

## **Firm Brochure**

(Part 2A of Form ADV)

### **Symons<sup>®</sup> Capital Management, Inc.**

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This brochure provides information about the qualifications and business practices of Symons<sup>®</sup> Capital Management, Inc. (SCM). If you have any questions about the contents of this brochure, please contact us at: 412-344-7690, or by email at: [info@symonscapital.com](mailto:info@symonscapital.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. Registration with the SEC does not imply a certain level of skill or training.

Additional information about Symons<sup>®</sup> Capital Management, Inc. is available on the SEC's website at <https://adviserinfo.sec.gov>.

March 27, 2020

## Material Changes

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of the Firm Brochure.

Please note the following material changes since our last annual update was filed on March 26, 2019:

- On January 1, 2019, SCM introduced a new investment strategy, Symons® Asset Allocation Strategy (SAAS).
- In May 2019, SCM executed an agreement with a unified managed account (UMA) program sponsor.
- In June 2019, SCM reduced its sales & marketing team. Lou Iovannone, President, and Josh Armstrong, Client Portfolio Analyst, departed the firm.
- In April 2019, the Firm completed the conversion to a new transaction-fee share class for the Symons® Value Institutional Fund with a lower expense ratio than the previous non-transaction-fee share class. The new fund symbol is SVTIX.

Pursuant to SEC Rules, the Firm will ensure that clients receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. SCM may further provide other ongoing disclosure information about material changes as necessary.

## Full Brochure Available

To receive a complete copy of our Firm Brochure without charge, please contact us by telephone at: 412-344-7690 or by email at: [info@symonscapital.com](mailto:info@symonscapital.com). For more information about Symons® Capital Management, please see our website at [www.symonscapital.com](http://www.symonscapital.com) and the Investment Adviser Public Disclosure (IAPD) website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Advisory Business Firm Description**

Symons® Capital Management, Inc. (SCM) was incorporated and registered with the SEC in 1983.

SCM is a long-term boutique equity and tactical asset allocation manager that seeks to build protection-focused portfolios of quality companies. SCM believes the best way to uncover and evaluate such companies is through independent quantitative, qualitative and fundamental proprietary research. We focus on intellectually independent stock research to pick stocks and build and manage long-term equity investment portfolios for our clients.

To preserve capital, protect against downside risk and generate long-term total returns, we engage in top-down macroeconomic and sector research, as well as bottom-up individual stock valuation and selection research. Macroeconomic and market research helps SCM to identify risks and opportunities in order to steer portfolio construction in the right direction. Please see the *Methods of Analysis, Investment Strategies & Risk of Loss* section of this brochure.

The core of our investment philosophy has never changed since its inception. Our principals and our qualified retirement plan invest side-by-side with our clients in every stock, always focused on the goals of preservation of capital, protection against downside risk, and long-term total return.

SCM is strictly a fee-only investment management firm, primarily providing discretionary investment management services. (Please see the *Types of Clients* section of this brochure for more information on the types of clients to whom we provide services.)

We place trades for clients under a limited power of attorney. Our clients always maintain control of their assets. Quarterly reports are provided to our clients to detail account performance and performance relative to market indexes. Please see the *Review of Accounts* section of this brochure.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

Our initial client meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which SCM's investment management services may be beneficial to the client.

## **Fiduciary Duty**

As a registered investment adviser subject to Section 206 of the Advisers Act, SCM acts as a fiduciary related to the conduct of its investment management and advisory

services. As such, SCM has an obligation to act in the best interest of its clients guided by the core fiduciary duties of loyalty and care.

SCM will adhere to and comply with the following Impartial Conduct Standards:

- (1) SCM will provide advice that is, at the time of the recommendation, in the Best Interest of the Investor. Such advice shall reflect the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims, based on the investment objectives, risk tolerance, financial circumstances and needs of the client, without regard to the financial or other interest of SCM or any affiliate, related entity or other party;
- (2) The recommended transaction will not cause SCM or their affiliates or related entities to receive, directly or indirectly, compensation for their services that is in excess of reasonable compensation;
- (3) Statements by SCM to the client about the recommended transactions, fees and compensation, material conflicts of interest and any other matters relevant to a client's investment decisions, will not be materially misleading at the time they are made.

## **Principal Owners**

SCM is wholly owned by Colin E. Symons, CFA, Chief Investment Officer and Portfolio Manager.

## **Types of Advisory Services**

SCM manages separately managed discretionary investment advisory accounts in accordance with those methods described in the Methods of Analysis, Investment Strategies and Risks of Loss section of this Brochure. The Firm offers three separately managed investment strategies: Value, Small Cap Value and Asset Allocation. We also offer the Value strategy as a mutual fund – the Symons® Value Institutional Fund (SVTIX).

SCM also provides recommendations, typically in the form of a model portfolio to a unified managed account (UMA) program sponsor. For these accounts, SCM does not have discretion and does not report the performance of UMA relationships in its various investment composites. Trades recommended by SCM may or may not be executed by the sponsor and SCM's recommendations may or may not be implemented by the sponsor in all of the sponsor's client portfolios. SCM is not responsible for either trade execution or reconciliation of these accounts. This program is not reflected in SCM's regulatory assets under management.

SCM does not maintain physical custody of client assets. SCM does not provide financial planning, estate planning, insurance planning services, or any other related or

unrelated consulting services. The Firm does not sell annuities, insurance, bonds, or other commissioned products. SCM is not affiliated with entities that sell financial products or securities. No commissions or finder's fees in any form are accepted. The Firm's services and advice are limited to investment management of SCM discretionary strategies.

## **Tailored Relationships**

SCM uses portfolio management and client relationship management (CRM) software tools that incorporate the goals and objectives for each client. Clients may impose specific restrictions on investing in certain securities, sectors, industries or types of securities. All such restrictions must be submitted to SCM in writing and may or may not be accepted by compliance.

Agreements may not be assigned without written consent by the client.

## **Assets Under Management**

As of December 31, 2019, SCM has approximately \$240,834,311 in regulatory assets under management for approximately 167 clients. Approximately \$237,069,466 is managed on a discretionary basis, and \$3,764,845 is managed on a non-discretionary basis. In addition, SCM has \$2,521,681 in assets under advisement associated with its UMA program sponsor relationship.

## **Fees and Compensation Description**

SCM is compensated for its investment management services by receiving fees from clients based on a percentage of assets under management. Fees are generally calculated and charged quarterly in arrears as follows:

### Value and Small Cap Value Separate Accounts

- At an annual rate of 1.25% on the first \$1 million of assets;
- At an annual rate of 1.00% on the next \$4 million of assets;
- At an annual rate of 0.90% on the next \$5 million of assets;
- At an annual rate of 0.80% on the next \$15 million of assets;
- At an annual rate of 0.70% on the next \$25 million of assets;
- At an annual rate of 0.60% above \$50 million.

### Asset Allocation Separate Accounts

At an annual rate of 0.60% on all assets.

SCM, in its sole discretion, may charge a lesser investment fee based upon certain criteria (e.g., anticipated future earning capacity, anticipated future additional assets, dollar value of assets to be managed, related accounts, account composition, negotiations with client).

### UMA Services

SCM's annual fees for UMA services are based upon a percentage of the assets in the amount of 0.45%. In accordance with the agreement between SCM and the sponsor, SCM's fees are paid in arrears following each calendar quarter based on the value of the assets with the sponsor.

## **Fee Billing**

Fees are generally calculated and payable quarterly in arrears; however, clients may choose to be billed in advance. In calculating the quarterly fee, the total market value of assets in the account is determined at the close of business on the last business day of the quarter and multiplied by 1/4 of the annual rate.

For those accounts that pay quarterly in arrears, any earned, unpaid fees will be due and payable at the time the account is closed. The fee will be based on the account value on the date the advisory relationship is terminated, pro-rated for the number of days in the quarter the account was open.

For those clients who have requested to pay their management fees in advance, each quarterly fee is calculated by taking the total market value of assets in the applicable account at the close of business on the last day of the previous quarter, and multiplying the total market value of the assets by 1/4 of the annual rate. If services terminate during a quarter, the fee for that quarter is pro-rated, and the client receives a pro-rata refund of the prepaid fees.

Fees are usually deducted from a designated client account to facilitate billing, although the client may request to be billed directly. The client must consent in advance to direct debiting of their investment account.

Regardless of whether fees are paid in arrears or advance, or whether fees are directly debited from the client's account or the client is invoiced, a detailed computation of our fee is provided to every client each quarter.

## **Other Fees**

In addition to SCM's management fee, custodians may charge transaction fees on purchases or sales of securities or certain mutual funds and exchange-traded funds.



These transaction charges are usually small and incidental to the purchase or sale of a security. SCM has negotiated competitive transaction fees with the custodians we utilize. Please see the “Brokerage Practices” section of this brochure for more details.

SCM uses exchange-traded funds and third-party mutual funds in some client portfolios. To the extent that a client’s assets are invested in these vehicles, clients will pay management and other fees in addition to the fees paid by the client to SCM. Those fees are described in each vehicles’ prospectus.

## **Symons<sup>®</sup> Fund Expenses**

In connection with SCM’s advisory services, subject to the client’s investment objectives and restrictions, a client may be a shareholder of the Symons<sup>®</sup> Value Institutional Fund, and in turn incur mutual fund fees. Expense ratios are a measure of the costs an investment company pays to operate a mutual fund. An expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Operating expenses, including management fees paid to SCM, are taken out of a fund's assets prior to the performance calculation. Clients who own the Symons<sup>®</sup> Institutional Funds will not be charged a separate management fee on these assets in addition to the mutual fund expenses. Typically, mutual fund performance is calculated net-of-fees, excluding trading commissions.

## **Performance-Based Fees**

SCM’s management fees are not based on a share of the capital gains or capital appreciation of managed securities.

SCM does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation creates an incentive for the adviser to recommend investments that carry a higher degree of risk to the client.

## **Types of Clients Description**

SCM provides discretionary investment management services to individuals, banks, investment companies, pension and profit-sharing plans, trusts, estates, charitable organizations, state or municipal government entities, corporations and other business entities.

Client relationships vary in scope and length of service.

## **Rollovers to an IRA**

Clients, and prospective clients, considering a rollover from an Employer Retirement Plan to an Individual Retirement Account (“IRA”) are encouraged to consider and to investigate the advantages and disadvantages of an IRA rollover from their existing 401(k), 457, 403(b) or other qualified pension plan.

A plan participant leaving an employer typically has four options (and may engage in a combination of these options):

- (1) Leave the money in his former Employer Retirement Plan, if permitted;
- (2) Rollover the assets to his new employer’s plan, if one is available and if rollovers are permitted;
- (3) Rollover Employer Retirement Plan assets to an IRA;
- (4) Cash out (or distribute) the Employer Retirement Plan assets and pay the taxes due.

Regulatory authorities have advised investors that they may face increased fees when they transfer retirement savings from their current Employer Retirement Plan to an IRA rollover account. When contemplating a rollover, at a minimum, retirement investors should consider the following facts: fees and expenses, available investment options, management and/or advisory services to be provided, availability of penalty-free withdrawals, protection from creditors and legal judgements, required minimum distributions and the ability to transact in employer stock. SCM encourages these investors to discuss their options and review the above listed considerations with an accountant, third-party administrator, investment adviser to their employer plan (if available), or legal counsel, to the extent they consider necessary.

SCM manages investments for clients in separately managed account strategies and mutual fund portfolios and charges a fee to manage accounts. In addition to the fees charged by SCM, some underlying investments (mutual funds, ETFs, or other investments) also charge management fees. In the event a client is invested in the SCM mutual funds through a separately managed account, the Firm does not charge management fees on those assets as it receives advisory fees from the mutual fund. Custodial fees may also apply. In contrast, leaving assets in the retirement plan or rolling the assets to a plan sponsored by the investor’s new employer will likely result in little or no compensation to SCM. Therefore, SCM has an incentive to encourage investors to rollover retirement plan assets to an IRA account managed by the Firm. Investing in an IRA with SCM may be more expensive than the current Employer Retirement Plan.

## **Account Minimums**

The minimum account size is \$500,000 for SCM’s separate account strategies, which equates to a minimum annual fee of \$6,250 for the Value and Small Cap Value

strategies and \$3,000 for the Asset Allocation strategy. SCM has the discretion to waive the account minimum on a case-by-case basis. Accounts may be accepted below their stated minimum with the expectation that the client will add additional funds to bring the total above the required minimum within a reasonable time. Other exceptions will apply to employees of SCM and their relatives, and existing clients and their relatives.

The minimum initial investment in the Symons® Value Institutional Fund is \$5,000 for general accounts and \$2,500 for retirement and custodial accounts.

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

### **Asset Management**

SCM is a boutique research enterprise that has engaged in a single activity for over 35 years - intellectually independent stock research, stock selection and portfolio management. The firm uses a holistic, top-down and bottom-up investment approach that is disciplined and repeatable, while also being flexible, in order to adjust to changing market circumstances, consistent with the ultimate goals of preserving capital and generating long-term positive total returns.

When researching individual stocks, SCM looks for temporarily low valuations relative to its view of long-term price opportunities, stock by stock. Over time, changing valuations present new investment opportunities that the Firm's intellectually independent research enables us to identify. Low valuations often lead SCM to temporarily unpopular sectors and companies. Rather than being contrarian, SCM prefers to call this behaving wisely.

The Firm consistently focuses on the relationship of stock price to company fundamentals. We seek to purchase good quality enterprises with sustainable business models at attractive prices, intending to hold them for several years. The Firm strives to minimize the risks associated with speculative volatility, improve the chances of sustainable gains, and limit the risk of permanent loss of capital that can result from excessively optimistic expectations about the unknown future of a company. SCM considers this to be a cautious approach to stock selection with the intent to make money and to avoid losing money on stocks whose temporary popularity is accompanied by substantial downside risk.

### **Methods of Analysis**

SCM utilizes initial information from Bloomberg, EDGAR, and AFG View as principal resources for research and rejects any one-valuation-fits-all-stocks analytical approach.

The Firm's approach is to examine broad economic data and individual companies, searching for disconnects between stock price and business fundamentals. SCM has no single metric for analyzing every company, because no single valuation method fits all stocks. Balance sheet metrics can be more or less important than income statement metrics, depending on both the company's business and changing external economic factors. SCM strives to gauge how lasting a company's comparative advantage (cost structure, distribution system, brand recognition, operational scale, and intellectual property) is likely to be, because we have found that this point often predicts sustainable, long-term stock performance.

SCM's investment philosophy and approach uses a six-step investment process to identify stocks to purchase. The primary goal of the entire process is to both manage risk and outperform benchmark indices over time.

- (1) Macroeconomic and Market Analysis
- (2) Initial Stock Idea Generation
- (3) Preliminary Stock Valuation
- (4) Exhaustive Fundamental Stock Analysis
- (5) Portfolio Construction and Risk Control
- (6) Portfolio Oversight and Sell Decision

## **Investment Strategies**

The **Value Strategy** seeks to achieve long-term appreciation with limited downside price risk by investing primarily in a diversified portfolio of companies that are trading at attractive prices and that appear to have limited downside price risk over the long term.

The **Small Cap Value Strategy** seeks to achieve long-term capital appreciation by investing primarily in a diversified portfolio of small capitalization companies. The Small Cap Strategy uses a "core" investment approach, by which the Strategy will purchase small cap stocks trading on U.S. exchanges at what we believe are attractive prices, and that appear to have strong potential for capital appreciation over the long term. SCM typically allocates the Small Cap investments among a broad cross section of market sectors and industries, as long as small cap stocks with attractive valuations are available for purchase in these sectors and industries. The sectors and industries presenting the best opportunities for investment vary over time. As a result, the Small Cap Strategy's investments may, at times, tilt towards growth stocks with an emphasis on capital appreciation and, at other times, tilt towards value stocks with an emphasis on preservation of capital.

The **Asset Allocation Strategy** is a tactical asset allocation strategy that seeks achieve modest absolute returns and limited downside risk through a moderately positioned portfolio of passive stock, bond and related market volatility futures ETFs and ETNs.

Investments in any of SCM's strategies may include equities (stocks), ADRs, REITs, ETFs, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, mutual funds shares, U.S. government securities, and options contracts.

Initial public offerings (IPOs) are not available through SCM.

## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. SCM's investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **General:** Investors should carefully consider their risk tolerance before investing. As with all investments, loss of money is a risk of investing that clients should be prepared to bear.
- **Market Risk:** Market risk involves the possibility that the investments in equity securities will decline because of falls in the stock market, reducing the value of individual companies' stocks regardless of the success or failure of an individual company's operations. The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Interest-rate Risk:** Fluctuations in interest rates cause investment prices to fluctuate. Changes in interest rates could affect corporate earnings growth, equity valuations, investors' appetite for risk, and the level of the U.S. dollar, all of which can have consequences for stock prices.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Value Style Risk:** Investing in value stocks presents the risk that the stocks never reach what the adviser believes are their full market values, either because the market fails to recognize what the adviser considers to be the companies' true business values or because the adviser misjudged those values. In addition, value stocks may fall out of favor with investors and underperform growth stocks during given periods.
- **Growth Style Risk:** To the extent that the portfolio invests in companies that appear to be growth-oriented, there is risk that the adviser's perceptions of a company's growth potential are wrong, or the securities purchased may not perform as expected, causing losses to the portfolio.

- **Small and Medium Cap Company Risk:** Securities of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium cap companies face a greater risk of business failure, which could increase the volatility of the portfolio.
- **Management Risk:** SCM's strategy and the strategies employed by the portfolio managers of the underlying investments may fail to produce the intended results.
- **Company Risk:** The value of a portfolio fluctuates in response to the activities and financial prospects of an individual company in the portfolio. The value of an individual company can be more volatile than the market as a whole.
- **Mutual Fund Risk:** The Symons® Institutional Funds incur certain regulatory, governance, distribution and other expenses (apportioned among their shareholders) that a separate account would not have. Additionally, in certain markets, the need for the Symons® Institutional Funds to retain cash or to liquidate securities to meet redemption requests can cause the Funds' performance to fall below that of a separate account, which does not have similar cash or liquidity needs, and so can remain fully invested.
- **ETF Risk:** Inverse ETFs are a subset of index-based ETFs that seek to achieve a single-day investment objective of providing investment results that are one times the inverse of their underlying index. Performance of these ETFs over a period longer than one day will probably differ significantly from their stated daily performance objectives. These ETFs often employ techniques such as engaging in short sales and using swaps, futures contracts and other derivatives that can expose the ETF, and by extension the portfolio, to a variety of risks, including, but not limited to, correlation risk, credit risk, liquidity risk.
- **Sector/Industry Risk:** From time to time, the portfolio may have over-weighted positions in particular market sectors and/or industries, which can be more volatile or underperform relative to the market as a whole.
- **REIT Risk:** When the portfolio invests in REITs, it is subject to risks generally associated with investing in real estate and risks related specifically to their structure and focus, less market liquidity and greater price volatility.
- **Foreign Securities Risk:** SCM can invest in foreign securities, indirectly through depositary receipts, including American Depositary Receipts ("ADRs"). Generally, ADRs, in registered form, are denominated in U.S. dollars and are designed for use in the U.S. securities markets. ADRs are receipts typically issued by a U.S. bank or trust company evidencing ownership of the underlying securities. For purposes of SCM's investment policies, ADRs are deemed to have the same classification as the underlying securities they represent, except that ADRs shall be treated as indirect foreign investments. For example, an ADR representing ownership of common stock will be treated as common stock. Depositary receipts do not eliminate all of the risks associated with direct investment in the securities

of foreign issuers. Foreign securities can be more volatile than domestic (U.S.) securities. Securities markets of other countries are generally smaller than U.S. securities markets. Many foreign securities may also be less liquid than U.S. securities, which could affect the portfolio's investments

## **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 SCM or the integrity of SCM's management. SCM and its employees have not been involved in legal or disciplinary events.

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

SCM serves as the investment adviser to the Symons<sup>®</sup> Value Institutional Fund (the Fund). As the adviser, SCM has overall supervisory management responsibility for the general management and investment of the Fund's portfolios. SCM sets the Fund's overall investment strategy, identifies securities for investment, and determines when securities should be purchased or sold, selects brokers or dealers to execute transactions for the Fund's portfolio and votes any proxies solicited by portfolio companies.

When consistent with client investment objectives, SCM may recommend that clients invest account assets (temporarily or otherwise) in the Fund. Because we serve as the investment advisor to the Fund, deciding to invest a client's assets in the Fund may appear to present a conflict of interest. Managing a client's assets through a pooled arrangement offers certain efficiencies and economies to SCM that may result in the Fund being more profitable to SCM than the fees received from managing a separate account would be.

Additionally, we may receive higher fees by investing account assets in the Fund than we would for managing a separate account. As a shareholder in the Fund, each client (as well as other shareholders) will pay a proportionate share of the Fund's expenses, including, as permitted by law, management and other fees, some of which are payable to SCM. The Fund incurs certain regulatory, governance, distribution and other expenses (apportioned among their shareholders) that a separate account would not incur. (More information about fund expenses is available in the Symons<sup>®</sup> Fund Expenses section of this document and in the Expense Ratio section of the fund prospectus.)

Clients who own the Fund will not be charged a separate management fee on these assets in addition to the mutual fund expenses. For a complete list of other disclosures or to receive a copy of the prospectus, please contact us.

## **Code of Ethics**

All SCM colleagues have committed to a Code of Ethics (the Code) that is available for review by clients and prospective clients upon request. The Code requires, among other things, that all supervised personnel comply with applicable federal securities laws and affirms our fiduciary duty to always act in the best interest of our clients. The Code establishes a strict standard of business conduct for all of our supervised and associated persons based upon fundamental principles of openness, integrity, honesty and trust. All supervised persons are required to acknowledge in writing, annually and upon amendment, their acceptance of the terms of the Code.

SCM permits trading in personal accounts subject to certain restrictions. In order to avoid a potential conflict with client accounts, any trade initiated by an SCM colleague is required to be pre-approved. The Code prohibits supervised persons from trading ahead of clients in their own accounts. All SCM colleagues are required to provide reporting on their personal securities holdings upon commencement of employment and on an annual basis. In addition, they are required to provide reporting on their personal securities transactions at least quarterly. All reporting is reviewed by the Chief Compliance Officer.

A copy of SCM's Code of Ethics is available upon request.

### **Participation or Interest in Client Transactions**

SCM and its colleagues may buy or sell securities that are also held by clients. The Firm will not violate its fiduciary responsibilities to its clients. Colleagues are not permitted to trade their own securities ahead of client trades. Self-directed trades in supervised persons' accounts not managed by SCM must receive pre-clearance prior to trading. When SCM has trading authority over the account, colleague trades are aggregated with other client trades to avoid any conflict of interest. They are treated the same as other client accounts in terms of average price for the transaction and allocation of shares traded. (Please see the "Brokerage Practices, Order Aggregation" section of this brochure for more details.)

Clients may invest in the Symons® Value Institutional Fund, when it is consistent with their investment objectives. The Fund is part of a series trust of a registered investment company for which SCM serves as investment advisor and has a material financial interest. Please refer to the Other Financial Industry Activities and Affiliations section of this document for more details.



## **Brokerage Practices Selecting Brokerage Firms**

SCM does not have any affiliation with any broker/dealer. Specific custodian recommendations are made to clients based on their need for such services. SCM recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

SCM recommends discount brokerage firms (qualified custodians), such as Charles Schwab, Fidelity and TD Ameritrade. SCM does not receive fees or commissions from any of these arrangements. SCM receives support services and/or products from some broker/dealer custodians (e.g., Schwab, Fidelity, TD Ameritrade, etc.), which assist the Firm in monitoring and servicing the client accounts. These support services are provided at no additional cost to SCM or its clients. Client commissions are not used to purchase such services. Some of the support services the Firm receives include, but are not limited to, investment-related research, pricing information and market data, software and other technology that provides access to client account data, compliance and/or practice management-related publications, discounted or free consulting services, discounted and/or free attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products in furtherance of our investment advisory business operations. No special consideration is given to SCM by any broker-dealer/custodian. These services are the same as those offered to any other institutional investment manager and have no correlation to the client assets or accounts managed at that firm.

SCM's clients do not pay more for investment transactions and/or assets maintained at any such broker/dealer custodian as a result of this arrangement. There is no corresponding commitment made to any such broker-dealer/custodian 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 arrangement.

SCM does not receive fees or commissions from any of these arrangements. If a client has a broker preference, we allow the client to direct us to use the broker of the client's choice. Clients directing brokerage to a particular broker/dealer may be charged higher commission rates than those clients who select a brokerage firm recommended by SCM. In addition, such clients may receive less favorable pricing. If a client directs SCM to use a broker that is not recommended, the Firm will have little or no ability to negotiate commission rates. Such clients also will be unable to participate in or benefit from aggregated orders at brokers SCM recommends. Both of these factors suggest potential conflicts existing between the client's general interest in obtaining best execution, and the client's specific preference in directing SCM to use a particular broker for the client's trade orders.

In model portfolio arrangements with the UMA program sponsor, SCM is ultimately not responsible for determining which securities to buy or sell and is not responsible for executing such trades for the UMA sponsor's client accounts. The UMA sponsor is

responsible for exercising investment discretion, executing trades and seeking best execution.

UMA sponsors will typically be sent model portfolio information in accordance with the Firm's trade rotation policy.

## **Order Aggregation**

SCM will aggregate orders for the purchase or sale of securities on behalf of its clients, its qualified retirement plan, and individuals employed by SCM when the Firm believes that such aggregation of orders is consistent with its obligation to seek best execution, which includes the duty to seek the best price. Aggregating orders also minimizes the risk that any particular client would be or could be systematically advantaged or disadvantaged with respect to the price obtained. Each client that participates in an aggregated order will participate at the average share price for all of the transactions in that security at the broker used for the aggregated trades on that trading day. Since multiple brokers are used daily, SCM follows a trade rotation process for these aggregated trades to ensure client accounts at one broker are not favored over another.

In aggregating orders, SCM prepares a trade blotter in advance of entering an order to specify the participating client accounts and the allocation of the order among the participating clients. An order filled in its entirety is allocated among clients in accordance with the previously prepared trade blotter. A partially filled order will ordinarily be allocated pro-rata, based on the trade blotter, but may be allocated on a different basis that provides fair and equitable treatment to all client accounts participating in the aggregated order, with the reason for the different basis being documented prior to commencement of trading on the next trading day.

## **Review of Accounts**

Every day, SCM's Trader reconciles SCM's client holdings records with each custodian. Confirmations of trades are reviewed by Trading or Operations Personnel. During the daily course of business, accounts with a debit or short position, deposit or withdrawal of cash or securities, registration changes, address changes, or unusual trading or other activity are reviewed by Trading and Operations personnel, the Chief Operating Officer, and the Chief Compliance Officer. SCM's trader monitors client accounts for compliance with investment guidelines and restrictions that are not automated. The Chief Compliance Officer and Chief Operating Officer conduct periodic testing. Every month, the Vice President, Administration reconciles holdings and calculates performance for each account. On an occasional but regular basis, the CCO performs independent testing of these processes.

Other conditions that may trigger a review include changes in the tax laws, new investment information, and changes in a client's own personal or financial situation. Account reviews are also performed more frequently when market conditions dictate.

The models provided to the UMA program sponsor are reviewed at least on a monthly basis by Trading and Operations personnel, the Chief Operating Officer, and the Chief Compliance Officer. For these accounts, SCM does not report the performance of UMA relationships in its various investment composites. No reports are provided to the client in this particular program.

## **Client Reports**

Reports are provided to clients in the following manner:

- Each client receives trade confirmations and account statements directly from the custodian, showing activity and account market value, at least quarterly. Active accounts receive monthly statements from most custodians.
- Each client receives a written quarterly report from SCM showing account performance and performance relative to market indexes.
- SCM is available for a personal conference with any client upon request.

## **Client Referrals and Other Compensation**

SCM occasionally receives client referrals. The referrals come from current clients, estate planning attorneys, accountants, colleagues, personal friends of colleagues and other similar sources. SCM does not directly or indirectly compensate referring parties for these referrals.

## **Custody**

SCM is not a broker-dealer and does not take possession of client assets. Our clients' assets are housed in nationally recognized banks or brokerage firms, otherwise known as qualified custodians. All clients execute an Investment Advisory Agreement in which the client grants SCM a written limited power of attorney to buy and sell securities in the account and to determine the amount of securities to be bought and sold, consistent with the investment objectives of the account.

If authorized by the client, SCM also has the authority to directly debit client accounts for management fees, and therefore is deemed to have custody. See the Fees and Compensation section of this brochure for more information.

All assets are held at qualified custodians, which means the custodians provide account statements directly to the client at their address of record at least quarterly.

SCM does not receive fees or commissions from any of these arrangements.

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by SCM.

## **Investment Discretion Discretionary Authority for Trading**

SCM accepts discretionary authority to manage securities on behalf of its clients in accounts established by the clients. SCM has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Generally, the Firm will not accept non-discretionary accounts.

The client chooses or approves the custodian to be used and signs a client agreement with the custodian. Trades for individual clients are executed at the custodian and commission rates are determined by the custodian. SCM has the authority to decide where to execute trades for the Symons® Institutional Fund account. SCM will negotiate with custodians on an adviser level to obtain the best commission schedules possible; which could result in trading at a discount firm with delivery-versus-payment to the custodian. SCM does not receive any portion of the transaction fees or commissions paid by the client to the custodian on any trades.

Discretionary trading authority facilitates placing trades in accounts on clients' behalf so that SCM can implement the investment policy that clients have approved.

## **Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. The client signs a limited power of attorney so that SCM may execute the trades.

## **Voting Client Securities**

Unless the client designates otherwise, SCM votes proxies for securities for which the Firm maintains discretionary authority, consistent with its proxy voting policy. It is SCM's policy to always vote proxies in the best interest of our clients. Unless a client directs otherwise, in writing, SCM shall be responsible for: (1) directing the manner in which

proxies beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, and tender offers.

Absent mitigating circumstances and/or conflicts of interest, it is SCM's general policy to vote proxies consistent with the recommendation of the senior management of the issuer and Glass Lewis' proxy analysis and recommendation research. SCM generally will vote against a management recommendation with respect to stock option and other executive compensation plan matters which we deem to be excessive.

The client maintains exclusive responsibility for all legal proceedings or similar events including, but not limited to, class action lawsuits. SCM monitors corporate actions and has retained the services of Broadridge proxy voting service and Glass Lewis' proxy analysis and recommendation research service in order to vote proxies in the best interests of its clients. Among factors that the Firm considers when determining how to vote are: a review of recommendations from the issuing company's management, Glass Lewis' recommendations, shareholder proposals, cost effects of such proposals, effects on employees and executive and director compensation. Should material conflicts arise between the Firm's interests and those of clients, SCM will vote proxies in the best interest of its clients. Clients may direct SCM's vote on their behalf in particular solicitations by sending voting instructions, in writing, to the Chief Compliance Officer. If SCM is notified that its investment management services have been terminated, the Firm has no further obligation to vote proxies on behalf of that client. The Firm maintains records of all proxy voting. Information about how SCM voted on any specific proxy issue is available upon written request by contacting the Chief Compliance Officer.

When clients do not authorize SCM to vote proxies on their behalf, the custodian of record sends all pertinent information including the proxy voting ballot directly to the client. All clients of SCM are able to contact the Firm at any time to discuss our thoughts on how the proxy should be voted.

A copy of SCM's proxy voting policy is available upon request.

## **Financial Information**

SCM does not have any financial impairment that will preclude us from meeting contractual commitments to clients.