

## **PART II (A) FORM ADV: FIRM BROCHURE**

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

#### **FIRM BROCHURE**

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Date of Brochure: March 20, 2021

The Firm Brochure (Brochure) provides information about the qualifications and business practices of DeMarche Associates, Inc. (DeMarche). If you have any questions about the content of this Brochure, you may contact Adam Strumpf, Chief Compliance Officer, [astrumpf@demarche.com](mailto:astrumpf@demarche.com) or at (913) 384-4994.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. DeMarche is a registered investment adviser with the SEC. However, registration does not imply a certain level of skill or training. Additional information about DeMarche is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

### **Item 2: Material Changes**

There are no material changes to report since the last brochure dated March 26, 2020.

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### **Item 3: Table of Contents**

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### **Item 4: Advisory Business**

#### **Advisory Business & Principal Owners**

DeMarche is an independently owned investment research and consulting firm and has been in business since 1974. The Robert F. Marchesi Qualified Subchapter S Trust owns a majority interest in DeMarche.

#### **Types of Advisory Services**

The primary business of DeMarche is to furnish investment advice to institutional investors through consultations. DeMarche tailors its advisory service to the individual needs of its clients. Clients may impose restrictions on investing in certain securities or types of securities.

DeMarche does not participate in wrap fee programs. DeMarche does not make, and is not responsible for, recommendations concerning individual securities, and does not monitor brokerage activity or monitor individual holdings unless a client has specifically contracted for such services.

As of December 31, 2020, DeMarche provided investment consulting services to clients representing \$20,123,627,310 in assets under advisement on a non-discretionary basis. No client assets are managed on a discretionary basis. DeMarche offers a discretionary service for trustee-directed plans through its affiliate, Discretionary Management Services, LLC (DMS).

The DeMarche primary advisory consulting services and associated service fees are listed in Item 5: Fees and Compensation.

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

DeMarche offers all of its general services, both individually or as part of retainer agreements. DeMarche accepts "subscription fees only" upon client request. DeMarche does not receive direct compensation in connection with the purchase or sale of a security, such as a sales load. Clients are not required to pay for advisory services in advance. DeMarche charges for the specific services it performs, and there is no "start-up" fee associated with its services. Clients may incur other fees, such as investment management or custodial fees, in connection with implementing DeMarche's investment advice. Fees for services are not deducted from client assets.

Services may be purchased from DeMarche with hard dollar payment. Clients are invoiced by DeMarche upon the provision of services, and such invoices are due within 30 days. Payments that are paid to DeMarche in advance are refundable to the client upon termination of an advisory contract.

All services may be terminated by either party upon written notice provided such terminating party fulfills all of its obligations under any agreement through the date of such termination.

Descriptions of DeMarche services are listed alphabetically. Fees vary depending on the level of service, complexity of client portfolios and other relevant factors.

#### ***Corporate Finance Consulting Services***

Through DeMarche's corporate financial consulting service, investment research capabilities and expertise are available to chief financial officers, treasurers, strategic planners and other executives who shape

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corporate finance policy. Services include factor model analysis, cost of equity capital studies, capital structure optimization and strategic planning.

### ***DC Analytics***

DC Analytics is a quarterly performance analysis for defined contribution retirement plans. Performance is measured and compared to standard industry benchmarks and appropriate fund universes. In addition, the report shows how each option's risk/return profile compares to other funds in its style group. Further, this analysis provides an overview that illustrates unintended gaps and overlaps that limit the ability of plan participants to diversify their portfolios.

### ***Defined Contribution Investment Policy Development***

DeMarche works with plan sponsors to develop an investment policy that states sponsor's objectives, outlines plan structure, and establishes the criteria for monitoring and evaluating performance. This document also spells out the responsibilities of those involved in implementing the plan, sets procedures for selecting options and managers, establishes investment guidelines and communicates sponsors philosophy and expectations to providers and managers.

### ***Defined Contribution Bundled Provider Search***

DeMarche researches defined contribution providers on an ongoing basis in order to identify companies that are best suited to serve client's needs. DeMarche has developed a comprehensive Request for Proposal (RFP) to collect information needed to identify the best qualified providers. The RFP is customized to meet client needs, with responses compiled, evaluated, and summarized for client's review. DeMarche also participates in the finalist interviews and provides the selection committee with input and advice.

### ***DC Fund Analysis***

DeMarche's Investment Funds Analysis service was established to evaluate mutual funds and assist fund sponsors who provide a number of investment options to employees through 401(k) plans. In a Basic Review, DeMarche reviews quantitative data directly from external databases and investment managers, conducts a subjective review of the information and separates funds into competitive and non-competitive categories.

Also available at the client's request, competitively ranked funds are examined more closely by DeMarche's Manager Review Committee (MARC) in a complete review. These funds are eligible for consideration for an approved designation.

### ***DC Fund Search***

See Manager Search.

### ***Factor Model Analysis***

DeMarche's Factor Model Analysis identifies the economic, market and company variables or factors that have a meaningful impact on the performance of common stock. The Analysis is used by corporations for a broad range of investor relations applications and for financial decision-making.

### ***Fund Diversification Monitor***

The Fund Diversification Monitor (FDM) is DeMarche's comprehensive performance evaluation report. The FDM provides complete performance diagnostics and attribution analysis. This analysis identifies how a manager's decisions increased or decreased the value of the portfolio. The report for an equity manager analyzes the manager's use of four investment skills: sector diversification, security selection, security

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concentration and market timing. The report for a bond manager analyzes the manager's use of three investment skills: sector diversification, security selection and duration management.

The FDM report is available quarterly and can be used to evaluate U.S. and international equity, U.S. fixed income and balanced managers.

### ***Fund Transaction Audit***

The Fund Transaction Audit is a quarterly transaction-by-transaction audit of all activity in a portfolio to identify discrepancies that may affect a fund's overall performance. In addition to the strict accounting of numbers to make sure interest and dividends are credited properly, the audit analyzes the timeliness and cost of transactions.

### ***General Consulting Services***

DeMarche provides various levels of general consulting services. The primary business of DeMarche Associates is to furnish investment advice to institutional investors through consultations. DeMarche tailors its advisory service to the individual needs of its clients. DeMarche provides objective, expert interpretation of complex investment data and workable recommendations. Our research-based approach, backed by our investment experience, provides tangible benefits that enable a fund to meet its goals.

### ***Investment Objectives and Asset Allocation***

This service helps institutional investors identify the asset mix that has the greatest probability of earning a target rate of return at an acceptable level of risk over time. DeMarche works with clients who want only a review of their existing guidelines and asset mix and with clients who require a complete investment analysis that results in establishing an overall investment program and structure that matches investable assets to long-term liabilities.

### ***Investor Relations Consulting***

DeMarche offers investor relations professionals access to leading-edge research and proprietary analytical tools. These instruments identify key value drivers and unique company characteristics having the greatest impact on stock performance.

### ***Manager Optimization***

A Manager Optimization study identifies the appropriate mix and weighting of investment management styles by asset class to create an overall management structure to achieve a specified investment objective.

### ***Manager Search***

DeMarche's Manager Search process identifies highly qualified investment managers whose investment, unique characteristics and expected performance fit with the specific needs of institutional investors. DeMarche conducts searches by drawing from its database of qualified managers and by researching other managers outside the database when unique skills are needed or requested by a client.

DeMarche maintains data and conducts searches for domestic, international and global equity and fixed income managers, real estate managers, venture capital managers and tactical asset allocation managers. DeMarche will also conduct searches for managers who employ special investment strategies. Some investment managers included in manager searches may buy products and services from DeMarche.

### ***Master Trustee/Custodian/Recordkeeper Search***

DeMarche's Master Trustee/Custodian/Recordkeeper Search is the process of identifying a highly qualified trustee, custodial bank, or recordkeeper (for defined contribution plan clients) whose custodial capabilities,

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procedures and policies and ancillary services meet the unique needs of a specific client. DeMarche conducts searches by drawing from its database of qualified firms and by researching other firms not in the database when unique services are needed and at the direction of a client.

DeMarche maintains data and conducts searches for firms with domestic and global capabilities. Other search criteria include securities lending, on-line services, cash management expertise, recordkeeping and benefit paying capabilities.

### ***Performance Appraisal Report***

The Performance Appraisal Report (PAR) is a performance reporting vehicle that provides a total fund summary, asset class summary and individual manager performance appraisal summary with appropriate benchmark comparisons. Clients also receive peer group comparisons for each of their managers. DeMarche uses custodial statements and manager reports to produce the PAR.

Individual manager analysis in the PAR includes a comparison of performance to selected market indexes and peer universes. In addition, the PAR evaluates performance in terms of risk and return.

### ***Plan Sponsor Conference***

DeMarche hosts an annual conference for its plan sponsor clients. Topics are presented by industry leaders, academics, researchers, and DeMarche consultants, and cover topics such as investment research, theory, analysis, and industry regulation, among others. The conference is partially sponsored by investment managers, from whom DeMarche receives sponsorship fees. Clients are invited free of charge.

### ***Research Services***

DeMarche provides various research services to corporations, plan sponsors, insurance companies, investment managers, and others using its proprietary Factor Model, Market Phase Model, and Research Stock List.

DeMarche's Factor Model identifies the economic, market and company variables or factors that have a meaningful impact on the performance of a publicly traded stock, in order to produce expected return calculations. DeMarche's Phase Model analyzes market phases based on price and earnings indicators. DeMarche's Research Stock List is a list of over 3,000 stocks ranked by expected return using DeMarche's Factor Model. These services can be used for a broad range of investor relations applications, for financial decision-making and for in-house investment management. The fees for these services vary depending on the level of service.

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

Performance-based fee arrangements may be available for DeMarche's consulting services. A performance fee arrangement may create an incentive for an advisor to make riskier recommendations or investments than would be made under a different arrangement. DeMarche may receive increased compensation with regard to unrealized as well as realized gains in a client's account. Prior to the inception of the performance-based fee arrangement, DeMarche must disclose the index, period of time and pricing of securities for performance measurement, as well as their significance. Each of these points, which may vary from client-to-client, is addressed individually with the client before the agreement begins.

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

DeMarche provides services to institutional clients, such as corporations, banks or thrift institutions; pension and profit sharing plans; charitable trusts and charitable organizations. DeMarche does not provide investment advice or investment management services to individuals.

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

Investing in securities involves risk of loss that clients should be prepared to bear. DeMarche does not recommend any particular type of security. Clients' assets are typically diversified by asset class and investment style. Material risks such as market risk, interest rate risk, default risk, liquidity risk, and inflation risk are discussed with each client at the total fund, asset class, and security levels as part of the consultative process.

#### **Methods of Analysis**

The main sources of information DeMarche uses to make recommendations are financial newspapers and magazines, research materials prepared by DeMarche and others, corporate rating services, and DeMarche's proprietary database. The methods of security and investment analyses used by the firm include fundamental, technical and cyclical analysis.

#### **Developing and Monitoring Investment Strategies**

DeMarche's approach to developing and monitoring an investment strategy consists of four phases:

- Determine trustees' expectations for returns and tolerance for risk. During this phase DeMarche reviews with the trustees the characteristics of the different asset classes available for investment, discuss the advantages (rewards) and disadvantages (risks) of each, and use questionnaires to identify and quantify individual trustee's expectations and concerns.
- Identify optimal portfolio structure that provides the greatest potential for achieving return objectives for a given level of risk, efficient frontier modeling. DeMarche uses mean variance optimization modeling techniques. DeMarche identifies a range of portfolios that provide the lowest performance variability for the required rate of return.
- Implement the investment policy by determining which current managers, if applicable, should be retained and what changes or additions are needed. In the implementation phase, DeMarche makes every effort to retain existing managers in order to keep transition costs low and not disrupt long-term relationships needlessly. However, if changes are necessary, DeMarche assists clients with identifying appropriate managers and finding the most cost effective way to transition assets. Investment strategies used to implement investment advice are primarily long-term in nature but may include short-term purchases occasionally.
- Provide ongoing monitoring of managers relative to their specific written investment guidelines and performance objectives. The key to monitoring managers, DeMarche believes, is to have the trustees' performance expectations and understanding of the investment process clearly documented in the form of Manager Guidelines. Managers are monitored based on the stability of their organization and their adherence to their stated investment style and process and relative to agreed-upon performance benchmarks. Results are presented quarterly to the trustees.

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### **Item 9: Disciplinary Information**

DeMarche is regulated by the Securities and Exchange Commission (SEC). There have been no recent regulatory examinations deemed unsatisfactory.

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

Affiliates of DeMarche include Discretionary Management Services, LLC (DMS) and ENDEX Capital Management, LLC (ENDEX). A brief description of each follows:

#### **Discretionary Management Services**

DMS, an affiliated investment advisory firm of DeMarche created in 2007, provides discretionary investment management services to pension funds, foundations, endowment funds, corporate and operating funds and other pools of assets. DeMarche provides investment research, portfolio management, and administrative and compliance services to DMS through a facilities and services agreement. Thomas C. Woolwine owns the majority interest in DMS. The Robert F. Marchesi Family Trust and DeMarche have minority interests.

#### **ENDEX**

ENDEX is a private, independently-owned investment advisory firm organized in 1997 in the State of Kansas as a Limited Liability Company (LLC). ENDEX provides discretionary investment management services in portfolios of exchange-listed and over-the-counter equity securities. ENDEX is a registered investment advisor with the Securities & Exchange Commission. ENDEX is owned by three individuals, all of whom serve as ENDEX's Board of Managers. Principal owners are Julie A. Marchesi, Christine M. Rudicile and Timothy J. Marchesi. ENDEX and DeMarche have a facilities and services agreement, under which certain back-office services are provided to ENDEX by DeMarche, including among others, accounting, investment research, IT and compliance.

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

For many years, DeMarche has maintained written policies and controls to minimize potential conflicts of interest and, it believes, covering a much broader area of control than called for by regulators. Controls include management oversight, internal policies and procedures, consultant training, and both required and voluntary disclosure to clients. DeMarche policies address not only potential conflicts, but also areas such as compensation, entertainment, manager conferences, etc.

DeMarche clients include corporations, public entities, endowment funds and foundations, investment managers and individuals. Providing services to these varied groups may create potential conflicts of interest. A copy of DeMarche policies pursuant to minimizing potential conflicts of interest is available to any client or prospective client upon request to the Chief Compliance Officer as referenced in Item #1 on this document's cover page.

DeMarche, or a related person, does not recommend to clients, or buy or sell for client accounts, securities in which DeMarche, or a related person, has material financial interest.

#### **Institutional Division**

DeMarche has created a separate Institutional Division through which it provides some professional services to the investment manager community. Some managers contract with DeMarche to provide them with performance measurement and evaluation/attribution services on their portfolios. DeMarche also provides the manager community with investment and capital markets research via the Institutional Division.



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Institutional Division activities with the manager community are kept separate from consulting practice services with clients to prevent any potential conflicts of interest.

Only the Chairman of DeMarche has authority over both the consulting practice and the Institutional Division. Furthermore, Institutional Division related activities are generally conducted at offsite locations or in the manager's offices. However, research services and reports, as well as performance attribution reports, are produced for managers in the same production area responsible for all other DeMarche reports. Clients of the Institutional Division are not allowed preferential treatment. All are subject to the same DeMarche policies currently in place related to the evaluation of investment managers. No soft dollars are accepted from managers to participate in the Institutional Division.

### Investment Manager Searches

To ensure that investment manager services do not impact DeMarche's other traditional consulting relationships, managers may not and do not reimburse DeMarche for participation in DeMarche's proprietary manager database or for inclusion in manager searches. The DeMarche manager universe is open to any manager who sends performance data. Managers are not charged for sending performance data.

### DeMarche Code of Ethics and Policies and Procedures

DeMarche has a written Code of Ethics and Policies and Procedures manual that all employees are required to familiarize themselves with and acknowledge in writing each year that they have read and agree to abide by them. DeMarche has a strict policy on accepting gifts and entertainment from investment managers. All DeMarche consultants are required to confirm in writing to the Compliance Officer on a quarterly basis regarding DeMarche gift policies. Failure to comply can result in termination of employment. The Compliance Officer maintains a record of each employee's receipt of the DeMarche Code of Ethics. DeMarche will provide a copy to clients and prospects upon request.

### Item 12: Brokerage Practices

As an investment consultant, DeMarche typically does not recommend broker/dealers for client transactions and does not determine reasonableness of broker/dealer compensation. DeMarche does not receive research or other products or services in connection with client securities transactions. DeMarche does not receive client referrals from a broker/dealer or a third party for recommending broker/dealers. While DeMarche does not routinely recommend, request, or require that a client use directed brokerage, DeMarche will conduct a directed brokerage provider searches for client managers. Directed brokerage may cost clients more money and may not achieve most favorable execution of client transactions.

### Item 13: Review of Accounts

DeMarche reviews client accounts on a formal basis each quarter. Investment Consultants typically conduct the review. DeMarche prepares written quarterly performance reports and delivers and presents such reports after the close of each calendar quarter. Reports include a capital markets review, an asset allocation summary, an asset distribution breakout by market value, a comparison of the investment performance versus appropriate benchmarks and peers, risk analysis, performance attribution, and investment manager style analysis.

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

DeMarche compensates non-supervised person(s) for client referrals.

### **Item 15: Custody**

DeMarche does not have custody of client funds or securities. DeMarche urges clients to compare account statements they receive from their qualified custodian(s) and investment managers with any report they receive from DeMarche.

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

DeMarche does not accept discretionary authority to manage client funds or securities. DeMarche offers a discretionary service for trustee-directed plans through its affiliate, DMS. Please see the DMS Form ADV, Part II (A) for additional information about investment discretion of client accounts.

### **Item 17: Voting Client Securities**

DeMarche does not vote client securities. Clients will typically receive their proxies directly from their custodian.

### **Item 18: Financial Information**

DeMarche does not require or solicit prepayment of client fees. DeMarche does not have custody of client funds or securities. DeMarche has not been the subject of a bankruptcy petition at any time and is not aware of any condition that is reasonably likely to impair its ability to meet contractual commitments to clients.