

## Item 1 – Cover Page



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February 25, 2021

This Brochure provides information about the qualifications and business practices of Disciplined Equity Management, Inc (“DEM”). If you have any questions about the contents of this Brochure, please contact us at (904) 222-0280 or [ddavey@demgt.com](mailto:ddavey@demgt.com). It is intended to provide clients and prospective clients with an understanding of the investment advisory services offered by DEM and to provide full and fair disclosure of any conflicts or potential conflicts of interest associated with those services. At the request of a client, DEM may provide investment advice or other services not discussed in this Brochure. In such cases, any additional disclosures will be provided to the client as necessary. Clients can also refer to their portfolio management agreement for information specific to the management of their account.

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. Disciplined Equity Management, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Disciplined Equity Management, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

Investment Advisers are required to prepare a disclosure document (“Brochure”) that describes the firm and its business practices. Pursuant to SEC rules, we are required to update our Brochure at least annually and provide you with a summary of any material changes since the previous annual amendment.

We have prepared this Brochure, dated February 25, 2021, in accordance with the annual amendment requirement. The following material change occurred since our last annual Brochure dated February 28, 2020:

- DEM is deemed to have custody of client funds and is required to engage the services of an independent accounting firm to conduct a surprise custody examination each year. The last custody examination was completed January 28, 2021.

With this summary, we hereby offer to deliver a complete copy of our Investment Adviser Brochure upon your request at any time during the year. You may request our Brochure at any time by contacting Don Davey, at 904-222-0280 or [ddavey@demgt.com](mailto:ddavey@demgt.com).

Additional information about Disciplined Equity Management, Inc. is available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Disciplined Equity Management, Inc. who are registered as investment adviser representatives of Disciplined Equity Management, Inc.

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#### **Item 4 – Advisory Business**

Donald V. Davey formed Disciplined Equity Management, Inc. in 2002. DEM provides discretionary investment supervisory services to individuals, trusts, estates, small business owners, pension plans and charitable entities.

Each client account is managed according to the specific goals and objectives of the client, as stated in the Investment Policy Statement signed by the client. Therefore, even when using the same investment strategy for more than one client, not all client accounts will necessarily hold identical positions. Any restrictions imposed on the management of the account must be included in the Investment Policy Statement.

DEM offers the following investment strategies:

##### Individual Stock Strategies:

The US Large-Cap Growth Strategy selects US large-capitalization stocks with above-average long-term and short-term earnings and price trends. The goal of the strategy is to provide long-term capital growth.

The US Large-Cap Value Strategy selects US large-capitalization stocks with above-average dividend yields and financial strength. The goal of the strategy is to provide a rising dividend stream in addition to participation in the long-term growth of equities.

The Blue Chip Core Portfolio is an equal blend of the Large-Cap Growth and Large-Cap Value Strategies.

##### Mutual Fund Strategies:

DEM may either replace or complement the individual stock strategies with no-load equity and fixed-income mutual funds and/or exchange-traded funds (ETFs). DEM primarily utilizes the Dimensional Fund Advisors family of funds to implement the mutual fund strategies.

DEM may provide financial planning services to asset management clients. These services are included in the investment advisory services offered and are not subject to additional fees or execution of a separate contract.

As of December 31, 2020 DEM has discretionary assets under management of approximately \$273,363,489. DEM does not manage any non-discretionary assets.

## **Item 5 – Fees and Compensation**

The standard advisory fee charged by DEM for portfolio management is as follows:

<u>Asset Value of the Account:</u>	<u>Quarterly Fee</u>
Up to \$3 million	0.375%
\$3million to \$5 million	0.250%
Above \$5 million	0.1875%

Clients pay DEM a fee based on the value of assets in their account. Fees are charged quarterly in arrears based on the value of the account on the last day of the quarter and adjusted for material cash flows. While DEM intends to charge fees in accordance with the standard fee schedule in place at the time of executing the portfolio management agreement, fees are subject to negotiation and may vary from the standard schedules to reflect circumstances that apply to a specific client account. The fee schedule, and any applicable terms and conditions, is stated in the client's portfolio management agreement.

The advisory fee covers only the portfolio management and advisory services provided by DEM and does not include brokerage commissions, mark-up and mark-downs, exchange fees, dealer spreads or other costs associated with the purchase and sale of securities, custodian fees, transfer fees, wire fees, interest, taxes, or other account expenses. All fees paid to DEM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or in conjunction with internal expenses associated with exchange-traded funds. The client will be solely responsible, directly or indirectly, for these additional expenses. DEM does not receive any portion of these additional fees. Refer to Item 12 for a detailed discussion of brokerage practices.

Clients may, but are not required to, grant DEM the authority to debit advisory fees directly from the clients' accounts. If the client authorizes DEM to debit fees, DEM is deemed to have custody of the client's funds. Clients will receive a statement, usually monthly but no less than quarterly, directly from their account custodian. DEM urges clients to review the information on the statement for accuracy and compare the information to any reports received directly from DEM. Please refer to Item 15 of this document for additional disclosures relating to Custody.

A client can terminate the portfolio management agreement with 30 days written notice. Any fees due will be payable through the date of termination.

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

DEM does not charge any performance-based fees.

## Item 7 – Types of Clients

DEM provides discretionary investment supervisory services to individuals, trusts, estates, small business owners, pension plans and charitable entities.

The minimum account size for new clients is \$1 million. DEM reserves the right to waive this minimum.

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

DEM uses fundamental analysis and concepts derived from modern portfolio theory to construct diversified portfolios using a low-cost, passive, asset allocation strategy.

Investing in securities involves risk of loss that clients should be prepared to bear. DEM uses its best judgment and good faith efforts in providing advisory services to clients. DEM cannot warrant or guarantee any particular level of account performance, or that an account will be profitable over time. Not every investment decision or recommendation made by DEM will be profitable. Investments in securities are subject to various market, currency, inflation, economic, political and business risks, which are briefly described below. DEM attempts to minimize these risks by recommending diversified portfolios constructed to meet the specific goals and objectives of clients.

- **Market Risk:** Investments are subject to risk, including the possibility of a loss of principal. Fluctuations in the value of an investment may be caused by external factors independent of an investment's particular underlying circumstances.
- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Inflation Risk:** High inflation may adversely affect future purchasing power.
- **Currency Risk:** Foreign investments are subject to fluctuations in the value of the dollar versus the local currency where the investment is made.
- **Reinvestment Risk:** Reinvestment risk occurs when proceeds from an investment may be reinvested at lower prevailing rates.
- **Business Risk:** Business risks are associated with a particular industry or a particular company within an industry.
- **Liquidity Risk:** Liquidity risk occurs when there is a possibility an investment cannot be readily converted to cash.

- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of DEM or its management. DEM has no disciplinary actions to disclose.

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

Don Davey is a partial owner of several privately held restaurant franchise companies. DEM does not recommend clients invest in this corporation nor in any other partnership or corporation owned or partially owned by the principals of Disciplined Equity Management, Inc. Don's time spent on business operations relating to this company does not have a material effect on DEM's operations.

Don Davey may participate in other business ventures, opportunities or arrangements that clients may be involved in. However, Don does not recommend these investments as part of the advisory services offered by DEM. Typically, these other businesses are operating businesses and are not related to the securities industry. These arrangements are outside of the scope of the investments selected on behalf of clients.

## **Item 11 – Code of Ethics**

DEM has adopted a Code of Ethics for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions. DEM and its personnel owe a duty of loyalty, fairness and good faith towards their clients, and the obligation to adhere not only to the specific provisions of the Code, but to the general principles that guide the Code. In order to detect any conflicts of interest with regard to personal trading by principals and employees, DEM requires all Access Persons to submit personal securities holdings reports within 10 days of becoming an Access Person and annually thereafter, and personal securities transaction reports within 30 days of the end of each calendar quarter.

DEM employees are permitted to buy or sell securities that are also recommended to clients provided they conduct their personal trading in a manner that does not create a conflict of interest with a client, or otherwise take unfair advantage of the client relationship. Employees may trade at the same time as clients and in the same securities as clients provided that, in accordance with DEM's brokerage practices, each account participating in

the trade receives the average price of all shares traded on behalf of DEM to ensure allocations are fair and equitable.

DEM will provide a copy of the Code of Ethics to any client or prospective client upon request.

## **Item 12 – Brokerage Practices**

DEM recommends clients maintain accounts at TD Ameritrade. The reason for preferring TD Ameritrade is their discounted commission rates, favorable margin rates, availability of no-load mutual funds, electronic trading, daily transaction downloads, and dedicated service team. Not all advisors require the use of a particular custodian or broker/dealer. DEM receives no fees or compensation for recommending TD Ameritrade, but may receive other benefits as described in Item 14.

DEM executes all client trades through TD Ameritrade. DEM regularly assesses the services provided by TD Ameritrade to determine that the reasonableness of commissions is consistent with their ability to provide quality services to DEM and its clients. DEM believes that, in consideration of all services provided by TD Ameritrade, including but not limited to commission rates and other fees, TD Ameritrade is providing overall execution quality consistent with DEM's duty to seek best execution for its clients.

Clients may direct DEM to use the services of a specific broker/dealer. However, DEM may decline to accept an account if the client's request is inconsistent with DEM's investment approach. If DEM accepts an account subject to client direction, DEM may not be able to attain best execution of client transactions. Directed transactions could result in additional costs to the client.

DEM may choose to, but is not required to, aggregate client orders consistent with its duty to seek best price and execution. Clients participating in an aggregated order will receive the average price of all transactions executed on a pro rata basis. If an order is partially filled, shares will be allocated pro rata based on the client's initial participation in the transaction. To the extent that the limited availability of a security would result in a de minimis allocation, DEM may exclude one or more accounts from participating in the order and select an alternative allocation method provided that such method is fair and equitable to all client accounts over time.

## **Item 13 – Review of Accounts**

Don Davey, as Portfolio Manager and Principal of DEM, reviews all portfolios to ensure compliance with each client's goals and objectives. Portfolio reviews and any necessary rebalancing are conducted quarterly. Additional reviews may occur more frequently due to such factors as inflows to or outflows from an account, significant market movements, or other factors as deemed necessary by the Portfolio Manager.



Upon request, clients may be furnished quarterly reports from DEM which may include holdings, market value and/or performance.

TD Ameritrade provides monthly statements to the client detailing account activity and market value of securities held. DEM urges clients to compare information contained in reports provided by DEM with the account statements received directly from the account custodian.

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

DEM has access to free or discounted research materials from broker-dealers and/or third-party providers in exchange for having client assets custodied at TD Ameritrade. TD Ameritrade may provide free industry information that does not qualify as research, such as newsletter or other publications pertaining to compliance, marketing, practice management, etc. In addition, events such as workshops or conferences may be available at reduced cost or no cost. These benefits are not provided on the basis of client transactions. Under no circumstances do any clients pay additional fees or commissions in order to obtain these products or services.

DEM has arrangements with one or more unrelated third parties who act as solicitors for DEM. DEM compensates the third parties according to an ongoing fee-sharing agreement. Clients referred to DEM in accordance with any solicitation arrangement do not pay a higher fee for advisory services as a result of the referral. The details of any such payments to any solicitor are described to clients as required, and acknowledged and accepted by those clients, in a signed Solicitors Disclosure Document.

#### **Item 15 – Custody**

DEM is deemed to have custody of client funds because investment advisory fees are directly debited from client accounts. Debiting of fees is done pursuant to authorization provided by each client. Usually monthly, but no less than quarterly, clients receive account statements directly from the custodian of their account. Custodial statements include account holdings, market values and any activity that occurred during the period, including the deduction of investment advisory fees. DEM urges clients to compare information contained in reports provided by DEM with the account statements received directly from the account custodian. Differences in portfolio value may occur due to various factors, including but not limited to: (1) unsettled trades; (2) accrued income; (3) pricing of securities; and/or, (4) dividends earned but not received.

In the event DEM is deemed to have custody for any other reason, DEM will engage the services of an independent accounting firm to conduct an annual surprise examination of the accounts it is deemed to have custody and will comply with all required rules and regulations.

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

DEM manages client portfolios on a discretionary basis. Clients grant DEM discretion over their account by providing authorization in the portfolio management agreement. This discretionary authority authorizes DEM to determine the type and amount of securities to be bought or sold. Investment discretion is limited only by specific instructions, guidelines and/or mandates provided by clients in writing and to which DEM agrees.

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

DEM does not take action or render any advice with respect to voting of proxies for the securities in client accounts. DEM will have no obligation to render advice or take any action with respect to any securities subject to any legal proceedings, such as class action lawsuits or bankruptcy. Clients will receive all proxies and other solicitations directly from their custodian.

### **Item 18 – Financial Information**

Registered investment advisers are required to provide certain financial information or disclosures about DEM's financial condition. DEM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its clients, and has not been the subject of any bankruptcy proceeding.