

# Steigerwald, Gordon & Koch Inc.

SEC File Number: 801 – 55694

ADV Part 2A, Brochure

Dated: March 17, 2022

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This Brochure provides information about the qualifications and business practices of Steigerwald, Gordon & Koch Inc. If you have any questions about the contents of this Brochure, please contact us at (703) 777-8826 or [John@SGKWealthAdvisors.com](mailto:John@SGKWealthAdvisors.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Steigerwald, Gordon & Koch Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Steigerwald, Gordon & Koch Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## Item 2           Material Changes

There has been two material changes made to Steigerwald, Gordon & Koch Inc.'s ADV Part 2A Brochure since the March 15, 2021 annual update filing as follows:

- Item 4 – Added disclosure to clarify Steigerwald, Gordon & Koch Inc.'s fiduciary status as required per the rulemaking by the Department of Labor.
- Item 4 – Added disclosure regarding the limitations and risks related to socially responsible investing.

In addition to the above material changes, the Firm has made disclosure changes, enhancements and additions below at Items 4, 5, 6, 7, 8, 12, 15 and 17.

ANY QUESTIONS: Steigerwald, Gordon & Koch Inc.'s Chief Compliance Officer, John Steigerwald, remains available to address any questions that an existing or prospective client may have about this Brochure.

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

- A. Steigerwald, Gordon & Koch Inc. ("SGK") is a Virginia corporation formed on June 17, 1996. SGK became registered as an investment adviser in June 1996. John S. Steigerwald is SGK's principal owner. SGK's officers are John S. Steigerwald, Chief Executive Officer; Jeffrey A. Gordon, President; Darren A. Koch, Vice President; and Karen Showalter, Secretary/Treasurer.
- B. As discussed below, SGK offers to its clients (generally: individuals, high net worth individuals, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

Clients can engage SGK to provide discretionary investment advisory services on a fee-only basis. SGK's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under SGK's management. Before engaging SGK to provide investment advisory services, clients are required to enter into an Investment Advisory Agreement with SGK setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

SGK's annual investment advisory fee compensates for investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. While SGK believes that it is important for the client to address financial planning issues on an ongoing basis, SGK's fee, as set forth at Item 5 below, will remain the same regardless of whether the client determines to address those issues with SGK. If SGK determines in its sole discretion that the client requires extraordinary planning and/or consultation services, SGK may seek to charge for those services under the terms and conditions of a stand-alone Financial Planning and Consulting Agreement.

Before SGK provides such investment advisory services, an investment adviser representative will coordinate with each client to develop their investment objectives. Then, SGK will allocate client investment assets consistent with the designated investment objectives. Once allocated, SGK provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives and may execute account transactions based on those reviews or other triggering events.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, SGK may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Prior to engaging SGK to provide planning or consulting services, clients are generally required to enter into a Financial Planning and Consulting Agreement with SGK setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to SGK commencing services.

## MISCELLANEOUS

Limitations of Financial Planning and Non-Investment Consulting/Implementation Services. To the extent requested by a client, SGK may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. as part of the investment advisory engagement or according to the terms and conditions of a stand-alone Financial Planning and Consulting Agreement. SGK does not serve as an attorney, accountant, or insurance agency, and no portion of its services should be construed as legal, accounting, or insurance implementation services. Accordingly, SGK does not prepare estate planning documents, tax returns or sell insurance products. Unless specifically agreed in writing, neither SGK nor its representatives are responsible to implement any financial plans or financial planning advice; provide ongoing financial planning services; or provide ongoing monitoring of financial plans or financial planning advice. The client is solely responsible to revisit the financial plan or financial planning advice with SGK, if desired. SGK's financial planning and consulting services are completed upon communicating its recommendations to the client. Upon client request, SGK may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.). Clients are under no obligation to engage the services of any recommended professional, who shall be solely responsible for the quality and competency of the services they provide. If the client engages any unaffiliated recommended professional, and a dispute arises related to the engagement, the client should seek recourse exclusively from and against the engaged professional.

Retirement Plan Rollovers – No Obligation / Potential for Conflict of Interest: A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If SGK recommends that a client roll over their retirement plan assets into an account to be managed by SGK, such a recommendation creates a conflict of interest if SGK will earn new (or increase its current) compensation an advisory fee on the rolled over assets. Whether SGK provides a recommendation as to whether a client should engage in a rollover or not, SGK is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. No client is under any obligation to roll over plan assets to an IRA managed by SGK or to engage SGK to monitor and/or manage the account while maintained at the client's employer. SGK's Chief Compliance Officer, John Steigerwald, remains available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented.

**Fiduciary Status:** Per the DOL: "When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours." Accordingly, relative to retirement accounts, "we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.”

Portfolio Trading Activity / Inactivity. As part of its investment advisory services, SGK will review client portfolios on an ongoing basis to determine if any trades are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client’s financial circumstances, and changes in the client’s investment objectives. Based upon these and other factors, there may be extended periods when SGK determines that upon review, trades within a client’s portfolio are not prudent. Clients nonetheless remain subject to the fees described in Item 5 during periods of portfolio trading inactivity.

Cash Positions. SGK continues to treat cash as an asset class. As such, unless determined to the contrary by SGK, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating SGK’s advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), SGK may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, SGK’s advisory fee could exceed the interest paid by the client’s money market fund.

Client Obligations. In performing its services, SGK will not be required to verify any information received from the client or from other designated professionals who provide services to the client, and SGK is expressly authorized to rely thereon. Clients maintain responsibility to promptly notify SGK if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising SGK’s previous recommendations or services.

Cybersecurity Risk. The information technology systems and networks that SGK and its third-party service providers use to provide services to SGK’s clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in SGK’s operations and result in the unauthorized acquisition or use of clients’ confidential or non-public personal information. Clients and SGK are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although SGK has established its systems to reduce the risk of cybersecurity incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that SGK does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of

securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

**Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by SGK) will be profitable or equal any specific performance level.

**Disclosure Statement.** A copy of SGK's written Brochure as set forth on Part 2 of Form ADV and Form CRS (Client Relationship Summary) shall be provided to each client prior to, or contemporaneously with, the execution of the Investment Advisory Agreement or Financial Planning and Consulting Agreement.

**Availability of Mutual Funds and Exchange Traded Funds.** SGK utilizes mutual funds and exchange traded funds for its client portfolios. In addition to SGK's investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

**Custodian Charges-Additional Fees.** As discussed below at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, SGK generally recommends that *Schwab* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian (while certain custodians, including *Schwab*, do not currently charge fees on individual equity transactions, others do). When beneficial to the client, individual fixed-income and/or equity transactions may be effected through broker-dealers with whom SGK and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a "trade-away" fee charged by *Schwab*). These fees/charges are in addition to SGK's investment advisory fee at Item 5 below. SGK does not receive any portion of these fees/charges.

**Socially Responsible Investing Limitations.** *Socially Responsible Investing* involves the incorporation of **Environmental, Social and Governance** considerations into the investment due diligence process ("ESG"). There are potential limitations associated with allocating a portion of an investment portfolio in ESG securities (i.e., securities that have a mandate to avoid, when possible, investments in such products as alcohol, tobacco, firearms, oil drilling, gambling, etc.). The number of these securities may be limited when compared to those that do not maintain such a mandate. ESG securities could underperform broad market indices. Investors must accept these limitations, including potential for underperformance. Correspondingly, the number of ESG mutual funds and exchange traded funds are few when compared to those that do not maintain such a mandate. As with any type of investment (including any investment and/or investment strategies recommended and/or undertaken by SGK), there can be no assurance that investment in ESG securities or funds will be profitable or prove successful.

- C. SGK provides investment advisory services specifically tailored to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objectives. Thereafter, SGK will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. The client may, at any time, impose reasonable restrictions, in writing, on SGK's services.
- D. SGK does not participate in a wrap fee program.
- E. As of December 31, 2021, SGK had \$969,172,113 in assets under management on a discretionary basis.

## Item 5 Fees and Compensation

A.

### INVESTMENT ADVISORY SERVICES

If a client determines to engage SGK to provide discretionary investment advisory services on a fee-only basis, SGK's annual investment advisory fee is generally based upon a percentage (%) of the market value and type of assets placed under SGK's management (between negotiable and 1.00%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$1,000,000	1.00%
Next \$1,000,001 to \$2,000,000	0.75%
Next \$2,000,001 to \$5,000,000	0.50%
Next \$5,000,001 to \$10,000,000	0.40%
Next \$10,000,001 +	0.30%

While SGK believes that it is important for the client to address financial planning issues on an ongoing basis, the investment advisory fee will remain the same regardless of whether the client determines to address those issues with SGK.

SGK's policy is to treat intra-quarter account additions and withdrawals equally and SGK will not charge for intra-quarter additions or withdrawals unless indicated to the contrary on the Investment Advisory Agreement executed by the client. SGK's investment advisory fee is negotiable at its discretion, depending upon objective and subjective factors including, but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professionals rendering the service; prior relationships with SGK and/or its representatives, employees/family members, courtesy accounts, competition, and negotiations with the client. Additionally, clients referred by Schwab will be billed at 0.75% on the first \$1M. As a result, similarly situated clients could pay different fees. The services to be provided by SGK to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above. SGK's Chief Compliance Officer, John S. Steigerwald, remains available to address any questions regarding the advisory fee determination.

## **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, SGK may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. SGK's planning and consulting fees are negotiable, but generally are \$75 to \$300 on an hourly rate basis depending upon the level and scope of the service required and the professionals rendering the service.

- B. Clients may elect to have SGK's advisory fees deducted from their custodial account. SGK's Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of SGK's investment advisory fee and to directly remit that management fee to SGK in compliance with regulatory procedures. In the limited event that SGK bills the client directly, payment is due upon receipt of SGK's invoice. SGK deducts fees or bills clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. Unless a client's circumstances dictate otherwise, SGK generally recommends that Charles Schwab and Co., Inc. and its affiliates ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers charge transaction fees for executing certain securities transactions according to their fee schedule, and they or their affiliated custodians also impose charges for custodial services / fees associated with maintaining the client's account. For mutual fund and ETF purchases, clients will incur charges imposed by the respective fund, which represent the client's pro rata share of the fund's management fee and other fund expenses. These fees and expenses are described in each fund's prospectus or other offering documents. The fees charged by the applicable broker-dealer/custodian, and the charges imposed by mutual funds and ETFs, are separate from and in addition to SGK's advisory fee referenced in this Item 5. SGK does not share in any portion of those fees or expenses.
- D. SGK's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Investment Advisory Agreement between SGK and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. SGK shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of months remaining in the billing quarter.
- E. Neither SGK, nor its representatives, accepts compensation from the sale of securities or other investment products.

## **Item 6 Performance-Based Fees and Side-by-Side Management**

Neither SGK nor any supervised person is a party to any performance or incentive-related compensation arrangements with its clients.

## **Item 7 Types of Clients**

SGK's clients generally include individuals, high net worth individuals, business entities, trusts, estates and charitable organizations. For new client relationships, SGK generally



prefers/requires a minimum asset level of \$600,000 for investment advisory services. SGK, in its sole discretion, may reduce or waive its minimum asset preference/requirement or reduce its investment advisory fee based upon certain criteria including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professionals rendering the service; prior relationships with SGK and/or its representatives, employees/family members, courtesy accounts, competition, and negotiations with the client. Additionally, clients referred by Schwab will be billed at 0.75% on the first \$1M. As result, similarly situated clients could pay different fees and similar advisory services may be available from other investment advisers for similar or lower fees. SGK's Chief Compliance Officer, John Steigerwald, remains available to address any questions regarding advisory fees.

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

### **A. SGK may utilize the following methods of security analysis:**

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

SGK may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

Investment Risk. Investing in securities involves risk of loss that clients should be prepared to bear, including the loss of principal investment. Past performance does not guarantee future results. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by SGK) will be profitable or equal any specific performance level. Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies. While asset values may increase and client account values could benefit as a result, it is also possible that asset values may decrease and client account values could suffer a loss.

### **B. SGK's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis SGK must have access to current/new market information. SGK has no control over the dissemination rate of market information; therefore, unbeknownst to SGK, certain analyses may be compiled with outdated market information, severely limiting the value of SGK's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.**

SGK's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, SGK primarily allocates client investment assets among various individual equity (stocks), debt (bonds), mutual funds, ETFs, and other fixed income securities on a discretionary basis in accordance with the client's designated investment objectives. Each type of investment has its own unique set of risks associated with it. The following provides a short description of some of the underlying risks associated with the types of investments to which SGK allocates investment assets:

Market Risk. The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors (such as economic or political factors) but may also be incurred because of a security's specific underlying investments. Additionally, each security's price can fluctuate based on market movement, which may or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.

Unsystematic Risk. Unsystematic risk is the company-specific or industry-specific risk in a portfolio that the investor bears. Unsystematic risk is typically addressed through diversification. However, as indicated above, diversification does not guarantee better performance and cannot eliminate the risk of investment losses.

Value Investment Risk. Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to underperform growth stocks.

Growth Investment Risk. Prices of growth stocks tend to be higher in relation to their companies' earnings and may be more sensitive to market, political and economic developments than other stocks, making their prices more volatile.

Small Company Risk. Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, small capitalization companies are more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

Commodity Risk. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.

Foreign Securities and Currencies Risk. Foreign securities prices may decline or fluctuate because of: (i) economic or political actions of foreign governments, and/or (ii) less

regulated or liquid securities markets. Investors holding these securities are also exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar).

Interest Rate Risk. Fixed income securities and fixed income-based securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices tend to fall. When interest rates fall, fixed income security prices tend to rise. In general, fixed income securities with longer maturities are more sensitive to these price changes.

Inflation Risk. When any type of inflation is present, a dollar at present value will not carry the same purchasing power as a dollar in the future, because that purchasing power erodes at the rate of inflation.

Reinvestment Risk. Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate), which primarily relates to fixed income securities.

Credit Risk. The issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and impact performance. Credit risk is considered greater for fixed income securities with ratings below investment grade. Fixed income securities that are below investment grade involve higher credit risk and are considered speculative.

Call Risk. During periods of falling interest rates, a bond issuer will call or repay a higher-yielding bond before its maturity date, forcing the investment to reinvest in bonds with lower interest rates than the original obligations.

Regulatory Risk. Changes in laws and regulations from any government can change the market value of companies subject to such regulations. Certain industries are more susceptible to government regulation. For example, changes in zoning, tax structure or laws may impact the return on investments.

Mutual Fund Risk. Mutual funds are operated by investment companies that raise money from shareholders and invests it in stocks, bonds, and/or other types of securities. Each fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. Mutual funds charge a separate management fee for their services, so the returns on mutual funds are reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives).

Exchange Traded Fund Risk. ETFs are marketable securities that are designed to track, before fees and expenses, the performance or returns of a relevant index, commodity, bonds or basket of assets, like an index fund. Unlike mutual funds, ETFs trade like common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. In addition to the general risks of investing, there are specific risks to consider with respect to an investment in ETFs, including, but not limited to: (i) an ETF's shares

may trade at a market price that is above or below its net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.

## **Item 9           Disciplinary Information**

SGK has not been the subject of any disciplinary actions.

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

- A. Neither SGK, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither SGK, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. SGK has no other relationship or arrangement with a related person that is material to its advisory.
- D. SGK does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. SGK maintains an investment policy relative to personal securities transactions. This investment policy is part of SGK's overall Code of Ethics, which serves to establish a standard of business conduct for all of SGK's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, SGK also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by SGK or any person associated with SGK.

- B. Neither SGK nor any related person of SGK recommends, buys, or sells for client accounts, securities in which SGK or any related person of SGK has a material financial interest.
- C. SGK and/or representatives of SGK may buy or sell securities that are also recommended to clients. This practice may create a situation where SGK and/or representatives of SGK are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if SGK did not have adequate policies in place to detect

such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of SGK’s clients) and other potentially abusive practices.

SGK has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of SGK’s “Access Persons”. SGK’s securities transaction policy requires that an Access Person of SGK must provide the Chief Compliance Officer or their designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or their designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date SGK selects; provided, however that at any time that SGK has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. SGK and/or representatives of SGK may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where SGK and/or representatives of SGK are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11.C, SGK has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of SGK’s Access Persons.

## **Item 12 Brokerage Practices**

- A. If the client requests that SGK recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct SGK to use a specific broker-dealer/custodian), SGK generally recommends that investment advisory accounts be maintained at Schwab. Before engaging SGK to provide investment advisory services, the client will be required to enter into a formal Investment Advisory Agreement with SGK setting forth the terms and conditions under which SGK will manage the client’s assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian. Depending on which custodian clients select to maintain their account, they may experience differences in customer service, transaction timing, the availability of sweep account vehicles and money market funds, and other aspects of investing. In certain instances, these differences could cause differences in account performance.

Factors that SGK considers in recommending Schwab (or any other broker-dealer/custodian) include historical relationship with SGK, financial strength, reputation, execution capabilities, pricing, research, and service. Broker-dealers such as Schwab can charge transaction fees for effecting certain securities transactions (*See* Item 4 above). To the extent that a transaction fee will be payable by the client to Schwab, the transaction fee shall be in addition to SGK’s investment advisory fee referenced in Item 5 above.

To the extent that a transaction fee is payable, SGK shall have a duty to obtain best execution for such transaction. However, that does not mean that the client will not pay a transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where SGK determines, in good faith, that the transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including the value of research

provided, execution capability, commission rates, and responsiveness. Accordingly, although SGK will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, SGK's investment advisory fee.

1. Non-Soft Dollar Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, SGK receives from Schwab (or could receive from other broker-dealer/custodians, unaffiliated investment managers, vendors, investment platforms, and/or product/fund sponsors) without cost (and/or at a discount) support services and/or products, certain of which assist SGK to better monitor and service client accounts maintained at such institutions. The support services that SGK receives can include: investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or free consulting services, discounted and/or free travel and attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by SGK in furtherance of its investment advisory business operations. However, SGK's clients do not pay more for investment transactions executed and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by SGK to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangements. SGK's Chief Compliance Officer, John S. Steigerwald, remains available to address any questions regarding the above arrangements and conflict of interest presented.

2. Schwab Referrals

SGK receives client referrals from Schwab through SGK's participation in Schwab Advisor Network™ ("the Service"), designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of an unaffiliated with SGK. Schwab does not supervise SGK and has no responsibility for SGK's management of clients' portfolios or SGK's other advice or services. SGK pays Schwab fees to receive client referrals through the Service. SGK's participation in the Service may raise conflicts of interest described below.

SGK pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by SGK is a percentage of the fees owed by the client to SGK or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. SGK pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to SGK quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by SGK and not by the client. SGK has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs SGK charges clients with similar portfolios (pursuant to SGK's standard fee schedule as in effect from time to time) who were not referred through the Service.

SGK generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab, unless the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed in custody other than at Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees SGK generally would pay in a single year. Thus, SGK will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of SGK's clients who were referred by Schwab and those referred clients' family members living in the same household. Therefore, SGK will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit SGK's fees directly from the accounts.

For accounts of SGK's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from SGK's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades to be executed through Schwab rather than another broker-dealer. SGK nevertheless acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for SGK's other clients. Therefore, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

SGK's Chief Compliance Officer, John S. Steigerwald, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest presented.

3. Directed Brokerage. SGK does not generally accept directed brokerage arrangements (when a client requires that account transactions be executed through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and SGK will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by SGK. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

If the client directs SGK to execute securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to execute account transactions through alternative clearing arrangements that may be available through SGK. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

SGK's Chief Compliance Officer, John S. Steigerwald, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that SGK provides investment management services to its clients, the transactions for each client account generally will be executed independently, unless SGK decides to purchase or sell the same securities for several clients at approximately the same time. SGK may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among SGK's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. SGK shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13          Review of Accounts**

- A. For those clients to whom SGK provides investment supervisory services, account reviews are conducted on an ongoing basis by SGK's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise SGK of any changes in their investment objectives and/or financial situation. All clients (in person, via telephone or email) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with SGK on an annual basis.
- B. SGK may conduct account reviews on a non-periodic basis upon a triggering event, such as a change in client investment objectives and/or financial situation, market events, or specific client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. SGK may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, SGK receives economic benefits from Schwab, including support services and/or products without cost or at a discount. SGK's clients do not pay more for investment transactions executed and/or assets maintained at Schwab as a result of this arrangement. SGK's Chief Compliance Officer, John S. Steigerwald, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the conflict of interest presented.
- B. If a client is introduced to SGK by either an unaffiliated or an affiliated solicitor, SGK may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from SGK's investment management fee and shall not result in any additional charge to the client. If the client is introduced to SGK by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature



of their solicitor relationship, and shall provide each prospective client with a copy of SGK's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between SGK and the solicitor, including the compensation to be received by the solicitor from SGK.

## **Item 15           Custody**

SGK shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. SGK may also provide a written periodic report summarizing account activity and performance. In preparing this report SGK shall rely upon account/investment information provided by the account custodian, and pricing information provided by Schwab, the primary account custodian used by SGK's clients.

To the extent that SGK provides clients with periodic account statements or reports, SGK urges clients to carefully review those statements and compare them to custodial account statements. SGK's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. The account custodian does not verify the accuracy of SGK's advisory fee calculations.

In addition, certain clients have established asset transfer authorizations that permit the qualified custodian to rely upon instructions from SGK to transfer client funds or securities to third parties. These arrangements are disclosed at Item 9 of Part 1 of Form ADV. However, in accordance with the guidance provided in the SEC's February 21, 2017 *Investment Adviser Association* No-Action Letter, the affected accounts are not subject to an annual surprise CPA examination.

## **Item 16           Investment Discretion**

The client can determine to engage SGK to provide investment advisory services on a discretionary basis. Before SGK assumes discretionary authority over a client's account, the client shall be required to execute an Investment Advisory Agreement, naming SGK as the client's attorney and agent in fact, granting SGK full authority to buy, sell, or otherwise execute investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage SGK on a discretionary basis may, at any time, impose restrictions, in writing, on SGK's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe SGK's use of margin, etc.).

## **Item 17           Voting Client Securities**

Unless a client directs otherwise in writing, SGK, in conjunction with the proxy voting and due diligence services provided by Broadridge Financial Solutions, Inc., or its successors or assigns, shall be responsible for directing the manner in which proxies solicited by

issuers of securities beneficially owned by the client shall be voted. However, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the assets, including, but not limited to, class action lawsuits. SGK and/or the client shall correspondingly instruct each custodian of the assets to forward to SGK copies of all proxies and shareholder communications relating to the assets. SGK, in conjunction with the services provided by Broadridge Financial Solutions, Inc., shall monitor corporate actions of individual issuers and investment companies consistent with SGK's fiduciary duty to vote proxies in the best interests of its clients. With respect to individual issuers, SGK may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), SGK may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. SGK shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2(c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how SGK voted on any specific proxy issue is also available upon written request. In addition, information pertaining to how SGK voted on any specific proxy issue is also available upon written request. Requests should be made by contacting SGK's Chief Compliance Officer, John S. Steigerwald.

## **Item 18      Financial Information**

- A. SGK does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. SGK is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. SGK has not been the subject of a bankruptcy petition.

ANY QUESTIONS: SGK's Chief Compliance Officer, John S. Steigerwald, remains available to address any questions regarding the above disclosures and arrangements.