

## Item 1 – Cover Page



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March 29, 2021

This Brochure provides information about the qualifications and business practices of St. Germain Investment Management, Inc. (the “Firm”). If you have any questions about the contents of this Brochure, please contact us at 413-733-5111. 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.

St. Germain Investment 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 St. Germain Investment Management, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

The Firm is required to discuss any material changes that have been made to the brochure since the last annual updating amendment. There was one material change since our last brochure filing dated in August of 2020 in Item 14, Client Referrals and Other Compensation. This adviser no longer participates in sweep account revenue sharing agreements with its clearing agents. References to this revenue sharing arrangement have been removed.

We have also updated our regulatory assets under management in Item 4.

Currently, you may request our Brochure by contacting Marion Roberts, Assistant VP-Office Management at 413-733-5111 or [info@stgermaininvestments.com](mailto:info@stgermaininvestments.com). Our Brochure is also available on our web site [www.stgermaininvestments.com](http://www.stgermaininvestments.com), also free of charge.

## Item 3 – Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes .....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business.....	1
Item 5 – Fees and Compensation.....	4
Item 6 – Performance-Based Fees and Side-By-Side Management.....	6
Item 7 – Types of Clients.....	6
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	7
Item 9 – Disciplinary Information .....	7
Item 10 – Other Financial Industry Activities and Affiliations.....	7
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	9
Item 12 – Brokerage Practices.....	10
Item 13 – Review of Accounts .....	11
Item 14 – Client Referrals and Other Compensation.....	12
Item 15 – Custody .....	14
Item 16 – Investment Discretion .....	14
Item 17 – Voting Client Securities .....	15
Item 18 – Financial Information.....	15

## Item 4 – Advisory Business

### INTRODUCTION

St. Germain Investment Management, Inc. is a Massachusetts corporation, and is registered with the United States Securities and Exchange Commission (SEC) as an investment adviser under the Investment Advisers Act of 1940. St. Germain Investment Management, Inc. is a wholly owned subsidiary of D.J. St. Germain Co., Inc. D.J. St. Germain Co., Inc. also has 100% ownership of an affiliated subsidiary, St. Germain Securities, Inc., which is registered as a Broker Dealer with FINRA and the MSRB. St. Germain Investment Management, Inc. was incorporated in August of 2010, and succeeded the IA business of D.J. St. Germain Co., Inc., which was founded in 1924. October Mountain Financial Advisors, located in Lee, MA, is a d/b/a of St Germain Investment Management, Inc. In 2019, D.J. St Germain Co., Inc. acquired the assets of Gage-Wiley & Co., Inc. (established 1933), a FINRA registered Broker Dealer, and its affiliated registered investment adviser, New England Capital (NEC). New England Capital operates as a D/B/A of St Germain Investment Management, Inc.

D.J. St. Germain Co., Inc. is the primary owner of St. Germain Investment Management, Inc. Officers include Michael Matty, as President, Timothy Suffish as Director, and Jason Schuck as Treasurer.

Assets under management (as of December 31, 2020) are:

	<u>U.S. Dollar Amount</u>
Discretionary:	1,928,482,615
Non-Discretionary:	47,504,093
Total:	1,975,986,708

This Form ADV, Part II and narrative provides clients with information regarding St. Germain Investment Management, Inc. and its advisory services that should be considered before becoming a client of St. Germain Investment Management, Inc. This narrative also provides information about the qualifications and business practices of St. Germain Investment Management, Inc. The information in this narrative has not been approved or verified by the SEC or by any state securities authority.

Additional information about St. Germain Investment Management, Inc. is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by accessing Part 1 of St. Germain Investment Management, Inc.'s Form ADV. You can search this site by a unique identifying number, known as a CRD number. The CRD number for St. Germain Investment Management, Inc. is 155186.

## **INVESTMENT MANAGEMENT SERVICES**

St. Germain Investment Management, Inc. primarily provides discretionary investment management (portfolio management) services for individuals, businesses, non-profit charitable organizations, and institutional clients, as well as financial planning assistance.

### **Investment Management Process**

Investment management services are based on each client's individual goals and circumstances. Our investment advisors consult with individual clients to help identify a specific investment strategy that aligns with each client's financial profile and long-term goals, and will take into consideration a client's personal financial circumstances, investment objectives, cash flow needs, liquidity requirements, investment time horizon, and risk profile.

Investment strategies are typically incorporated into a model portfolio format, which target a range of asset allocation and security selection models created to achieve primary investment objectives, including long-term growth, growth and income, balanced, equity income, income, and others. Individual client portfolios may have variances from models based on individualized circumstances, risk profile, client restrictions, tax considerations, or the timing of when the account is established.

Both quantitative and qualitative criteria are utilized in determining asset allocation and security selection decisions, and ongoing oversight of each portfolio. Asset allocation and/or security selections will be adjusted from time to time in order to better achieve the intended investment objectives of each portfolio.

St. Germain Investment Management Inc.'s portfolio management services are organized and made available to clients in the following ways:

### **Private Wealth Management Accounts (PWM)**

These accounts are actively managed, diversified portfolios of individual securities constructed in a manner consistent with the investment objectives of the client. Portfolio holdings may include common stocks, securities convertible into common stocks, preferred stocks, corporate debt obligations, municipal bonds, United States Government or agency bonds. Exchange traded funds (ETFs) and no-load or load-waived mutual funds, foreign and domestic, may be used for efficiency and diversification purposes when suitable. Stock options, variable annuities, or other assets not listed may be used by agreement and approval of Advisor and the client.

Portfolios are managed on a discretionary basis. Asset allocation and individual security selection decisions are made as determined to be consistent with client investment objectives. These accounts are typically reserved for accounts with a minimum of \$250,000.

### **Diversified Solutions Accounts (DSA)**

These are diversified portfolios of no-load or load-waived mutual funds and exchange traded funds (ETFs) constructed in a manner consistent with the investment objectives of the client. Portfolio positions may include actively managed or passive index funds, domestic and foreign. Investment theme or sector-specific funds may be used, including funds that fall into the category of “ESG” investing, which integrate Environmental, Social, and Governance factors into the investment process and decision making. ESG investing is a term often used interchangeably with “SRI” (Socially Responsible) and Sustainable Investing. In certain circumstances portfolio positions may also include individual securities listed under PWM (above), subject to approval of St Germain Investment Management, Inc. and suitability with the client profile and investment objectives.

Portfolios are managed on a discretionary basis, with asset allocation and/or fund selection decisions made as determined to be consistent with client investment objectives. These accounts are typically reserved for accounts of \$100,000 or more.

### **Wrap Fee Advisory Programs**

Wrap Fee Accounts are investment accounts where a single “wrapped” fee covers all management, brokerage, and administrative expenses. It should be noted that this fee does *not* include fees and expenses that represent the imbedded *internal* costs of mutual funds or exchange traded funds that may be held in the portfolio.

St. Germain Investment Management, Inc. does not directly sponsor or manage wrap fee accounts but provides them to our clients through service agreements we hold with clearing firms and custodians that custody our client’s assets. These may include wrap fee advisory services sponsored by Wells Fargo Advisors, LLC, TD Ameritrade, BNY Mellon Pershing, and Morningstar Managed Portfolios Program. As discussed in Item 14 below, St. Germain Investment Management receives revenue from these providers pursuant to these arrangements, posing a conflict of interest. Based upon a review of a client’s financial profile, investment objectives, and risk tolerance, along with other pertinent information, St Germain Investment Management, Inc. identifies an appropriate asset allocation and investment management strategy suitable for the client, and then matches that strategy with a wrap fee program suitable to the client’s investment objective. St. Germain Investment Management, Inc. evaluates and monitors the wrap fee program to ensure compliance and consistency with the client’s objectives.

Specific wrap fee programs available from the wrap fee sponsors vary in scope, strategy, and costs, and require a separate application process that is specific to each program. St. Germain Investment Management, Inc. guides clients through the application process and provides clients with all necessary information and disclosures related to these wrap programs, including full disclosure related to all fees, investments risks, and suitability.

St. Germain Investment Management, Inc. offers access to wrap fee accounts to clients who prefer the wrap fee structure, or to provide access to investment strategies that are otherwise unavailable through our in-house offerings. Minimum account size is \$100,000.

### **Financial Planning Assistance**

Through personal discussions in which goals and objectives based on a client's particular circumstances are established, The Firm may assist clients with their financial planning, in addition to managing their investment portfolio. Working collaboratively with clients, we provide guidance in establishing clearly defined personal financial objectives, and specific strategies for achieving those goals. Areas addressed are those most relevant to the individual client, and may include areas such as budgeting and cash flow planning, asset and liability assessments, retirement planning, Social Security, pension and retirement income strategies, debt management, tax planning, risk management and insurance, long term care, estate planning, philanthropic strategies, investment analysis and portfolio reviews.

We encourage clients to work closely with their attorney, accountant and other appropriate advisors as needed.

St. Germain Investment Management, Inc. may assist with business planning, business successions and mergers, insurance needs, coordination of the structures of business plans and companies, meetings with client lawyers to assist with estate planning and accountants to assist with tax planning.

Fees for Financial Planning Assistance is covered by our management fees. We reserve the right to charge separately for such services as conditions may warrant.

### **Item 5 – Fees and Compensation**

St. Germain Investment Management, Inc.'s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investments and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic

fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to the Firm's fee.

## **Fees**

The annual fee for Investment Services will be charged as a percentage of client assets under management, billed quarterly, in arrears.

Fees are negotiable on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee or fee schedule. These include the complexity of the client assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reporting among other factors. The specific annual fee or fee schedule is identified in the investment advisory agreement between the adviser and each client and will not exceed 1.25% except in certain circumstances where the minimum quarterly management fee applies. The minimum quarterly management fee is \$25.

Some existing client fees fall outside of our basic fee schedule, based on prior negotiated arrangements. Fees agreed upon by New England Capital with its existing clients prior to its December 2019 merger with St Germain Investment Management Inc. will be honored and will not exceed 1.25%.

Generally, the Firm deducts its management fee directly from client accounts. Some clients, at the client's request, are invoiced directly. Billing is in arrears, on a quarterly basis, based on the average daily account balance at the close of the billing period. Clients are not required to pay any fees in advance. New accounts will be charged pro rata from the date of opening. The fee for terminated accounts will be pro rata for the time they remained with St. Germain Investment Management, Inc.

## **Other Fees and Separate Mutual Fund Fees**

All fees paid to the Firm for investment advisory services are separate and distinct from the fees and expenses charged to clients by mutual funds, closed-end funds, or exchanged-traded funds that may be held in client portfolios.

It is standard policy that St. Germain Investment Management, Inc. will not invest client assets in mutual funds that have 12b-1 fees. However, if a client holds a pre-existing mutual fund position(s) that are transferred to our management, and if it is determined to be in the clients' best interest to retain that position, we make our best effort to exchange that fund into a non-12b-1 share class if the fund company offers it, and if it is available through the custodian. If St. Germain Securities, Inc. is indicated as the broker of record on



a mutual fund for which it receives 12b-1 fees for client accounts that are also investment advisory accounts of St Germain Investment Management, Inc., those 12b-1 fees will be restored to the client accounts; such accounts are subject to an asset management fee by the advisor.

In some cases, we have clients that originated as traditional (commission-based) brokerage accounts that hold mutual funds with 12b-1 fees, and the client subsequently transitioned to (fee-based) investment advisory services. If after review and agreement with the client it is determined that no change be made to that mutual fund position (such that St Germain Securities, Inc. receives 12b-1 fees), we segregate those positions as “unsupervised assets” for billing purposes, and no management fees will be charged against those assets. In these circumstances, St Germain Investment Management, Inc. does not hold supervisory responsibility for those assets, and does not exercise any discretionary authority.

St Germain Investment Management, Inc. does not reduce its advisory fees to offset the commissions or markups of its broker/dealer, St Germain Securities, Inc. Please refer to section 12 of this brochure for a discussion of the fees and transactions costs associated with St Germain Securities, Inc.

In some cases, the Firm is asked to arrange “custody” for a client’s account in which there is little or no trading of securities, and/or no fee-based discretionary asset management of the account. In such cases, these accounts will be accommodated through our affiliated broker-dealer, St Germain Securities, Inc. In these situations, and by agreement with the client, St. Germain Investment Management, Inc. charges a servicing fee ranging from zero to 20 basis points, depending on total client assets. As set forth in Item 10 below, our use of St. Germain Securities poses a conflict of interest in that we have a financial interest in utilizing our affiliated broker-dealer in connection with client accounts.

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

St. Germain Investment Management, Inc. does not charge any performance-based fees (fees based on a share of capital gains on, or capital appreciation of, the assets of a client).

#### **Item 7 – Types of Clients**

St. Germain Investment Management, Inc. provides portfolio management services to individuals (other than high net worth individuals), high net worth individuals, pension and profit sharing plans (other than plan participants), charitable organizations, and corporations or other businesses. Generally, St. Germain Investment Management, Inc. will open accounts with assets over \$100k. The account minimum is negotiable depending on other factors such as other assets under management or potential future investment.

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

St. Germain Investment Management, Inc. analysis methods incorporate macro-economic, sector, industry assessments, and fundamental and technical analysis of broad financial markets as well as individual portfolio holdings. We typically offer investment advice on any pre-existing investments held by clients at the start of the advisory relationship. St. Germain Investment Management, Inc. emphasizes the identification of an appropriate risk tolerance and asset allocation. St. Germain Investment Management, Inc.'s investment management strategies do not attempt to manage short-term market fluctuations and emphasize a long-term approach to investing.

Client accounts may be divided among different investment management strategies based upon individual financial circumstances, goals, and risk tolerances. Assets may be diversified among stocks, bonds, and cash or cash alternatives, in the form of either individual securities or through investments in mutual funds or ETFs (exchange traded funds). Each asset class contains inherent risk. For stocks and bonds, individual security values may fluctuate based upon the overall economy, market conditions, investor confidence, and specific corporate events. Mutual funds and ETFs contain similar risks as stocks and bonds, but are also subject to risks specific to the fund management company or the influence of the collective behavior of fund shareholders.

Investing in securities involves risk of loss that clients should be prepared to bear.

## **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 St. Germain Investment Management, Inc. or the integrity of St. Germain Investment Management, Inc.'s management. We do not believe we have any material disclosures with regard to Item 9, however more information about our disciplinary history can be found at [adviserinfo.sec.gov](http://adviserinfo.sec.gov)

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

St. Germain Investment Management, Inc. is a wholly owned subsidiary of D.J. St. Germain Co., Inc. D.J. St. Germain Co., Inc. is also the parent of a wholly owned subsidiary, St. Germain Securities, Inc., a FINRA registered member broker-dealer. Certain investment advisor employees of St. Germain Investment Management, Inc. are also registered representatives of the broker dealer St. Germain Securities, Inc.

Trades in accounts held by clients who are both advisory and brokerage clients and have accounts held at Pershing LLC or First Clearing LLC are executed through St. Germain Securities, our brokerage affiliate. This creates a conflict of interest in that St. Germain

Investment Management has an incentive to direct trades to its affiliate rather than to other, non-affiliated brokers whose commissions may be lower. St. Germain Investment Management, Inc.'s advisory personnel and employees, however, endeavor at all times to put the interest of their clients first as part of our fiduciary duty as registered investment advisers. Directed brokerage executed by St Germain Securities, Inc. is generally discounted from standard rates. St. Germain Investment Management, Inc. also takes the following steps to address potential conflicts:

- All employees of our firm are compensated on a salary basis, and do not directly benefit from commission revenues generated by St Germain Securities, Inc.;
- Our typical trading turnover is low, which helps to minimize trading costs;
- Our policies and procedures require us to disclose to clients the existence of all material conflicts of interest in our Form ADV;
- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- Our firm's management conducts reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- We require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- We periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

Some management personnel of our firm, in their individual capacities, are licensed insurance agents. In the event that a client purchases an insurance product from one of our licensed agents, there are occasional circumstances in which St. Germain Investment Management receives separate, yet customary commission compensation for processing an insurance transaction. The receipt of such compensation poses a conflict of interest in that the firm has a financial interest in selling the insurance product to the client even if coverage may be obtained elsewhere at a lower cost. Should such circumstances occur, this will be fully disclosed to the client. Clients, however, are not under any obligation to

engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client. No portion of this commission revenue is paid, or considered compensation directly or indirectly, to any advisor or other employee of St Germain Investment Management or any other St Germain affiliate. Moreover, as set forth in the firm's Code of Ethics (see below), it is the policy of St. Germain Investment Management that no person employed by the firm shall prefer his or her own interest to that of an advisory client.

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

The Firm has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. St. Germain Investment Management, Inc.'s Code of Ethics describes the firm's fiduciary duties and responsibilities to clients, and sets forth St. Germain Investment Management, Inc.'s practice of supervising the personal securities transactions of supervised persons with access to client information. Individuals associated with the Firm may buy or sell securities for their personal accounts identical to or different than those recommended to clients, including being traded in identical strategies as clients within the firm's account, and be included in block trading for allocation pro-rata at an average price. It is St. Germain Investment Management, Inc.'s philosophy that because the firm and its employees trade in identical securities, included in block trades at the same price, that conflicts are avoided and clients are treated fairly. It is the expressed policy of St. Germain Investment Management, Inc. that no person employed by St. Germain Investment Management, Inc. shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients. The overriding principal is fairness to the client. All supervised persons at the Firm must acknowledge the terms of the Code of Ethics annually, or as amended.

To supervise compliance with its Code of Ethics, the Firm requires that anyone associated with this advisory practice with access to advisory recommendations provide annual securities holdings reports and (minimally) quarterly transaction reports to the firm's Chief Compliance Officer. St. Germain Investment Management, Inc. prohibits such access persons from investing in any IPOs and requires approval from the Chief Compliance Officer prior to participation in private placements (limited offerings).

St. Germain Investment Management, Inc.'s Code of Ethics further includes the firm's policies prohibiting the use of material non-public information, governing the receipt of gifts, and the protection of confidential client information. The Firm requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with the Firm's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price.

St. Germain Investment Management, Inc. will provide a complete copy of its written Code of Ethics to any client upon request to the Firm's CCO at the main office address.

## **Item 12 – Brokerage Practices**

St. Germain Investment Management, Inc.'s Investment Advisory Agreement requires that clients provide us with written direction in determining Brokerage and Custody services.

### **Allocation**

St. Germain Investment Management, Inc. will execute block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple clients' accounts so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. Block trading allows the Firm to execute equity trades in a timelier, equitable manner and to reduce overall commission charges to clients.

After purchase or sale decisions have been made for individual securities, the trade may be aggregated for accounts with similar investment objectives. It is the firm's belief that such aggregation helps clients to obtain best execution for their trades.

### **Securities Brokerage Commissions**

St. Germain Securities Inc., an affiliated broker-dealer, clears its transactions through Pershing LLC and/or First Clearing (a trade name for Wells Fargo Clearing Services, LLC). St. Germain Investment Management, Inc. uses Pershing LLC, First Clearing, and TD Ameritrade as custodians for its investment advisory accounts.

For client accounts who are both advisory and brokerage clients, and have accounts held at Pershing LLC or First Clearing, LLC, securities transactions are directed through our affiliate, St Germain Securities, Inc. which charges a transaction fee or commission for these services.

For client accounts held at TD Ameritrade, trades are processed through TD Ameritrade, and clients are subject to transaction costs, if any, charged directly by TD Ameritrade. St Germain Investment Management, Inc. and or its affiliates do not receive compensation of any kind from TD Ameritrade, including transactions fees, custodial fees, 12b-1 fees, or any other form of revenue sharing.

As an introducing broker dealer through Pershing LLC, and First Clearing, LLC., St. Germain Securities, Inc. will pass through other ancillary and customary fees (such as wire fees, IRA fees, etc.) as they may be applicable, according to the fee schedule supplied to clients. Some of these items may include a markup to St. Germain Securities, Inc.

Since St. Germain Investment Management offers clients multiple investment strategies, and client accounts are dispersed among three different custodians that are chosen and aligned with the efficient implementation of those investment strategies, there are variances in transaction and commission charges. St. Germain Investment Management makes best efforts to keep transactions costs to our clients as reasonably low as possible, and commensurate with the service provided. We also acknowledge to our clients that if the trades flow through our own BD, there is a conflict of interest.

Our investment advisory agreement allows the client to select their custodian. The client may direct us in writing to use another custodian of their choice outside of our custodial arrangements. In that case, the client will negotiate terms and arrangements for the account with that institution and the Firm will not be able seek better execution services or prices. As a result, the client may pay higher transaction costs or may receive less favorable prices, on transactions for the account. Subject to our duty of best execution, the Firm may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in operational difficulties.

Commission/transaction charges and fees vary by custodian and investment strategy and are fully disclosed to clients at account opening prior to, or simultaneously with, the signing of their investment advisory agreement. Please refer to your custodial paperwork that discloses transaction charges and fees charged by the custodian where your assets are held.

### **Soft Dollar Relationships**

Neither St Germain Investment Management Inc. nor St Germain Securities, Inc. participate in any "soft dollar" relationships.

## **Item 13 – Review of Accounts**

### **Regular Reviews of Client Accounts and Reporting**

Investment decisions are guided by members of the Investment Policy Committee. Accounts are continuously monitored based upon changes in economic and market conditions, individual security fluctuations, changes in company fundamentals, cash additions/withdrawals to client accounts, among other factors.

The custodians for our client accounts (Pershing LLC, First Clearing LLC, and TD Ameritrade) all provide clients with monthly statements, detailing individual holdings, market value and cost basis of their holdings. These custodians also mail (or provide electronically if available by the custodian and elected by the client) “confirmations” of security transactions (buys and sells) made in client accounts. Clients also receive other periodic market updates and commentaries provided by St Germain Investment Management, Inc.

In addition to monthly account statements from the custodians, accounts managed by New England Capital (our affiliate and d/b/a of St Germain Investment Management, Inc.) also receive quarterly commentary and performance reporting provided by New England Capital.

Account statements provided by the custodians to each client are the true representation of client account value and takes all precedence over any reports provided by our Firm.

As a best practice, St Germain Investment Management, Inc. encourages all clients to schedule an annual review with their representative to address changing needs and/or material life changes.

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

Like other financial firms, St Germain Investment Management, Inc. has conflicts of interest. The information below describes conflicts of interest stemming from compensation received by our affiliated entities, as they relate to investment advisory accounts managed by St Germain Investment Management, Inc.

In some cases, outside advisors (non-employee, non-affiliated) may recommend St. Germain Investment Management, Inc. to clients and receive compensation for this referral, posing a conflict of interest. Any client entering into such a relationship will receive an Advisory Disclosure Statement from the referring party outlining fees. St Germain Investment Management, Inc. pays referral fees out of its investment management fees. Clients do not pay additional fees as a result of the referral fee paid to third parties by St Germain Investment Management, Inc.

The custodians of our client accounts offer so-called “sweep accounts,” in which the excess cash balances of your securities account are “swept” into an interest paying account on a daily basis. Available sweep options include bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC). Clients select their sweep option in the account-opening document provided by the custodian. Unless instructed otherwise by the client, St. Germain Investment Management Inc.’s default position is for the client to select the bank deposit sweep account option because it offers the greatest flexibility to quickly

access cash reserves for the purchase of securities or withdrawal of funds to the client, where there are no transaction charges for deposits and withdrawals, and for the benefit of FDIC coverage. Information regarding the calculation and payment of interest on cash balances, program banks participating in the bank sweep program, thresholds of FDIC insurance coverage, and other relevant information is fully disclosed in the account opening documents provided by the custodian.

St Germain Investment Management, Inc. does not use or recommend the use of margin as part of its investment strategies. However, there are occasional circumstances when individual clients have unexpected short-term borrowing needs (such as bridge financing to purchase a new home until the old home is sold). After considering tax implications, costs, convenience, or other factors, the client may determine that borrowing against the collateral of a securities account we manage is their best option. In such cases, securities-based lending options are available to them through the account custodian. We do not actively solicit these transactions. However, if as a service we facilitate borrowing transactions for client accounts held at Pershing or First Clearing, clients should be aware that St. Germain Securities, Inc. has revenue sharing agreements with these custodians. These agreements pose a conflict of interest, in that St. Germain Securities has a financial incentive for clients to enter into lending arrangements with Pershing or First Clearing even if better terms may be available elsewhere. Compensation paid to St Germain Securities, Inc. is a mark-up from the base interest rate charged by the custodian; it is based on account size, loan balance, and the relationship and service requirements of the client, and ranges from 0 to 100bps (zero to 1% annualized). Interest charges vary with market conditions, as well as account size and borrowing need, and are fully disclosed by the custodian at time of transaction. Risks associated with pledging securities as collateral for borrowing is disclosed to clients by the lending custodian in the client account agreement, which requires client signatures. Revenue generated from securities-based lending is paid to St Germain Securities, Inc., not to St Germain Investment Management, Inc. No portion of any such fees collected by St Germain Securities, Inc. is paid to, or considered compensation directly or indirectly, to any advisor or other employee of St Germain Securities, Inc., or any other St Germain affiliate. St. Germain Securities Inc. and St Germain Investment Management, Inc. do not have securities-related lending revenue sharing agreements with client accounts held at TD Ameritrade, and therefore do not receive any compensation related to client loan balances in those accounts.

As noted in Item 4 above, the Firm receives revenue from Wells Fargo Advisors, LLC, TD Ameritrade, BNY Mellon Pershing, and Morningstar Managed Portfolios Program pursuant to wrap fee advisory arrangements, posing a conflict of interest in that we have a financial interest in providing wrap fee advisory services sponsored by these entities. No portion of this revenue is paid, or considered compensation directly or indirectly, to



any advisor or other employee of St. Germain Investment Management or any other St. Germain affiliate. Moreover, as set forth in the firm's Code of Ethics (see below), it is the policy of St. Germain Investment Management that no person employed by the firm shall prefer his or her own interest to that of an advisory client.

### **Item 15 – Custody**

Clients receive monthly account statements from their qualified custodian (currently either Pershing LLC, First Clearing, LLC. or TD Ameritrade) that holds and maintains your investment assets. St. Germain Investment Management, Inc. urges you to carefully review such statements, as these statements are the accurate representation of holdings within your account.

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts unless clients specifically request to be billed directly.

As part of this billing process, the client's qualified custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the qualified custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the qualified custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial account statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

Our firm does not have actual or constructive custody of client accounts.

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

St. Germain Investment Management, Inc. usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, the Firm observes the investment policies, limitations and restrictions of the clients for which it advises.

Investment restrictions may be provided to St. Germain Investment Management, Inc. either verbally or in writing.

## **Brokerage Discretion**

St Germain Securities, Inc., a FINRA registered Broker-Dealer and SIPC member, is an affiliate of the Adviser. As noted, trades in accounts held by clients who are both advisory and brokerage clients are executed through St. Germain Securities, our brokerage affiliate. As noted in Item 10 above, this poses a conflict of interest. For accounts held at TD Ameritrade, all trades are executed through TD Ameritrade.

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

For client accounts using Pershing LLC as their custodian, St. Germain Investment Management, Inc. votes proxies on behalf of clients based on our assessment of the best economic interests of the clients. Clients do not, by policy or agreement, direct St Germain Investment Management Inc.'s vote. Proxies or other solicitations are received directly by St. Germain Investment Management Inc., who will generally vote in favor of routine corporate proposals. St. Germain Investment Management, Inc. has written policies regarding proxy voting. Clients may request information regarding how particular proxies were voted and may request a copy of these procedures by contacting, in writing, St. Germain Investment Management, Inc.

For client accounts held at First Clearing or TD Ameritrade as their custodian, St. Germain Investment Management, Inc. does not vote proxies on behalf of these clients. This policy is disclosed in the Investment Advisory Agreement, which requires acknowledgement and signature of the client.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about St. Germain Investment Management, Inc.'s financial condition. The Firm has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

We must disclose certain information about our financial condition if we have any obligations that impair our ability to meet contractual and fiduciary commitments to you. We do not have any commitments that would impair these commitments to you. In the interest of full transparency, however, we do want to notify you that we recently applied for and received a loan in the amount of \$820,637 under the Paycheck Protection Program (PPP). The significant increases in market volatility, state mandated 'work from home' rules (and expenses related to supporting this), and new in-office protocols created conditions that would have necessitated a precautionary need to reduce certain staff hours and/or pay levels. The PPP was specifically created to provide funds for small businesses in order to prevent any reduction in headcount and/or pay and to support operations. We

intend to use the proceeds of the loan in full compliance with the terms outlined by the Small Business Administration (i.e. payroll, rent, and other specified expenses).