

# Daniel Investments, Inc.

## Registered Investment Adviser

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This brochure provides information about the qualifications and business practices of Daniel Investments, Inc. If you have any questions about the contents of this brochure, please contact us at (248) 723-0901 or [jsdaniel@danielinvestments.net](mailto:jsdaniel@danielinvestments.net). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

The term Registered Investment Adviser is an indication of registration with either the US Securities and Exchange Commission or a state securities authority and does not imply a certain level of skill or training.

Last Updated 03/26/2021

## Item #2 – Material Changes

- 04/12/2011 New brochure created to meet the terms of the Dodd/Frank Financial Act of 2010.
- 01/31/2012 Updated Item #4 with new assets under management level.  
Updated Item #5 to clarify that fees are charged in arrears.  
Updated Item #11 to discuss the timing of personal transactions by John Daniel.
- 03/27/2013 Updated Item #4 with new assets under management level.  
Updated Item #5 with new fee structure.
- 03/31/2014 Updated Item #4 with new assets under management level.
- 09/15/2014 Updated Item #19 to remove reference to Debra A. Ball due to her retirement.
- 03/23/2015 Updated Item #4 with new assets under management level.
- 03/29/2016 Updated Item #4 with new asset under management level and added second office address for meetings by appointment only.
- 03/29/2017 Updated Item #4 with new asset under management level.
- 06/05/2017 Updated Item #5, #12, and #13 based upon 2017 State of Michigan exam.
- 03/27/2018 Updated Item #4 with new asset under management level.
- 03/27/2019 Updated Item #4 with new assets under management level.
- 03/30/2020 Updated Item #4 with new assets under management level and the ability to trade CD's.  
Updated Item #12 with new brokerage fees.
- 03/26/2021 Updated Item #4 with new assets under management.

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#### Item #4 – Advisory Business

Daniel Investments is a Registered Investment Adviser, registered in the state of Michigan. As such, we have a fiduciary responsibility to do what we believe is best for our clients and prospective clients regardless of any positive or negative effects that this has on our company's revenue. The company was founded in 1997 by John S. Daniel, President and Chief Investment Officer. The company is 100% owned by Mr. Daniel.

We primarily work with clients who are interested in owning individual stocks and bonds as opposed to owning mutual funds. While we do occasionally purchase shares in mutual funds for purposes of diversification or expertise in a certain area (such as a foreign country where we do not have extensive knowledge), this is not a large part of our business.

Our minimum investment for active management is \$10,000 to insure diversification of assets, but we do help clients reach the minimum, keeping the money in cash or cash equivalents until then unless directed otherwise. We do not charge for this service. The assets can come from a rollover from another brokerage or other financial firm, corporate 401(k) or 403(b) plan, annuity policy, or by direct investment. When completing rollovers, we attempt to do a direct rollover to our broker (Charles Schwab) to ensure that the funds are not misplaced or, in the case of tax-deferred assets, a taxable event occurs.

We can purchase or sell common or preferred stock, corporate, government, agency, or municipal bonds, mutual funds, certificates of deposit and commercial paper. We do not engage in margin or shorting of any position. We also do not participate in wrap fee accounts or assign accounts for management by other parties.

We work with several different types of accounts including taxable accounts such as individual, joint, trust, or estate accounts and tax deferred such as IRAs (traditional and Roth) and SEP-IRAs. We typically do not actively manage 401(k) or 403(b) plans and do not count them as assets under management when billing, but we do review them for clients as they are a key part of the client's overall financial picture.

All assets under management are held in accounts at Charles Schwab & Co. in the client's name. We obtain a Limited Power of Attorney (LPOA) on the accounts which allows us to buy and sell assets within the account but not to remove any funds from the account. This also allows us to contact Schwab on the client's behalf to get questions answered but does not allow us to instruct funds to be removed from the account. Monthly statements are sent to the client for each account each month. Additionally, transaction records are sent to the client for each transaction made. We receive copies of these. Clients typically do not have to contact Schwab except to order checks or complete withdrawals for IRAs, but Schwab has 24/7 telephone and Internet support if needed.

We tailor each investment portfolio to the needs of the client, including but not limited to the ratio of debt to equity, income requirements, growth objectives, and tolerance for risk. The amount of participation that the client has in the management of the account is up to them. Some clients wish to discuss every portfolio transaction prior to its execution and

some prefer only periodic contact. Each client can also impose restrictions on investments of certain types or in certain areas if they so desire.

As of December 31, 2020, we had approximately \$29.9 Million of assets under management with 45 clients.

#### Item #5 – Fees and Compensation

We are a fee-based Registered Investment Adviser. We bill for our services quarterly based upon the value of the account at the close of the last business day of the calendar quarter. We do not charge for any assets held in Certificates of Deposits (C of D's). Fees are calculated using the following table and then rounded down to the nearest dollar. Where there is more than one account holder in a household, all accounts registered at a single address are combined to determine the fee rate. Fees are always charged in arrears, that is, they are not due for a quarter until after the completion of that quarter.

\$0	- \$ 249,999	1.00% per annum (0.2500% per quarter)
\$250,000	- \$ 499,999	0.90% per annum (0.2250% per quarter)
\$500,000	- \$ 999,999	0.85% per annum (0.2125% per quarter)
\$1,000,000	- \$ 4,999,999	0.80% per annum (0.2000% per quarter)
More than \$5,000,000		Negotiable

Fees are paid to Daniel Investments by the client via check. We do not have the ability to remove funds from the account directly to pay fees. In cases where we know that clients are paying fees from a taxable brokerage account that we manage, we work with them to make sure that funds are available to pay the fees. Other than the fees that we charge to clients, we receive no compensation.

Clients will have fees deducted by Charles Schwab & Co. for any trades made in the account. See Section #12 of this document for the latest fee schedule. Additionally, clients may be charged fees by a mutual fund company if the account holds any mutual funds. Those rates are available in the mutual fund prospectus.

#### Item #6 – Performance Based Fees and Side By Side Management

Daniel Investments does not engage in performance based fees or side by side management.

## Item #7 – Types of Clients

We provide investment management services primarily to individuals, families, and small business owners using investment vehicles such as individual brokerage accounts, trusts, estates, IRAs, SEPs, and other retirement vehicles. Additionally, we work with small non-profit organizations, endowment funds, and foundations.

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

We engage in mostly fundamental analysis. With equities, we are primarily concerned with what the company does and what their long term prospects are. In addition to looking at a company's overall "story", we look at information such as past earnings, expected future earnings, growth rate, cash flows, and debt level. We invest in equities with the idea of holding them for the long term (over one year).

With corporate debt (bond) positions, we look primarily at the yield (coupon rate), yield to maturity, debt rating as stated by S&P and Moody's, and the level of debt that is held by the company issuing the debt. We typically like to hold corporate bonds to maturity. With government debt, we look mainly at the yield to maturity and maturity date. Since All US and agency debt is currently rated AAA by S&P (the top rating). Finally, we purchase municipal debt in the state of Michigan. We look at the location of the issuer (typically cities, schools, airports, and hospitals), the debt rating, and whether or not the bond is insured by either the state of Michigan or a 3<sup>rd</sup> party bond insurer.

None of the equities or bonds that we purchase are guaranteed by the US Government to maintain their value and there is a risk of loss with all investments, but never a loss larger than the investment amount.

## Item #9 – Disciplinary Information

In late 2007, the company received a letter from the State of Michigan stating that we were not a Registered Investment Adviser in this state. After investigation, it was determined that when advisers in the state were required to register electronically, we did not complete the procedure correctly. This was due strictly to clerical error and was not intentional. We agreed to pay a \$1000 fine to the state of Michigan plus payment of 5 years of registration renewal fees at \$200 per year. Additionally, we were required to make the offer to refund any client fees paid to us for the period in question, which we did. Until the matter was brought to our attention, we believed that we were properly registered, and during the time in question, we believe that we followed all relevant laws regarding the management of funds.

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

Neither Daniel Investments nor any of its employees are affiliated with any other financial institution including but not limited to other investment advisory firms, financial planners, attorneys, accountants, or insurance agents. Additionally, we are not registered as a broker/dealer or a commodities merchant.

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

As a Registered Investment Adviser, all employees of our company are required to have a fiduciary responsibility in all dealings with our clients and prospective clients. As such, we must do what we believe is best for our clients regardless of the positive or negative effect that this may have on our revenue or income level.

John Daniel, Chief Investment Officer, believes that with equity positions, we will not recommend any investment in which he will not personally invest. As such, he holds a personal position in all equities that he recommends investment in. However, sale and purchase timing for his personal account and client accounts may not be the same. Since we only invest in stocks that are sold on major stock exchanges and are very liquid, trading activity in his personal account is very unlikely to have an effect on the price paid by clients for a position. Except under extraordinary circumstances, he completes his personal trading on a specific security after all trading in client accounts has been completed. Under no circumstances does he buy a position directly from or sell a position directly to a client. Additionally, we do not participate in private offerings and no direct participation in any client transaction.

We have developed a Code of Ethics which is as follows:

- 1) We will act with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- 2) We will place the integrity of the investment profession and the interests of clients above our own personal interests.
- 3) We will use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- 4) We will practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.
- 5) We will promote the integrity of and uphold the rules governing capital markets.
- 6) We will work to maintain and improve our professional competence.

#### Item #12 – Brokerage Practices

We use Charles Schwab & Co. as our broker and they maintain custody of all client accounts. All client assets are maintained in accounts in the clients' name. Charles Schwab sends monthly statements and records of all transactions directly to the client and a copy to our office. Charles Schwab has three offices in Michigan as well as 24 hour phone and Internet service should the client need to contact them directly. We maintain a Limited Power of Attorney (LPOA) on all accounts which allows us to move assets around in the account (buy and sell) but not to remove any assets from the account. The LPOA also allows us to contact Charles Schwab on the client's behalf should there be any questions or concerns.

Charles Schwab currently does not charge for equity trades or Certificate of Deposit trades (other than accrued interest) and charges approximately \$10.00 per bond trade plus accrued interest. Fees for mutual fund trades are dependent upon the fund being traded. These fees are deducted directly from the account by Charles Schwab at the time of the trade.

Daniel Investments does not receive any funds from Charles Schwab for maintaining our client accounts with them. They do provide access to research materials at no cost to the client.

#### Item #13 – Review of Accounts

All accounts are reviewed at least twice per month by John Daniel, President and Chief Investment Officer. Each review includes the appropriateness of each position in the portfolio, percentage of assets in each position along with the overall debt/equity mix, and unrealized gains and losses. Reviews may occur more frequently in some circumstances including extreme market turbulence. Individual securities are being reviewed continually and action taken in multiple accounts based upon securities analysis.

Clients receive a written statement from Daniel Investments quarterly which includes information on client positions as of the end of the quarter.

#### Item #14 – Client Referrals and other Compensation

We always appreciate the referral of business from our clients and other people, however, we do not compensate anyone for the referring a new client to us. Additionally, neither the company nor any company employee receives compensation other than the standard management fees.



#### Item #15 - Custody

Daniel Investments does not maintain custody of any client assets with the exception of checks that clients send us to be deposited in their accounts. In this case, checks must be made out to Charles Schwab & Co. Any other checks that are not for payment of fees are returned to the client.

#### Item #16 – Investment Discretion

We typically maintain investment discretion with regards to all of our accounts. This discretion includes securities to be bought or sold, amount, price, and timing of the transaction within the guidelines set forth by the client. Where applicable, we show sensitivity to investing in areas that the client is not comfortable (i.e. tobacco, firearms, etc). In cases where the client wants to be involved with the investment selection, we discuss every transaction with the client prior to executing the transaction.

We also have the ability to manage non-discretionary accounts. With these accounts, we advise the client as to recommended purchases, amounts, and prices but it is the client's responsibility to execute the trade if they so desire.

#### Item #17 – Voting Client Securities

Daniel Investments does not vote the shares of any client position either via proxy or in person. Additionally, we do not formally advise clients on how they should cast their votes.

#### Item #18 – Financial Information

We have no obligation that would impair its ability to meet its obligations, contractual and fiduciary, to its clients and has not been the subject of a bankruptcy proceeding.

## Item #19 – Requirements for State-Registered Advisers

John S. Daniel is the President, Founder, and Chief Investment Officer of the company. He is the primary portfolio manager and no transactions may take place without his knowledge and consent. He founded Daniel Investments in 1997 and has been active in the company since that time. Prior to founding Daniel Investments, Mr. Daniel worked in Computer Systems with Ford Motor Company as one of the lead system administrators for a global Computer Aided Design (CAD) system and worked as a programmer for a job-cost accounting software company. He has a Bachelor Arts degree in Operations Management from Michigan State University.