**

PAM does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

### **Item 7: Types of Clients**

PAM generally provides advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans
- ❖ Corporations or Business Entities
- ❖ Pooled Investment Vehicles
- ❖ Insurance Companies

#### ***Minimum Account Size***

There is an account minimum of \$25,000, which may be waived by PAM in its discretion.

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

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

PAM's methods of analysis include charting analysis, fundamental analysis and technical analysis.

**Charting analysis** involves the use of patterns in performance charts. PAM uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Technical analysis** involves the analysis of past market data; primarily price and volume.

#### *Investment Strategies*

PAM uses primarily long term trading, short term trading, short-term purchases, and options trading (including covered options, uncovered options, or spreading strategies).

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### B. Material Risks Involved

#### *Methods of Analysis*

**Charting analysis** strategy involves using and comparing various charts to predict long and short term performance or market trends. The risk involved in using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

### ***Investment Strategies***

The use of short term trading and options trading will generally involve greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short term trading** risks include liquidity, economic stability and inflation, in addition to the long term trading risks listed above. Frequent trading, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

**Options** writing or trading involves a contract to purchase a security at a given price, not necessarily at market value, depending on the market. This strategy includes the risk that an option may expire out of the money resulting in minimal or no value and the possibility of leveraged loss of trading capital due to the leveraged nature of stock options.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **C. Risks of Specific Securities Utilized**

PAM's use of options trading will generally involve greater risk of capital loss. Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond "fixed income" nature (lower risk) or stock "equity" nature (mentioned below).

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary and include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general the fixed income market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs):** Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). The price of Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) may be negatively impacted by several factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

**Real Estate** funds (including REITs) face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

**Options** are contracts to purchase a security at a given price, risking that an option may expire out of the money resulting in minimal or no value. An uncovered option is a type of options contract that is not backed by an offsetting position that would help mitigate risk. The risk for a “naked” or uncovered put is not unlimited, whereas the potential loss for an uncovered call option is limitless. Spread option positions entail buying and selling multiple options on the same underlying security, but with different strike prices or expiration dates, which helps limit the risk of other option trading strategies. Option writing also involves risks including but not limited to economic risk, market risk, sector risk, idiosyncratic risk, political/regulatory risk, inflation (purchasing power) risk and interest rate risk.

Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

Paul Padovani was the subject of a four month FINRA suspension from his time with Morgan Stanley. Paul Padovani himself was not the subject of an arbitration but was involved as the broker on record. However his name was not entered as a respondent. Money was borrowed from a customer causing this to violate the firm's procedures. Subsequently the loan was paid back. Morgan Stanley's procedures require a representative to submit a written request and obtain written approval prior to engaging in a lending arrangement which caused a violation of the FINRA rule 3240 and 2010.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither PAM nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither PAM nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Paul Padovani is a licensed insurance agent. From time to time, he will offer clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. PAM always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of PAM in such individual's capacity as an insurance agent.

### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

PAM may direct clients to third-party investment advisers. PAM will be compensated via a fee share from the advisers to which it directs those clients. This relationship will be memorialized in each contract between PAM and each third-party advisor. The fees shared will not exceed any limit imposed by any regulatory agency. This creates a conflict of interest in that PAM has an incentive to direct clients to the third-party investment advisers that provide PAM with a larger fee split. PAM will always act in the best interests of the client, including when determining which third-party investment adviser to recommend to clients. PAM will ensure that all recommended advisers are licensed or notice filed in the states in which PAM is recommending them to clients.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **A. Code of Ethics**

PAM has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

### **B. Recommendations Involving Material Financial Interests**

PAM does not recommend that clients buy or sell any security in which a related person to PAM or PAM has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of PAM may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of PAM to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. PAM will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of PAM may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of PAM to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, PAM will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

Custodians/broker-dealers will be recommended based on PAM's duty to seek "best execution," which is the obligation to seek to execute securities transactions for a Client on terms that are the most favorable to the Client under the circumstances. The client will not necessarily pay the lowest commission or commission equivalent, and PAM may also consider the market expertise and research access provided by the payment of commissions, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers to aid in the research efforts of PAM.

PAM considers the following factors when determining which custodian to recommend to clients; relatively low transaction fees, name recognition, powerful background and access to mutual funds and ETFs. Based on these factors, Folio Institutional and Kingdom Trust were chosen to be the recommended custodian. PAM will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian.

### ***1. Research and Other Soft-Dollar Benefits***

PAM receives research, products, or other services from its broker/dealer or another third-party in connection with client securities transactions (“soft dollar benefits”). PAM may enter into soft-dollar arrangements within (but not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will benefit from soft dollar research, whether or not the client’s transactions paid for it, and PAM does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. PAM benefits by not having to produce or pay for the research, products or services, and PAM will have an incentive to recommend a broker dealer based on receiving research or services. Clients should be aware that PAM’s acceptance of soft dollar benefits may result in higher commissions charged to the client.

### ***2. Brokerage for Client Referrals***

PAM receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

PAM will allow clients to direct brokerage. PAM will not have authority to select the broker-dealer/custodian for the client; however, PAM may recommend broker-dealers/custodians. PAM may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost clients money because without the ability to direct brokerage PAM may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices. Not all investment advisers allow their clients to direct brokerage.

## **B. Aggregating (Block) Trading for Multiple Client Accounts**

If PAM buys or sells the same securities on behalf of more than one client, it might, but would be under no obligation to, aggregate or bunch, to the extent permitted by applicable law and regulations, the securities to be purchased or sold for multiple clients in order to seek more favorable prices, lower brokerage commissions or more efficient execution. In such case, PAM would place an aggregate order with the broker on behalf of all such clients in order to ensure fairness for all clients; provided, however, that trades would be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy. PAM would determine the appropriate number of shares to place with brokers and will recommend the appropriate brokers consistent with the Adviser’s duty to seek best execution, except for those accounts with specific brokerage direction (if any).



## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All client accounts are reviewed at least monthly only by Paul Padovani, President, with regard to clients' respective investment policies and risk tolerance levels.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least monthly a written report that details the client's account including assets held and asset value, which report will come from the custodian. PAM does not provide account statements to clients in addition to those provided by the custodian.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

PAM does not receive any economic benefit, directly or indirectly from any third party for advice rendered to PAM clients.

### **B. Compensation to Non – Advisory Personnel for Client Referrals**

PAM does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

PAM, with client written authority, has limited custody of client's assets through direct fee deduction of PAM's fees only. If the client chooses to be billed directly by Folio Institutional or

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the client's chosen custodian, PAM would have constructive custody over that account and must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

### **Item 16: Investment Discretion**

PAM provides discretionary and non-discretionary, investment advisory services to clients. For those client accounts where PAM will have investment discretion, the client has given PAM written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides PAM discretionary authority via a discretionary investment management clause in the Investment Advisory Contract and/or a limited power of attorney clause in the contract between the client and the custodian. The client must also execute the agreement.

## **Item 17: Voting Client Securities (Proxy Voting)**

PAM will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

PAM neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither PAM nor its management has any financial condition that is likely to reasonably impair PAM's ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

PAM has not been the subject of a bankruptcy petition in the last ten years.