

# Form ADV Part 2A (Firm Brochure)

## Item 1. Cover Page

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This brochure provides information about the qualifications and business practices of Columbus Investment Advisory, Inc.

If you have any questions about the contents of this brochure, please contact us at (614) 882-1418 or [columbusinvestmentadvisory@usa.net](mailto:columbusinvestmentadvisory@usa.net).

The Information in this brochure has not been approved or verified by the Securities and Exchange Commission or by any state securities authority. Registration with the Securities and Exchange Commission does not imply a certain level of skill or training.

Additional information about Columbus Investment Advisory, Inc. is also available on the Securities and Exchange Commission's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

This brochure was updated – March 20, 2023

SEC File Number 801-51052

## Item 2. Material Changes

A copy of our current Brochure is available on request.

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## Item 4. Advisory Business

We are a privately held, Subchapter S Corporation in the business of managing investment assets for individuals and families. In addition, we provide a limited amount of financial consulting services. We were established on January 1, 1996. John Schlater is the principal owner.

Our mission is to serve as trusted advisors, delivering uncompromised objectivity, sound advice and personal service. We seek clients who value our goal of making their lives better, simpler and anxiety free.

Each client's portfolio is customized to reflect their unique goals, objectives, risk tolerance, return expectations, tax situation, liquidity, and income needs, time horizon and personal circumstances.

As of December 31, 2022, our discretionary assets under management were \$323,046,773 and non-discretionary assets were \$1,181,119 for a total of \$324,227,892.

## Item 5. Fees and Compensation

Fees for our investment management services are based on the market value of client portfolios. Our fee schedule is as follows:

Portfolio Market Value	Annual Fee as a Percentage of Portfolio Market Value
First \$1,000,000	1.00%
Next \$1,500,000	0.60%
Next \$2,500,000	0.50%
Next \$5,000,000	0.35%
Next \$10,000,000	Negotiable

There is a minimum annual fee of \$2,500

If a portfolio's Market Value Is:	Then its annual investment management fee would be
\$500,000	\$ 5,000
\$1,000,000	\$10,000
\$2,000,000	\$16,000
\$3,000,000	\$21,500
\$4,000,000	\$26,000
\$5,000,000	\$31,500
\$6,000,000	\$35,000
\$7,000,000	\$38,500
\$8,000,000	\$42,000
\$9,000,000	\$45,500
\$10,000,000	\$49,500

Investment management fees are billed, in arrears, on a quarterly basis. All clients receive an invoice which sets forth the market value(s) of their portfolio(s) and the investment management fee(s) that apply for that billing period. Related portfolios may be combined for purposes of determining investment management fees. Clients may elect to pay this fee by check or have the fee debited from their portfolio(s).

Clients invested in mutual funds or alternative investments will apply both a direct management fee to us and indirect fees to the mutual fund or alternative investment.

Clients may incur brokerage commissions, transaction fees, custody charges and other costs imposed by the broker-dealer holding their assets.

We also charge fees for providing financial consulting services which are based on the time devoted and nature of the services provided. We will also assess fees on unique, non-marketable assets based on book value rather than market value.

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

We do not enter into arrangements to receive any portion of the appreciation in the market value of client portfolios. Performance-based fees are not a source of our compensation.

Likewise, we have no “side-by-side management” arrangements whereby similar client portfolios have differing fee structures that might present a conflict of interest.

## **Item 7. Types of Clients**

Our investment management clients are primarily high net-worth individuals and families, trusts, individual retirement accounts and charitable foundations. We do not serve investment companies, pension plans, wrap programs or hedge funds.

A small portion of our business involves financial consulting services. These services generally consist of consulting on matters relating to business and investment acquisitions, capital expenditures, investment analysis, and strategic and corporate planning. Clients are often small business-owners or prospective business owners/investors.

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

We conduct proprietary, fundamental investment research using information collected from a variety of public sources.

### *Stocks*

We begin our analysis by looking at companies, rather than the economy or economic sectors. Our work leads us across all size companies, both domestic and foreign. Using information gleaned from balance

sheets, income statements and cash flow statements, we look for companies whose market prices are at least 20% below target prices we establish through our valuation disciplines.

After companies have passed our valuation disciplines, we favor those that have:

- Price/earnings ratios below the stock market average;
- Price/cash flow below the stock market average;
- Debt/equity ratios below 50%;
- Growing cash flow and
- Dividends increasing at a rate greater than the rate of inflation.

Our sell disciplines are the opposite of our buy disciplines. If stock prices exceed our target prices by more than 20% and/or fundamentals deteriorate, those companies become sell candidates.

#### *Bonds*

Our analysis begins by looking at quality ratings from Moody's and Standard & Poor's. We take into consideration coupon rates, call provisions, maturity dates, yield-to-maturity rates, prices relative to other fixed income instruments, duration, interest coverage and financial strength of the issuer.

We favor individual fixed income instruments over mutual funds due to their known maturities, transparency and cost-effectiveness. In general, we favor short to intermediate-term maturities (2 to 10 years).

### **Investment Strategies**

Each client's circumstances are unique and for that reason, we establish asset allocation guidelines based on their need for current income, investment time horizon, risk tolerance and tax considerations. These guidelines impact the timing and magnitude of ongoing buy and sell decisions so that the strategies implemented for one client may be different from those implemented for another.

#### *Stocks*

We strive to maintain portfolios consisting of 30 to 40 stocks, at attractive valuations with consistently higher cash flows through increased dividends. Generally, each stock position will be no more than 3% to 4% of a total portfolio.

From the time we buy a stock until the time we sell it, the holding period averages 3 to 5 years. This result means portfolio turnover is roughly 20% to 30% per year.

Before a stock is sold, we take into consideration the tax ramifications of the decision.

#### *Bonds*

We look to bonds and other fixed income instruments as sources of safety and income, rather than sources of capital appreciation. Generally, bonds and fixed income instruments will be of investment quality with short to intermediate-term maturities.

We diversify by issuer and maturity and generally maintain "laddered maturities" rather than concentrations of short or long-term bonds.

## Risk of Loss

There are a variety of risks associated with investing in securities. We strive to educate our clients about some of the more prevalent types of risk:

- **Purchasing Power Risk** – The value of securities and other assets can be negatively affected by the impact of long-term inflation.
- **Market and Economic Risk** – The value of securities may fail due to changes in general economic and market conditions.
- **Credit Risk** – If an issuers' ability to pay dividends, interest or principal when due is impacted, the value of those issues may decline.
- **Interest Rate Risk** – When interest rates increase, the value of debt obligations may decline.
- **Specific Issue Risk** – The value of a single security may decline in response to developments affecting the specific issuer.

History has shown that diversification by asset class and industry, over time has tended to reduce the risk of loss of principal.

## Item 9. Disciplinary Information

Neither John Schlater nor Columbus Investment Advisory, Inc. have been the subject of any disciplinary actions.

## Item 10. Other Financial Industry Activities and Affiliations

We have no affiliated relationship with any broker-dealer, municipal or government securities dealers, financial planning firm, commercial or investment bank, accounting firm, law firm, insurance company, pension consultant, hedge fund, mutual fund company, real estate brokerage firm, syndicator of limited partnerships or other investment advisory firm.

We are an independent, privately-owned, registered investment advisory firm.

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

We have a Code of Ethics which pertains to the actions and trading activities of all associates of our firm. The Code states that associates have a duty to act in the best interest of our clients and place client interests first. Each year, all associates must acknowledge in writing that they have reviewed the Code and agree to abide by its terms. A copy of this Code, which is updated annually, is available upon request by contacting our Chief Compliance Office, H. Carl Juckett.

We do not recommend to clients, or buy or sell for client accounts, any securities or alternative investment in which we have a personal financial interest.

Associates may invest in the same securities that are recommended to clients. To avoid any actual or perceived conflicts of interest with their personal security transactions, all associates must:

- Provide the Chief Compliance Officer with a list of their security holdings upon commencement of employment and a copy of the security holdings and trading activity monthly thereafter.
- Have their personal trades, and the trades of others in their household, pre-approved by the Chief Compliance Officer.
- Wait 5 business days AFTER a particular security is purchased or sold for a client before initiating a transaction in the security. Likewise, we wait 5 business days AFTER an associate buys or sells a particular security before buying or selling that security for clients.

## Item 12. Brokerage Practices

We recommend broker-dealers to clients for the custody of assets and execution of trades unless clients otherwise direct this selection.

When recommending a broker-dealer, we consider their full range and quality of services. Of primary importance is the broker-dealer's financial viability, trade execution capabilities, operational and support capabilities and brokerage commission rates. Reasonableness of brokerage commission is determined by the nature of the transaction to be executed and the ability of the broker-dealer to properly execute trades that are in the client's best interest. As a result the lowest commission possible may not always be obtained.

We recognize our fiduciary duty to seek "best execution" for client's security transactions. In deciding what constitutes "best execution", we seek prompt and efficient execution of trades in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances.

Some clients have pre-established relationships with broker-dealers and will direct us to execute all of their transactions through those broker-dealers. These arrangements may restrict our ability to secure "best execution".

We may aggregate the purchase or sale of securities for various client accounts in order to seek a more favorable trade execution.

As a long-standing practice, we do not direct client trades to broker-dealers in exchange for research, products or services (i.e. "soft dollars"). Likewise, we do not receive client referrals from any broker-dealer we recommend.



## Item 13. Review of Accounts

John Schlater and staff review client portfolios on an ongoing basis. The exact frequency depends on a number of factors including market conditions, security, industry and asset concentrations, pending mergers or acquisition, earnings announcements, economic and company news, changing client needs and circumstances. Reviews take into consideration a number of facts including asset allocation, realized/unrealized gains and losses, current and future income needs, our outlook for the securities held, the price of securities relative to our perception of their values and client objectives.

Depending upon client's desires for updated account information, supplemental to information supplied by their custodian, we may provide a series of written reports that could include: Portfolio Appraisal, Realized Gain and Losses, Cash Ledger and Purchases and Sales. These reports are provided to clients in a format (paper or electronic) and frequency (monthly, quarterly, or annually) of the client's choosing.

To ensure continuity and delivery of investment management services, we maintain a Disaster Recovery and Business Continuity Plan in the event a crisis or disaster occurs. The Plan is reviewed annual, but adjusted as necessary to reflect changes in operations, technology, regulations and perceived risks.

## Item 14. Client Referrals and Other Compensation

We have no solicitation arrangements whereby outside agents or firms received compensation for referring clients to us.

## Item 15. Custody

Columbus Investment Advisory (CIA) account assets are held in custody by the clients' qualified custodian. For many clients, CIA is deemed to have custody since it can deduct advisory fees. In doing so, Columbus Investment Advisory is considered to have custody of client assets. Client custodians send or make available, quarterly statements. Clients are encouraged to compare these statements with reports received from Columbus Investment Advisory.

In addition, Columbus Investment Advisory is considered to have custody as a result of standing letters of authorization (SLOA) received from clients. A SLOA provides a written instruction to the custodian that includes the client's signature and specific instructions as to the disbursement of client funds. These SLOAs allow Columbus Investment Advisory to direct the client's custodian to send client funds based on the SLOA. The custodian is tasked with verifying the client's signature and provide a transfer of funds notice to the client promptly after each transfer. Columbus Investment Advisory has no authority or ability to designate or change any of the specifics regarding the original transaction contained in the client's transaction. The client has the ability to terminate or change the SLOA instruction with the custodian at any time.

## Item 16. Investment Discretion

Most clients engage us to provide investment advisory services on a discretionary basis. This authority is spelled-out in our Investment Advisory Agreement, a broker-dealer account application and/or a stand-alone Limited Power of Attorney. This discretion pertains to the timing and selection of securities bought or sold in the client's securities accounts.

Clients review proxies and other solicitations directly from the custodians that hold their assets. Clients may contact us to discuss questions they may have with a particular solicitation.

## Items 17. Voting Client Securities

We do not vote client proxies. This policy is disclosed in our Investment Advisory Agreement which clients sign when a relationship with us is established. In addition, each year, clients are provided a copy of our Proxy Voting Policy and are required to acknowledge, in writing, receipt of and adherence to this Policy.

Clients receive proxies and other solicitations directly from the custodians that hold their assets. Clients may contact us to discuss questions they may have with a particular solicitation.

## Item 18. Financial Information

We do not have any financial condition that is likely to impair our ability to meet our contractual commitments relating to the management of client accounts. We have no debt on our balance sheet and believe our financial condition is sound.

On December 31, 2022, we completed our 27<sup>th</sup> year in business.

## Supplement

This supplement to Part 2A of Form ADV provides information about John L. Schlater who leads and directs investment advisory and/or consulting services to clients. H. Carl Juckett, our Chief Operating and Chief Compliance Officer's information is included also.

### **John L. Schlater**

#### *Educational Background*

John received his Bachelor of Science in Finance from St. Joseph's College in 1975 and attended the national Trust School at Northwestern University in 1977. John earned the Chartered Financial Analyst designation in 1983.

#### *Business Experience*

Early in his career, John was employed as a portfolio manager at Miami Citizen's Bank, First Interstate Bank and Huntington National Bank. He was previously Chief Investment Officer for The Ohio Company, a regional broker-dealer. John has served as President of Columbus Investment Advisory, Inc. since its inception in 1996.

#### *Compensation*

John receives a salary which is commensurate with his education, business experience and responsibilities as President. As a shareholder of Columbus Investment Advisory, Inc. should the company earn a profit, he may receive a portion of those profits.

#### *Disciplinary History*

John has not been subject to any criminal or civil disciplinary actions.

### **H. Carl Juckett**

#### **Educational Background**

Carl received his Bachelor of Science in Accounting from The Ohio State University in 1984.

#### **Business Experience**

Carl was employed as accounting manager for Huntington Bank Investments and Huntington Investment Company early in his career. He also worked as a vice president for BISYS Fund Services where he oversaw mutual fund accounting and shareholder recordkeeping. Carl held a similar position with Nationwide Advisory Services, overseeing mutual fund accounting. He has been with Columbus Investment Advisory since 2011.

#### **Compensation**

Carl receives a salary which is commensurate with his education, business experience and responsibilities as Chief Operating and Chief Compliance Officer.

#### **Disciplinary History**

Carl has not been subject to any criminal or civil disciplinary actions.