

# **Investment Adviser Brochure Part 2A**

## **Daniel Investment Associates, LLC**

923 Saint Vincent Avenue, Suite B  
Santa Barbara, CA 93101  
Main Telephone No. (805) 845-7724  
[www.danielinvestmentassociates.com](http://www.danielinvestmentassociates.com)

This brochure provides information about the qualifications and business practices of Daniel Investment Associates, LLC. If you have any questions about the contents of this brochure, please contact us at (805) 845-7724.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Additional information about Daniel Investment Associates, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The use of the term registered investment adviser does not imply a certain level of skill or training.

**March 30, 2020**

## **Item 2 – Material Changes**

There have been no material changes to this Brochure since the last amendment was submitted.

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## **Item 4 – Advisory Business**

Daniel Investment Associates, LLC (“the Adviser”) has been in business since 2011. Greg D. Van Wyk, Manager is the principal owner.

### **Investment Management Services**

The Adviser provides investment management services to its clients on a non-discretionary basis. The Adviser notifies the client and obtains permission prior to the sale or purchase of each security within the managed account. Clients may decide not to invest in certain securities or types of securities and may refuse to approve securities transactions.

The Adviser provides investment management services that include, among other things, advice regarding asset allocation and the selection of investments, portfolio design, investment plan implementation and ongoing investment monitoring. The Adviser relies on the stated objectives of the client and considers the client’s risk profile and financial status prior to making any recommendations. In addition, clients may impose restrictions on investing in certain securities or types of securities.

### **Wrap Fee Programs**

The Adviser doesn’t participate in wrap fee programs by providing portfolio management or any other services.

### **Assets Under Management**

As of December 31, 2019, the Adviser manages \$268,359,663 in non-discretionary client assets.

### **Conflicts of Interest**

There is a potential conflict of interest because there is an incentive for the Adviser when offering financial planning services to recommend products or services for which the Adviser or an associated person may receive compensation. However, financial planning clients are under no obligation to act upon any recommendations of the Adviser or to execute any transactions through the Adviser or an associated person if they decide to follow the recommendations.

## **Item 5 – Fees and Compensation**

### **Investment Management Fees**

The Adviser is compensated for investment management services based on a client’s assets under management. Fees are paid quarterly in arrears and are non-negotiable. Fees are due on the first day of the calendar quarter and are based on the account’s asset value as of the last business day of the prior calendar quarter. Fees are prorated for accounts opened during the quarter.

The Adviser prefers and encourages a client to write a check for services rendered. If the client prefers automatic billing, the custodian will deduct the fees directly from the client's account on behalf of the Adviser.

### **Annualized Fees**

From	To	Per Year
\$1,000,000	\$4,999,999	1.00%
\$5,000,000	\$9,999,999	0.80%
Over \$10,000,000		0.40%

The account custodian may charge fees, which are in addition to and separate from advisory fees. Accounts may incur transaction costs, retirement plan administration fees, mutual fund annual expenses and other fees. Clients should note that fees for comparable services vary and lower or higher fees may be charged by different providers for similar services.

Clients will have a period of five (5) business days from the date of signing an advisory agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, either party may terminate the advisory agreement with 30 days written notice. Fees are prorated to the date of termination. Since fees are payable only after services are provided, there are no unearned fees and the client will not have a refund due upon early termination of the advisory agreement.

### **Receipt of Additional Compensation**

Investment adviser representatives may receive brokerage or mutual fund trail commissions from the sale of securities in the capacity of being registered representatives of Arete Wealth Management, LLC, a registered broker-dealer, member of the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

This practice may present a potential conflict of interest as it provides an incentive to recommend investment products based on the compensation to be received rather than on the client's needs. The Adviser monitors trading practices and regularly reviews client securities transactions in order to protect clients against this conflict of interest.

Clients are advised that they are not required to purchase or sell securities through the investment adviser representatives acting in the capacity of registered representatives of Arete Wealth Management, LLC and may purchase the same securities or products from an unaffiliated broker-dealer.

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

The Adviser does not charge or receive, directly or indirectly, any performance-based fees.

## **Item 7 – Types of Clients**

The Adviser provides advisory services to:

- High net worth individuals – Individuals who are “qualified clients” under rule 205-3 of the Advisers Act of 1940 or “qualified purchasers”
- Foundations and charitable organizations

### **Account Minimums**

The Adviser requires a minimum of \$1,000,000 to establish a new advisory account; however, the minimum may be waived at the sole discretion of the Adviser.

In addition, the Adviser may continue to service existing accounts that have values that are below the minimum.

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

### **Method of Analysis**

The Adviser’s main sources of financial information are prospectuses, research materials prepared by others, corporate rating services, annual reports and company press releases. The Adviser may utilize official statements, continuing disclosures and other information when analyzing municipal securities.

The Adviser may recommend one or a combination of assets and investment strategies as follows:

### **Mutual and Exchange Traded Funds**

The Adviser recommends index and actively managed, mutual and exchange traded funds when designing client portfolios. The Adviser considers index funds based on how closely the funds’ characteristics mirror the indices they track.

The Adviser analyzes actively managed funds by comparing funds that target the same market sector and have the same investment style using prospectuses and other sources of information. The Adviser reviews the following prior to recommending funds to clients:

- Rank in Category over various periods
- Return Rating
- Risk Rating

- YTD Return (Outsize swings in comparisons to peers can be a sign of risky practices such as placing large bets on certain sectors of the market.)
- 1 Yr Return
- 3 Yr Return
- 5 Yr Return (Typically over a five-year period, the economy experiences a complete cycle. However, the way in which a manager operates in various economic environments reflects the manager's ability to make adjustments or stay the course.)
- Loads
- Total Expense Ratios
- Assets
- Turnover
- Median Market Capitalization
- Morningstar Rating

The Adviser also takes the manager or management team tenure under consideration to determine who was responsible for generating the performance numbers.

### **Public Equity**

A corporation may issue stock to the general public after registration. Stock represents an ownership interest in a company. The Adviser uses valuation measures and financial information, evaluates the regulatory environment, analyzes products or services that are available or under development and the factors that can impact them to predict the price movement of a company's stock. The Adviser also makes comparisons to the company's peers and to the broader market.

### **Corporate Debt & Municipal Securities**

The Adviser generally analyzes the current yield, yield to maturity, yield to call, call and default risks, and interest coverage. Debt is issued by federal, state and foreign governments and corporations to finance their operations. Debt represents their promise to repay the borrowed amount with interest according to the terms and conditions of the debt instrument. Debt obligations offer limited participation in the upside of a business. In exchange holders receive interest and a position that is generally senior to equity in a bankruptcy.

## **Investment Strategies**

### *Strategic Asset Allocation*

The Adviser believes that more than 80% of portfolio returns are generated by and dependent upon asset allocation and the balance is attributable to specific asset selection. The client and the Adviser will determine the proportion of the client's portfolio to be allocated to each asset class.

### *Long/Short*

This technique is an attempt to negate some of the market volatility of a portfolio by maintaining both long and short securities positions at the same time. The long component is invested in assets the Adviser believes have above average appreciation potential and the short component is invested in assets the Adviser predicts will suffer rapid depreciation. The ratio of long to short positions varies based on prevailing market conditions.

When there is a broad market upturn the long component is predicted to rise faster than the broader market and during a broad market downturn the short component is predicted to lose value faster than the broader market.

## **Risk of Loss**

Clients are advised that investing in securities involves the risk of loss of the entire principal amount invested including any gains. Clients should not invest unless they are able to bear this risk. Any of the above investment strategies may lead to a loss on investments.

Even hedging strategies may fail if markets move against the hedged investments. In addition, investing carries with it opportunity risk it is impossible to accurately predict the sectors of the market or asset classes that will have more favorable returns for a given period.

## **Item 8.A – Frequent Trading of Securities**

The Adviser is not involved in the frequent trading of securities.

## **Item 8.B – Material Risks of Particular Securities**

The Adviser doesn't recommend a type of security that involves significant or unusual risks.

## **Item 9 – Disciplinary Information**

The Adviser does not have any disciplinary information to disclose.



## **Item 9.A – Criminal or Civil Actions**

Neither the Adviser nor any management person has been found guilty of or has any criminal or civil actions pending in a domestic, foreign or military court.

## **Item 9.B – Administrative Proceedings**

Neither the Adviser nor any management person has any administrative proceedings pending before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

## **Item 9.C – Self-Regulatory Organization ("SRO") Proceedings**

Neither the Adviser nor any management person have been found by any SRO to have caused an investment-related business to lose its authorization to do business, or to have been involved in violating the SRO's rules, or were barred or suspended from membership or from associating with other members, or were expelled from membership, otherwise significantly limited from investment-related activities, or fined.

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

### **Item 10.A – Broker-Dealer Registration**

Associated persons of the Adviser may be registered securities representatives of Arete Wealth Management, LLC, a registered broker-dealer, member of the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

In their capacity as registered representatives, associated persons may recommend securities or other products and receive normal transaction fees, commissions or other compensation. Thus, a conflict of interest may exist between the interests of the associated persons and those of advisory clients.

Clients are under no obligation to act upon any recommendations of associated persons or affect any transactions through associated persons if they decide to follow their recommendations.

### **Item 10.B – Futures Commission Merchant/Commodities**

Neither the Adviser nor any management person is a commodity broker/futures commission merchant, a commodity pool operator, commodity trading advisor or an associated person for the foregoing entities; nor do they have any registration applications pending.

## **Item 10.C – Relationships with Related Persons**

The Adviser is affiliated with SEC-registered investment adviser Kobo Wealth Conservancy, LLC ("KWC") (as an Investment Adviser Representative). The Adviser and KWC share resources and personnel and may jointly provide advisory or management services to clients. Pursuant to this relationship, certain representatives of KWC may perform advisory functions on behalf of the Adviser, and under certain circumstances, Adviser representatives may recommend that all or a portion of the assets of certain client accounts be managed by KWC. A conflict of interest may exist when recommending the services of KWC, because the persons making such recommendations may receive remuneration from their roles and/or ownership interests. However, this will not result in additional charges to a client and such recommendations are only made if they are reasonably believed to be in the best interests of clients.

The Adviser informs clients that they may elect to do business with other advisers at any time.

In addition to being investment adviser representatives of the Adviser, certain associated persons are insurance agents appointed with various insurance companies.

In these capacities associated persons of the Adviser may recommend insurance or related products and receive commissions and other compensation if products are purchased through any firms with which any associated persons are affiliated.

Thus, a potential conflict of interest exists between the interests of associated persons and those of the advisory clients. However, clients are under no obligation to act upon any of their recommendations or execute any transactions through them if they decide to follow their recommendations.

Greg D. Van Wyk maintains his certification as an accountant but is inactive.

## **Item 10.D – Relationships with Other Advisers**

**Please see Item 10.C above.**

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

### **Item 11.A – Code of Ethics**

The Adviser has adopted a Code of Ethics that sets forth standards of conduct expected of advisory personnel and to address conflicts that arise from personal trading by advisory personnel. Advisory personnel are obligated to adhere to the Code of Ethics, and applicable securities and other laws.

The Code covers a range of topics that may include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and supervisory procedures. The Adviser will provide a copy of the Code to any client or prospective client upon request.

## **Item 11.B – Participation or Interest in Client Transactions**

### **Principal Trading**

Neither the Adviser nor any broker-dealer affects securities transactions as principal with the Adviser's clients. Neither the Adviser nor any associated person buys securities from (or sells securities to) clients, acts as general partner in a partnership in which Adviser solicits client investments, or acts as an investment adviser to an investment company that the Adviser recommends to clients.

### **Agency-Cross Action Transactions**

Neither the Adviser nor any associated person recommends that clients buy from or sell securities to other clients.

## **Item 11.C – Personal Trading by Associated Persons**

The Adviser recommends that clients invest in various types of assets. The Adviser and its associated persons may invest in the same types of assets. Permitted investments for associated persons are all asset classes.

**See Item 11.D for information concerning conflicts of interest.**

## **Item 11.D – Conflicts of Interest with Personal Trading by Associated Persons**

Associated persons may own an interest in or buy or sell for their own accounts the same securities, which may be recommended to advisory clients.

Associated persons seek to ensure that they do not personally benefit from the short-term market effects of their recommendations to clients and their personal transactions are regularly monitored.

Associated persons are aware of the rules regarding material non-public information and insider trading. Associated persons may also buy or sell a specific security for their own account based on personal investment considerations, which the Adviser does not deem appropriate to buy or sell for clients.

## **Item 12 – Brokerage Practices**

### **Item 12.A – Factors in Selecting or Recommending Broker-Dealers**

The Adviser does not recommend broker-dealers to clients.

#### **Item 12.A1 – Research and Other Soft Dollar Benefits**

The Adviser does not receive soft dollars generated by clients' securities transactions. The term "soft dollars" refers to funds which are generated by client trades being used by the Adviser to purchase products or services (such as research and enhanced brokerage services) from or through the broker-dealers whom the Adviser engages to execute securities transactions.

#### **Item 12.A2 – Brokerage for Client Referrals**

The Adviser does not refer clients to particular broker-dealers in exchange for client referrals from those broker-dealers.

#### **Item 12.A3 – Directed Brokerage**

The Adviser does not require that clients direct their brokerage business to any particular broker-dealer.

### **Item 12.B – Trade Aggregation**

In placing orders to purchase or sell securities in accounts, the Adviser may elect to aggregate orders.

In so doing, the Adviser will not aggregate transactions unless aggregation is consistent with its duty to seek best execution and the terms of the Adviser's investment advisory agreement with each client for which trades are being aggregated.

No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all of the Adviser's transactions in that security on a given business day, with transaction costs shared pro-rata based on each client's participation in the transaction; adviser will prepare, before entering an aggregated order, a written statement specifying the participating client accounts and how it intends to allocate the securities purchased among those clients. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the written statement. If the order is partially filled, it will be allocated pro-rata based on the written statement.

Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the written statement if all client accounts receive fair and equitable treatment and the reason for different allocation is explained in writing and approved in writing by the Adviser's compliance officer no later than one hour after the opening of the markets on the trading day following the day the order was executed.

The Adviser's books and records will separately reflect, for each client account, the orders which are aggregated, the securities held by, and bought and sold for that account.

Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the client's cash nor their securities will be held collectively any longer than is necessary to settle the purchase or sale in question on a delivery versus payment basis. Cash or securities held collectively for clients will be delivered to the custodian bank or broker-dealer as soon as practicable following the settlement. The Adviser will receive no additional compensation of any kind as a result of the proposed aggregation and individual investment advice and treatment will be accorded to each client.

### **Item 13 – Review of Accounts**

Mr. Van Wyk will perform reviews of all investment advisory accounts no less than quarterly. Mr. Van Wyk will review accounts for consistency with the investment strategy and performance among other things. Reviews may be triggered by changes in an account holder's personal, tax or financial status. Macroeconomic and company specific events may also trigger reviews. There is currently no limit on the number of accounts that can be reviewed by Mr. Van Wyk.

In addition, brokerage statements are generated no less than quarterly and the account custodian sends copies directly to clients. These reports list the account positions, activity in the account over the covered period and other related information. The custodian also sends confirmations following each brokerage account transaction unless confirmations have been waived.

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

The Adviser does not have an arrangement under which it or any associated person compensates others for client referrals. The Adviser doesn't receive any economic benefit for providing advisory services to clients from a person who is not a client.

### **Item 15 – Custody**

The Adviser doesn't accept custody of client funds or securities. Client assets are held by qualified custodians.

### **Item 16 – Investment Discretion**

The Adviser doesn't select the securities to be bought or sold without obtaining specific client consent.

## **Item 17 – Voting Client Securities**

The Adviser does not accept authority to vote proxies on behalf of clients as a matter of policy. Clients will receive their proxy information directly from their custodian. Clients may contact the Adviser with questions about a particular solicitation by telephone at (805) 845-7724.

## **Item 18 – Financial Information**

The Adviser doesn't require prepayment of advisory fees and manages assets on a non-discretionary basis so no audited balance sheet is being provided. Mr. Van Wyk has not been the subject of any bankruptcy petition.

There is no financial condition that is reasonably likely to impair the Adviser's ability to meet its contractual commitments to its clients.