

# Bickford Investment Management Services

*Intelligent Investing*



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## Form ADV Part 2 Brochure

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This document provides information about the qualifications and business practices of Bickford Investment Management Services (BIMS) business practices. Please contact Joel Bickford if you have any questions about the contents of this brochure. 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.

Bickford Investment Management Services is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information is available at our website <http://www.bickfordinvest.com/> as well as the SEC website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Material Changes

### INTERIM UPDATE

BIMS is providing this information as part of our interim update of information filed with the U.S. Securities and Exchange Commission (“SEC”) and the California Department of Business Oversight.

### MATERIAL CHANGES SINCE THE LAST UPDATE

The SEC adopted amendments to Part 2 of Form ADV effective October 2010. The newly revised Part 2 consists of Part 2A (the “Brochure”) and Part 2B (the “Brochure Supplement”). Each update of the Brochure must now include a summary of all material changes since the last annual update. The following are material changes since BIMS’ last brochure update on January 27, 2018:

**Custody:** The investment adviser has custody of the funds and securities solely as a consequence of its authority to make withdrawals from client accounts to pay its advisory fee. Previously reported as *“BIMS does not directly hold client assets. Clients typically use TD Ameritrade Institutional as the financial custodian.”*

**Fees and Compensation:** Removed “Hourly consulting and research is occasionally offered at \$350/hour. This is not a significant part of our business.”

**Participation or Interest in Client Transactions:** Added “Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.” General update of practices, conflicts of interest and how they are addressed.

## Advisory Business

Bickford Investment Management Services (BIMS) was licensed in the State of California on August 1, 2003. Joel David Bickford is the principal owner and chief compliance officer. The firm is not publicly owned or traded and there are no indirect owners of the firm or intermediaries with any ownership interests.

BIMS provides 100% investment supervisory services, and investment advice is tailored to each client based on the individual client’s financial objectives, risk tolerances, and personal circumstances.

The advisory relationship is initiated with one or more consultation meetings between Joel Bickford and the client wherein they discuss the client’s overall financial situation. Topics include a specific client’s investment objectives, risk tolerance, planning horizon, asset-class preferences, and investment strategies. BIMS then tailors an investment policy and portfolio, relying on client-supplied data. Once this is completed, BIMS presents verbally and/or in writing the investment plan designed specifically for the client’s managed portfolio. Clients are provided assistance in obtaining and completing the required paperwork to establish the necessary investment accounts. BIMS will rely on the client to convey promptly any important changes in the client’s financial situation.

BIMS manages a client's portfolio primarily using index and similar funds, combined with some individual securities. Asset-allocation strategies, based predominately on modern portfolio theory, are employed along with BIMS opinion regarding current asset class attractiveness. In addition, BIMS evaluates and manages for tax implications specific to the client.

For the fixed-income portion of the portfolio, the advisor generally recommends holdings in one or more bond mutual funds (taxable and/or tax-exempt), individual laddered U.S. Treasuries, and FDIC insured CDs, as appropriate to the client's circumstances.

Joel Bickford communicates on a regular basis with the client as needed to manage the investment portfolio. Typically, these interactions occur quarterly but may be more frequent depending on the circumstances and as the client wishes.

Quarterly written reports are provided to clients, detailing investment asset class allocations. The primary custodian, (typically TD Ameritrade Institutional), provides monthly statements that itemize client account holdings and activities.

### TAILORED SERVICES

The firm manages each client's portfolio on an individualized basis. Clients may impose restrictions.

### WRAP FEE PROGRAMS

The firm does not participate in wrap programs.

### ASSETS UNDER MANAGEMENT

As of May 19, 2018, the firm managed client assets on a discretionary basis in the amount of \$27,881,538. This represented 13 client relationships. Of these assets, \$9,528,676 were in family accounts for which we received no compensation for our services. Personal accounts are not included in these numbers.

Bickford Investment Management Services applies the latest academic research findings to the intelligent construction and management of investment portfolios. Following is a summary of key investment philosophies applied in the pursuit of the best long-term risk/reward return for our clients.

- Extremely broad and global diversification optimizes the risk/reward ratio. Funds and ETFs enable much broader diversification than is feasible with individual stocks. Our goal is to place client portfolios on the efficient frontier line.
- Fee-only service eliminates conflicts and aligns our interests.
- Passively-managed funds including index funds and ETFs from low-cost leaders provide a greater likelihood of success than actively-managed funds.
- Patient trading and negotiated block trades has given Dimensional Fund Advisor (DFA) funds an advantage over pure index funds and ETFs in many areas.

- Tax-managed holdings and choices are selected for taxable accounts in order to maximize after-tax returns.
- Low-cost advisory services allow clients to retain more of their wealth.
- Asset classes that BIMS feels are attractively priced are outweighed relative to those BIMS considers less attractively priced. Price to earnings ratios, price to book ratios and dividend yields provide insight into the relative price attractiveness of various asset classes. For example, these metrics can be compared between US small value, US large value, international small value, emerging markets value, and others to help avoid overweighting expensive investment areas. A similar comparison can be made among growth categories as well.
- Buy-and-hold strategies are applied to portfolios which are constructed for best long-term performance in an unpredictable world. Market timing introduces long-term risk by adding potentially poor trades. At Bickford Investment Management Services (Bickford IMS) we take a scientific and academic approach to constructing optimum investment portfolios from holdings we consider to offer the greatest value to our clients.

## Asset Allocation

In constructing portfolios, every mix of assets will provide a different anticipated risk/return ratio with most of them being less than ideal. By changing investment holdings and quantities we can simultaneously improve our expected return while lowering the anticipated risk. This field of study is referred to as Asset Allocation.

Asset allocation involves designing a diversified portfolio of assets such as stocks, bonds, and real estate that don't behave in the same way so you can achieve more predictable returns with less risk. The goal is to select optimum percentages of the available asset classes in order to achieve the best risk/return performance.

An ideal asset allocation is determined through mathematical calculation, simulation, the study of history and scholarly academic literature, along with sound judgment.

At Bickford Investment Management, we combine these ideas with an individual investor's financial needs and circumstances, risk tolerance, personality, and preferences in order to create an appropriate and customized investment portfolio.

## Passively Managed Investments

Academic studies strongly support the use of passively-managed stock and bond mutual funds and ETFs in the construction of diversified portfolios. These funds have much lower expense ratios and therefore higher expected returns than actively managed funds.

Passively-managed funds use simple rules to select the individual securities to be held in a fund. They do not hire stock-picking "experts" which have been shown to add far more

cost than any value they deliver.

The most commonly known passively-managed funds are Index Funds and Exchange-Traded Funds (ETFs), but there are other passively managed mutual funds.

We rely heavily on passively managed mutual funds provided by Dimensional Fund Advisors (DFA) in the attempt to create efficient portfolios. DFA bases their mutual funds on the science of capital markets and increases returns through state of the art design and trading. Vanguard is a key index-fund and ETF provider which is also well-represented in our portfolios.

### Value, Growth, Small, and Large Company Stocks

Value stocks are Wall Street's current dogs. They sell for a low stock price relative to their book value per share. Growth stocks by contrast are Wall Street's current darlings and sell for a high stock price relative to their book value per share. Over time and around the world, value stocks have outperformed growth stocks.

Small-company stocks have similarly outperformed large-company stocks over time. In constructing intelligent portfolios, value and growth stocks may be over-allocated relative to their stock market capitalization.

### Other Services and Limitations

BIMS does not vote proxy statements on behalf of clients and does not provide tax or legal advice. It is the client's responsibility to consult with tax advisors as needed.

BIMS does not typically provide advice on individual stocks, corporate bonds, or other investment options.

BIMS relies on clients to convey any important changes in their financial situation in a prompt manner.

BIMS manages each client's portfolio individually and individual clients may impose restrictions as deemed necessary.

## Fees and Compensation

Fully-managed investment portfolios are managed on an annual-fee basis with a \$1-million (typical) household minimum:

- First \$1,000,000 at 0.6% per year (0.15% per quarter)
- Next \$1,000,000 at 0.32% per year (0.08% per quarter)
- Next \$3,000,000 at 0.18% per year (0.045% per quarter)
- Next \$5,000,000 at 0.11% per year (0.0275% per quarter)
- Subsequent amounts at 0.08% per year (0.02% per quarter)

To reduce tax impact, fees are payable directly from IRA accounts on a quarterly basis and are not reported on 1099 distribution forms.

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No initial fee is charged for consultative meetings at the onset of client account management.

To prevent conflicts of interest, the client incurs transaction fees and the usual expenses charged by mutual fund companies.

Either party may terminate the investment advisory contract at any time by phone or written communication. On-going management fees will cease at that point, with pro-rated portions of quarterly fees payable at termination of the relationship.

BIMS does not receive any compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## **Performance-Based Fees and Side-By-Side Management**

Not Applicable (None).

## **Client Types**

BIMS provides services for individuals, trusts, and estates. We do not typically provide services for foundations and other charitable organizations.

The minimum portfolio size for ongoing management is \$1 million, negotiable at Joel Bickford's discretion. Clients are selected based on their fit, risk-tolerance strategies, and their alignment with the BIMS investment philosophy.

## **Analysis Methodologies and Investment Strategies**

BIMS utilizes stocks, bonds, CDs, no-load mutual funds, ETFs, and other investment products. Analysis and selection is based on the cumulative investment experience, research, and knowledge of Joel Bickford. The actual selection is based upon a number of considerations:

- For each client, target allocations of cash, bonds, and equity investments are defined for the client's portfolio.
- Specific funds within the asset and sub-asset classes are selected to achieve a broadly diversified portfolio that attempts to optimize the risk/return ratio for the client.

Additional considerations include:

- Conservative and realistic appraisal of the expected future returns of the asset class
- Fund fee structures. BIMS avoids funds with high expense ratios.
- Portfolios are typically constructed of funds with an average expense ratio well under one percent per year.
- Passive management, fund expenses, turnover, and management philosophy.
- Fund track records

BIMS manages bond investments using a combination of no-load taxable and tax-exempt bond funds, U.S. Treasuries, and FDIC-insured CDs, consistent with the considerations noted above. In the case

of bond funds, the advisor generally chooses short- and/or intermediate-term funds where the average maturity is under ten years.

## Investment Strategies

BIMS recommends an initial allocation of assets (among stocks, bonds, cash, and other assets) based on client objectives, investment planning horizon, risk tolerance and client preferences.

The strategic asset allocation approach prefers a wide range of globally-diversified asset classes, using modern portfolio theory to assess the optimal characteristics of a portfolio for each client's unique financial circumstances.

BIMS believes the securities markets to be generally efficient and that few active managers reliably exceed benchmark returns in the long run. Further, based on consistent academic findings, BIMS believes it is nearly impossible to identify in advance those few who will provide returns in excess of the benchmark.

BIMS predominantly employs passively-managed funds wherever possible.

BIMS typically selects a combination of large-cap, small-cap, and international funds; with the selection being biased toward low price to earnings and price to book ratios.

BIMS considers the amount of assets being invested, the client's particular circumstances, and how each asset affects overall portfolio behavior.

Regular portfolio rebalancing is a key part of the investment strategy. For tax-sheltered accounts, individual asset classes are rebalanced when allocations exceed certain percentile goals on a quarterly basis based on Bickford's opinion of their pricing attractiveness.

For taxable accounts, a similar rebalancing method is used, but tax issues constitute an integral part of the decision.

## Risk Tolerances

BIMS believes that, especially during periods of high market volatility, broadly-diversified financial strategies must be adhered to and that clients should avoid attempting to time the markets, either by buying "hot" stocks or retreating from the market during downturns. However, certain asset classes may appear to be more or less attractive based on current P/E ratio, price to book value, and dividend yield.

There are only two kinds of assets in a portfolio: risky assets, mainly comprising stocks, but also including low-quality and longer-duration bonds, and low-risk assets, mainly short-duration, very high quality bonds. The former must, in the judgment of the advisor, have significantly higher expected returns than the latter to warrant their inclusion in the portfolio. Risky assets can sustain losses, under extraordinary circumstances, of more than 50%, whereas low-risk assets should be expected to retain most of their value.

BIMS considers only the volatility of the overall portfolio in constructing its design; this is determined primarily by the mix of risky and low-risk assets.

### **Disciplinary Information**

No complaints have been filed.

### **Other Financial Industry Activities**

None.

### **Financial Industry Affiliations**

None.

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

BIMS upholds the very highest standards of integrity and honesty and will not compromise our principles for any reason. Character is as important as competence in the financial services profession and we intend to be outstanding at both. We will be completely truthful and candid with our clients. We will always act in the clients' best interest and avoid all possible conflicts of interest between us. The most obvious conflicts of interest arise through commission-based compensation, which we do not accept in any form. That is why we operate on a fee-only basis.

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

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

We believe strongly in our chosen investment strategy and will, of necessity, own many of the same funds as clients. Thus, Joel Bickford may buy and sell for himself, for BIMS, and for family members mutual funds and other securities that are also recommend to clients. We believe that there are no conflicts of interest in mutual fund transactions due to the open-end structure and the very large size of the selected funds relative to the expected size of transactions. Personal and related persons will receive the same price as clients on the same trading day.

Joel Bickford may buy and sell for himself, for BIMS, and for family members other securities at or about the same time as for client accounts. In order to minimize this conflict of interest, client interests will be placed ahead of personal and family interests. Client security transactions will be placed before personal and related persons orders when executed on the same day.

### **Brokerage Practices**

BIMS has been using TD Ameritrade Institutional as broker and custodian for the assets to be managed. Accounts are insured with the usual \$500,000 of SIPC insurance plus additional insurance



coverage up to the full value of the account. They have been offering us low fees, quality execution services and reliable customer service.

The SIPC insurance does not cover changes in value due to market fluctuations.

BIMS does not receive any research, soft-dollar benefits, or client referrals in return for using a particular custodian's brokerage services.

## **Review of Accounts**

BIMS reviews client portfolios at appropriate intervals given world and client circumstances. These reviews can be as frequently as daily or as infrequently as quarterly.

A variety of factors may trigger a more in-depth review:

- a major change in client circumstances;
- a large deposit to or withdrawal from the portfolio;
- a dramatic move in market valuations;
- a change in fund management, fee structure, or fund objectives;
- a prolonged negative tracking error of a passively managed fund with respect to relevant benchmarks.

## **Reports**

BIMS mails and/or emails reports on a quarterly basis, updating clients on the status of their portfolios unless otherwise agreed upon.

Clients will also receive monthly reports from the brokerage-house custodian (TD Ameritrade), showing the value of account holdings and other activities.

## **Client Referrals and Other Compensation**

BIMS does not provide compensation for referrals.

### **CLIENT REFERRALS AND SOLICITATION ARRANGEMENTS**

Not Applicable (None).

## **Custody**

BIMS has custody of the funds and securities of clients solely as a consequence of its authority to make withdrawals from client accounts to pay its advisory fee.

The investment adviser has written authorization from the client to deduct advisory fees from the account held with the qualified custodian.

Each time a fee is directly deducted from a client account, the investment adviser concurrently:

1. Sends the qualified custodian an invoice or statement of the amount of the fee to be deducted from the client's account; and
2. Sends the client an invoice or statement itemizing the fee. Itemization includes the formula used to calculate the fee, the value of the assets under management on which the fee is based, and the time period covered by the fee.

## **Investment Discretion**

BIMS has limited authorization for each client account, allowing BIMS to enter transactions directly for client portfolios. Typically, these are done without discussing them with the client first.

However, the client may restrict the advisor from buying certain types of investments or place other limitations for their portfolio management.

When the client opens an account with the custodian, the client signs certain parts of the new account documents to grant discretionary authorization known as “limited trading authority” to BIMS. BIMS never accepts for power-of-attorney privileges over a client account.

## **Voting Client Securities**

BIMS does not vote proxy statements on behalf of advisory clients.

## **Financial Information**

Not applicable (None).

## **Educational and Work Experience: Joel David Bickford**

Joel Bickford has BS & MS Degrees from UC Davis and spent 18 years at Hewlett-Packard/Agilent Technologies where he received seven patents awarded for aerospace and communications test equipment components.

With a passion for investment research since graduating from college, he has developed extensive expertise in investment theory and application and retired from engineering in 2002 at age 42. Since 2003, Joel has managed assets for select clients part-time to help them achieve better financial results.

## **Other Business Activities**

Joel Bickford is the principal of Bickford Investment Management Services and is a state-registered investment advisor. There are no other business or discipline interests that provide compensation or conflicts of interest.

## **Additional Compensation**

Joel Bickford is the principal of Bickford Investment Management Services and is a state-registered investment advisor and receives no compensation from any recommendation.

## **Supervision**

Joel Bickford supervises the activities of Bickford Investment Management Services, including all contracted part-time employees.