

# Form ADV Part 2A: Firm Brochure

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## **Trust Advisors, Inc.**

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### **Firm Contact**

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This brochure provides information about the qualifications and business practices of Trust Advisors, Inc. Trust Advisors, Inc. is registered as an Investment Adviser with the United States Securities and Exchange Commission (SEC). Registration with the SEC alone does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at (713) 525-7607. The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Additional information about Trust Advisors, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

There have been no material changes to this Form ADV since our last annual updating amendment on March 29, 2021.

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## Advisory Business

Trust Advisors, Inc. (“TAI”) was formed and registered with the Securities and Exchange Commission as a registered investment adviser in 2011. TAI is a wholly-owned subsidiary of Service Corporation International (“SCI”), a publicly-held company headquartered in Houston, Texas, which is a leading provider of funeral and cemetery services in North America. As used herein, “SCI” refers to Service Corporation International and its subsidiaries and affiliates. SCI enters into various contracts requiring future performance, prepaid funeral (known as preneed contracts), cemetery perpetual care and prepaid cemetery merchandise trusts. Such services are provided through entities that are directly or indirectly owned and/or controlled by SCI. In connection with providing such services, SCI engages the services of certain trustees unaffiliated with SCI (the “Trustees”) to manage SCI’s assets held in various trust accounts, which include a significant amount of assets in preneed contracts, cemetery perpetual care and prepaid cemetery merchandise trusts.

The business of TAI is to provide investment advisory and recordkeeping services (as described below) for trust assets. The trust assets are held by pooled investment funds (“private fund clients” together with the Trustees, the “Clients”) or the Trustee, if required by state regulation. The Clients contract with TAI to provide investment advisory services, as well as trust accounting, trust oversight, trust performance monitoring, and other ancillary functions (collectively, “recordkeeping services”) covering the trust assets. TAI’s primary investment advisory services include performing due diligence to find, evaluate, and recommend asset classes and investment managers to manage the assets held in the trust accounts. TAI then subcontracts certain investment advisory functions to another investment adviser, LCG Associates, Inc. Some trust accounting services and investment performance monitoring are also subcontracted to third-parties.

The composition of the trust funds is dependent upon the investment goals of the underlying trusts, as well as state law mandating such trusts, and may be comprised of one or more of the following security types:

- Certificates of Deposit
- Commercial Paper
- Corporate Debt
- Equity Securities (exchange listed and OTC)
- Guaranteed Insurance Contracts
- Municipal Securities
- Mutual Funds/Exchange Traded Funds
- Partnerships
- Publicly Traded Master Limited Partnerships
- United States Government Securities

As of December 31, 2021, the assets for which TAI provides investment advice and administrative support were equal to approximately \$5,616,809,882. All investment decisions for such assets are ultimately made by the Clients and not by TAI.

## **Fees and Compensation**

TAI is customarily compensated on the basis of fees calculated as a percentage of assets under management. TAI's fee ranges from 0.25% to 1.50% of assets under management. Given the unique nature of TAI's business, TAI's fee is consolidated to include its investment advisory services and recordkeeping services. All such fees are subject to negotiation with the respective Clients.

TAI's fees are assessed and payable monthly in advance. In the event that a Client chooses to cancel their advisory agreement with TAI before the end of a billing period, any prepaid fees will be prorated through the end of the period and refunded to the client.

Sub-advisory fees of LCG Associates, Inc. and certain administrative and recordkeeping expenses associated with TAI's investment advisory services to its clients will generally be paid by TAI out of its fees. However, custodial fees, brokerage fees and third-party investment management fees, other than those due LCG Associates, Inc., are paid directly by each Client on behalf of the trust accounts. TAI does not receive any fee or commission from the sale of investment products that it recommends to its clients, nor does TAI participate in wrap fee programs.

## **No Performance-Based Fees**

TAI's fees are based on the value of portfolio assets at the end of each calendar month. TAI does not receive any fees or other compensation based upon the investment performance of accounts.

## **Types of Clients TAI Serves**

TAI provides investment management services to Trustees retained by SCI to manage preneed contracts, cemetery perpetual care and prepaid cemetery merchandise trust assets.

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

TAI's management team possesses experience in traditional portfolio management, and retains a sub-advisor with similar expertise. Through TAI and its sub-advisor, various methods of investment analysis are employed to assist in formulating investment strategies. Broadly speaking, these methods include fundamental, technical, quantitative and qualitative analysis.

TAI's primary activities involve recommending asset classes and investment managers and other service providers to its clients. The analysis undertaken is primarily based upon asset allocation theory, investment manager selection and due diligence, as well as performance monitoring.

SCI is subject to extensive state regulation. Generally, SCI has assumed all risk of loss on the trust assets by entering into the contracts, described above, that commit SCI to future performance at set price levels. However, in certain circumstances, gains or losses may be realized by SCI's contractual counterparties. TAI's overall investment approach is geared toward generating strong long-term investment returns without assuming undue risk to provide for SCI's future contractual performance, while ensuring that management of the preneed contracts, cemetery perpetual care and prepaid cemetery merchandise trust assets are in compliance with state laws. TAI's approach is conservative in nature, however, risk is inherent in any investment program and, as a result, the investment returns in trust assets will fluctuate and accounts may lose value.

## **Disciplinary Information**

Neither TAI nor members of the firm's management have ever been the subject of any legal or disciplinary event that would be material to a client's or a prospective client's evaluation of TAI's business or the integrity of its management.

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

TAI is a wholly-owned subsidiary of Service Corporation International, a publicly-held company headquartered in Houston, Texas. Service Corporation International is a leading provider of funeral and cemetery services in North America. TAI does not receive any direct or indirect compensation from its sub-advisors, and does not believe such arrangements create any conflicts of interest.

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

TAI has adopted a Code of Ethics which applies to all of its management team. A copy of our Code of Ethics is available to any client or prospective client upon request. The Code of Ethics is predicated upon the following principles:

- TAI and its employees shall always place the interest of its clients ahead of TAI's own interests.
- TAI shall always be aware of how its actions may look in hindsight, and never take inappropriate advantage of TAI's positions.

TAI's Code of Ethics further provides that all employees must comply with all applicable federal securities laws. It also imposes certain trading restrictions on persons who are likely to know about TAI's activity.

## **Brokerage Practices**

Under TAI's standing investment advisory agreement, the third-party investment manager has sole responsibility for selecting the broker to execute transactions for the trust's portfolio.

## **Review of Accounts**

Investment advice, investment manager recommendations and performance, and other service provider selections and performance are reviewed by TAI management. TAI's management monitors the performance of the third-party investment manager on at least a quarterly basis or more frequently, if circumstances warrant. Such circumstances may include unusual market activity, price volatility, or other changes in investment circumstances. TAI's management diligently monitors the performance and the investment advice of third-party investment managers under TAI's management.

Detailed written reports, including asset allocation, yield, cost basis, market value, realized gains and losses, income, and transaction activity are mailed to TAI's clients quarterly, or as otherwise mutually agreed.

## **Client Referrals and Other Compensation**

TAI does not have any arrangements with third-party firms where it compensates these firms for referring Clients to TAI.

## **Custody**

TAI does not serve as custodian for any of the client trust assets. Thus, each Client retains a custodian to serve this role on their behalf. The custodian must be a bank, broker-dealer or other qualified institution.

In general, each Client receives account statements from TAI or the custodian of their assets (a bank, broker-dealer or other qualified custodian) on a monthly basis. TAI encourages each Client to compare the account statements received with their records to ensure that all account transactions are accurate.

## **Investment Discretion**

TAI does not have discretionary authority to manage securities accounts on behalf of the Client. Each Client retains full discretion with respect to individual transactions. TAI makes general recommendations regarding asset allocations and investment managers within given portfolios, but the Client is free to reject any such recommendation.

## **Voting Client Securities**

TAI does not accept authority to vote underlying securities. Under certain custody arrangements, a Client may appoint their custodian to vote proxies on their behalf. Otherwise, the Client reserves the sole right to vote such proxies. Under circumstances where a Client retains the right to vote their securities, they will receive the proxy materials directly from their custodian.

## **Financial Information**

Financial information is only required by firms that engage in certain billing practices, and TAI does not engage in these practices. In any event, TAI is aware of no financial circumstances that would prevent TAI from meeting its contractual obligations to its clients.