

Cover Page - Item 1

## **Baviello Investment Management, LLC**

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**March 21, 2023**

**Form ADV Part 2A Brochure**

This brochure provides information about the qualifications and business practices of Baviello Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us at (443) 278-8880. 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 Baviello Investment Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration with the SEC and/or state and reference to an individual or company as a "registered investment adviser" does not imply a certain level of skill or training.

**Material Changes - Item 2**

Form ADV Part 2 requires registered investment advisors to amend their brochure when information becomes materially inaccurate. If there are any material changes to an advisor's disclosure brochure, the advisor is required to notify you and provide you with a description of the material changes.

On March 21, 2023, we submitted our annual updating amendment for fiscal year 2022.

Effective January 1, 2023 our office address changed to:

500 Edgevale Road  
Baltimore, Maryland 21210

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#### **Advisory Business - Item 4**

Baviello Investment Management, LLC (hereinafter “Baviello” or the “Firm”) is a registered investment adviser based in Baltimore, Maryland. The Firm is organized as a limited liability company under the laws of the State of Maryland. We have been providing investment advisory services since 2018. L. Christopher Baviello is the sole owner of Baviello.

Baviello provides discretionary investment management and financial advisory services to individuals, families, endowments, foundations and other institutions (each a “Client”). Baviello employs several different strategies that currently use both open and closed mutual funds, exchange traded funds, precious metal funds, individual equities and bonds, SPAC units, U.S. Treasuries, brokered certificates of deposit, and put options for hedging. Nevertheless, Baviello primarily employs its flagship strategy, the Selective Value Strategy (“SVS”), a concentrated value-oriented equity strategy, as part of or as the sole investment management strategy for Clients. The SVS generally targets publicly traded domestic equity investments in small- to mid-sized companies, but Baviello is not limited in the types of investments for which it provides investment advice. A complete description of Baviello’s strategies is provided below in Item 8.

While Baviello utilizes the SVS for most of its Clients, the Firm considers each Client’s investment objectives, risk capacity, risk tolerance, liquidity needs, time horizon, other investments and assets, and overall financial situation when determining whether the SVS or another investment strategy is appropriate for the Client. As a result, when the SVS is not appropriate as the sole solution for a Client, a tailored investment plan is implemented for each Client based on their needs and overall financial situation. The majority of the strategies implemented reflect the Firm’s value philosophy. Clients may impose restrictions on investing in certain securities or types of securities.

#### **IRA Rollover Considerations**

As a normal extension of financial advice, we provide education or recommendations related to the rollover of an employer-sponsored retirement plan. A plan participant leaving employment has several options. Each choice offers advantages and disadvantages, depending on desired investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and the investor's unique financial needs and retirement plans. The complexity of these choices may lead an investor to seek assistance from us.

An Associated Person who recommends an investor roll over plan assets into an Individual Retirement Account (“IRA”) may earn an asset-based fee as a result, but no compensation if assets are retained in the plan. Thus, we have an economic incentive to encourage an investor to roll plan assets into an IRA. In most cases, fees and expenses will increase to the investor as a result because the above-described fees will apply to assets rolled over to an IRA and outlined ongoing services will be extended to these assets.

We are fiduciaries under the Investment Advisers Act of 1940 and when we provide investment advice to you regarding your retirement plan account or individual retirement account, we are also fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. We have to act in your best interests and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests.

Baviello does not participate in any wrap fee programs.

### **Assets Under Management**

Baviello manages Client accounts on a discretionary basis. As of December 31, 2022, the Firm manages a total of \$12,747,336 of regulatory assets under management.

### **Fees and Compensation - Item 5**

#### **Investment Management Fees**

Investment management fees are based upon the market value of managed assets, calculated and billed quarterly in advance.

On an annualized basis, we charge the following investment management fees:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
\$0 - \$10,000,000	1.00%
Over \$10,000,000	0.75%

These fees may be negotiated under certain circumstances, at the sole discretion of Baviello. The Firm may determine based on the circumstances of the overall Client relationship, that certain accounts of a Client may not be charged a management fee. Additionally, different fee paying arrangements may be negotiated at the sole discretion of Baviello. Lower fees for comparable services may be available from other sources.

Our minimum account size is \$100,000; however, the Firm may accept accounts below the minimum at its own discretion.

Asset management fees will generally be automatically deducted from the Client account on a quarterly basis. The Client will give written authorization permitting the Firm to be paid directly from their account held by the custodian. In those cases, the custodian will send a quarterly statement to the Client, which will show the fee deduction transaction.

At no time will Baviello accept or maintain custody of a Client's funds or securities except for authorized fee deduction.

#### **Additional Fees and Expenses**

The fees are charged as described above and are not based on a share of capital gains of the funds of an advisory Client.

All fees paid to Baviello for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a Client may pay an initial or deferred sales charge. A Client could invest in a mutual fund directly, without the services of Baviello. In that case, the Client would not receive the services provided by Baviello which are designed, among other things, to assist the Client in determining which mutual fund or funds are most appropriate

to each Client's financial condition and objectives. Accordingly, the Client should review both the fees charged by the funds and the fees charged by Baviello to fully understand the total amount of fees to be paid by the Client and to thereby evaluate the advisory services being provided.

#### **Advance Fee Paying and Termination Policies**

Management fees are billed quarterly, in advance. Clients may terminate investment advisory agreements at any time, effective upon 30 days' notice to Baviello. If an investment advisory agreement is terminated by either a Client or the Firm, expenses and fees through the date of termination are charged to the Client, but any unearned portion of a prepaid fee is refunded to the Client, based upon a pro-rata basis of the number of days remaining in the quarter that our services were not provided.

#### **Negotiability of Fees**

Baviello may negotiate the exact investment management fees within the range disclosed in our Form ADV Part 2A Brochure. Our annual investment management fee may be higher than that charged by other investment advisors offering similar services/programs.

#### **Billing on Cash Positions**

The firm treats cash and cash equivalents as an asset class. Accordingly, unless otherwise agreed in writing, all cash and cash equivalent positions (e.g., money market funds, etc.) are included as part of assets under management for purposes of calculating the firm's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), the firm may maintain cash and/or cash equivalent positions for defensive, liquidity, or other purposes. While assets are maintained in cash or cash equivalents, such amounts could miss market advances and, depending upon current yields, at any point in time, the firm's advisory fee could exceed the interest paid by the client's cash or cash equivalent positions.

#### **Periods of Portfolio Inactivity**

The firm has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, the firm will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods of time when the firm determines that changes to a client's portfolio are neither necessary nor prudent. Notwithstanding, unless otherwise agreed in writing, the firm's annual investment advisory fee will continue to apply during these periods, and there can be no assurance that investment decisions made by the firm will be profitable or equal any specific performance level(s).

#### **Compensation for the Sale of Investment Products**

No one in the Firm receives compensation for selling securities or other investment products.

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

The Firm does not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a Client's account.

Our fees are calculated as described in the *Fees and Compensation* section above and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

### **Types of Clients - Item 7**

Baviello offers investment advisory services to individuals, families, endowments, foundations and other institutions.

Baviello requires a minimum of \$100,000 to open and maintain an advisory account. At our sole discretion we may waive this requirement. This requirement can be met by combining two or more accounts owned by you or related family members.

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

#### **Investment Strategy and Outlook**

##### *Selective Value Strategy*

The Selective Value Strategy (“SVS”) deploys capital through a patient, rigorous, value-oriented evaluation process that results in a few “best idea” investments. Ideally, the shares of those companies selected are purchased at a significant discount relative to their evaluated intrinsic value and operating fundamentals, thus providing a potential for appreciation. The SVS is a total return strategy that attempts to outperform the general market as defined by the S&P 500 Total Return Index (“S&P 500 TR”) over a five-year period and/or a full market cycle. Ideally, the preferable holding period for this strategy would be five years or longer, but the minimum amount of time Clients should expect to be invested in this strategy is three years.

##### *Conservative Bond Portfolios*

The Conservative Bond Portfolios (“CBP”) strategy invests in individual bonds and is primarily focused on principal protection, while providing a variable income stream that over a period of time should at least keep pace with inflation. The magnitude of the income stream is dependent on interest rates, market conditions, and the opportunity set within the allowable asset classes. Due to the CBP’s primary focus on the protection of principal, investment decisions will prioritize safety over income.

##### *Moderate/Stability Funds & Stocks*

The Moderate/Stability Funds & Stocks (“MSFS”) strategy invests primarily in mutual funds that reflect a moderate risk temperament. From time to time, the strategy will invest in a few individual companies if it is determined that these stocks also tend to reflect a moderate risk temperament. Over the long term, the focus is to grow Client assets in this strategy at a rate that exceeds inflation but may be less than S&P 500 TR. Despite its moderate orientation, the MSFS strategy will still produce volatility and have down years. Nevertheless, Baviello’s goal is for the MSFS strategy’s volatility to be less than the S&P 500 TR’s, while still producing long-term asset growth. It should be noted that the investments in the MSFS strategy may or may not produce income, that moderated volatility with a growth rate exceeding inflation are the priorities over income.

##### *Aggressive/Growth Funds*

The Aggressive/Growth Funds (“AGF”) strategy invests primarily in mutual funds that are more aggressive and seeking growth/capital appreciation. These funds tend to seek companies that have great capital

appreciation potential. Also, they tend to be concentrated in nature usually holding less than 50 positions and actively managed. Over the long term, the focus is to grow the assets in this strategy at a rate that exceeds the S&P 500 TR. As a result, this strategy will be volatile. Clients should expect to be invested in this strategy for at least three years, more preferably five years.

#### *Income Stocks, Bonds, and Funds*

The Income Stocks, Bonds, and Funds (“ISBF”) strategy is income/yield focused and largely invests in individual public-market securities (stocks and occasionally bonds) as well as mutual funds that are primarily focused on paying dividends and making distributions to their shareholders. The strategy targets a yield that is greater than or equal to the yield of the S&P 500 index yet does not aim to mirror the risk profile of the index. The ISBF strategy strives for a lower risk profile through its value-oriented approach and by taking advantage of the discrepancies between the perceived and the real risk of the investments. It also invests across different industries, sectors, and investment vehicles to achieve its goal.

### **Investment Selection**

#### *Selective Value Strategy*

The SVS utilizes a bottom-up investment approach and targets only publicly traded companies that primarily trade on the United States exchanges. Companies are selected for the SVS when their prices are trading at a significant discount - or rather a margin of safety - to their evaluated intrinsic value and there is reason to believe their price will eventually appreciate to the intrinsic value. As a result, companies’ valuations relative to their market prices informs the Firm’s investment decisions, rather than a company’s popularity or solely its price action. Further, it should be noted, that investment decisions are not based on general market predictions.

Intrinsic value is determined through an evaluation of the subject company’s operations and fundamentals including, but not limited to: operating fundamentals, past and future free cash flows, tangible and intangible asset values, capital structure, capital allocation policies, capital appreciation potential, ownership composition, competitive position, management, the company’s life cycle, company/industry specific catalysts, company/industry specific risks, and financial as well as operational robustness – or the ability to weather a downturn. This quantitative and qualitative evaluation process also includes reviewing and analyzing: company SEC filings, company conference calls, company presentations, various industry research and news, and may also include conversations with management or other industry participants. Once purchased, the portfolio companies for the SVS are frequently monitored and evaluated.

The SVS has the ability to flex when companies’ general market prices start increasing relative to their intrinsic values and the strategy’s opportunity set narrows. When this occurs, the SVS may hold significant amounts of cash, a significant portion of which may be invested in short-term U.S. Treasuries. In such a situation, the Firm will continue to evaluate companies for potential investment; however, no companies may be added to the portfolio for an extended period of time if they do not meet the SVS’s parameters. The SVS’s cash position is a function of the available attractive investment opportunities. Further, the strategy, while it does not short, may on occasion utilize a small portion of the money allocated to it for put options as a hedge.



### *Conservative Bond Portfolios*

In implementing CBP, some of the factors considered when evaluating individual bonds for purchase include: after-tax yield, inflation, the issuer, slope of the yield curve, risks, and the length of time until maturity. In general, CBP purchases bonds using a flexible ladder structure that is adjusted based on the previously mentioned factors. Bonds, once purchased, are generally intended to be held until maturity.

### *Moderate/Stability Funds & Stocks*

The MSFS strategy is underpinned by a value-investing philosophy, which means Baviello invests in value-oriented fund managers and looks to buy individual companies at discounts to their intrinsic values. At times, when the strategy's opportunity set narrows, the MSFS and its mutual fund managers have the flexibility to hold cash and U.S. Treasuries, while waiting for better opportunities that fit selection parameters. Cash and U.S. Treasuries will tend to increase during periods of significant overvaluation as well as when market risks are increasing both in quantity and magnitude.

When evaluating mutual funds for inclusion into MSFS, the factors analyzed include: the management team and its history, the manager's process, the manager's adherence to the investment strategy, the manager's tenure, the size of the fund, the fund's holdings, past performance from both an absolute and a relative basis over various time periods, costs relative to other funds, historical volatility, the fund's risk profile, tracking error to the respective benchmark, the fund's ability to complement the other investments in the strategy, and the current/potential future economic environment.

When evaluating an individual stock for inclusion into the MSFS, the factors analyzed include, but are not limited to: operating fundamentals, past and future free cash flows, tangible and intangible asset values, capital structure, capital allocation policies, capital appreciation potential, ownership composition, competitive position, management, the company's life cycle, company/industry specific catalysts, company/industry specific risks, and financial as well as operational robustness— or the ability to weather a downturn.

### *Aggressive/Growth Funds*

The AGF strategy is underpinned by a value-investing philosophy, which means Baviello invests in value-oriented fund managers. It is important to note that growth and value are not mutually exclusive, as a growth stock can be considered a value stock if it trades at price that is less than the present value of its evaluated future cash flows. A value discipline does not prevent losses but may help mitigate them or provide reason to hold an investment through market volatility, thus deterring panicked selling.

When evaluating mutual funds for inclusion into the AGF strategy, the factors analyzed include: the management team and its history, the manager's process, the manager's adherence to the investment strategy, the manager's tenure, the size of the fund, the fund's holdings and number of holdings, past performance from both an absolute and a relative basis over various time periods, costs relative to other funds, historical volatility, the fund's risk profile, tracking error to the respective benchmark, the fund's ability to complement the other investments in the strategy, and the current economic environment.

When the strategy's opportunity set narrows, the AGF strategy and its mutual fund managers have the flexibility to hold cash and U.S. Treasuries, while waiting for better opportunities that fit selection parameters. Even though this is an aggressive strategy, there are times when continuing to be aggressive and hold investments that appear to be overvalued solely for the sake of being aggressive does not make

sense and would be considered unwise. Especially, when there is evidence that long-term future returns will be very low or negative.

#### *Income Stocks, Bonds, and Funds*

The ISBF strategy actively looks for yield as well as capital appreciation, or purchasing companies at a discount to their intrinsic values. The strategy will not pay above an investment's value, regardless of the yield. Applying a value discipline to this strategy, does not prevent losses, but may help mitigate them or provide reason to hold an investment for the long-term during market price fluctuations as long as fundamentals remain sound, thus deterring panicked selling.

Because of the value discipline, when the opportunity set narrows the strategy has the flexibility to hold cash and U.S. Treasuries, while waiting for better opportunities that fit within its parameters.

When evaluating an individual public-market stock for inclusion into the strategy, the factors analyzed include: distribution growth, distribution history, possibility of initiation or reinstatement of distribution, sustainability of the distribution, operating fundamentals, past and future free cash flows, tangible and intangible asset values, capital structure, capital allocation policies, capital appreciation potential, ownership composition, competitive position, management, the company's life cycle, company/industry specific catalysts, company/industry specific risks, and financial as well as operational robustness – or the ability to weather a downturn.

When evaluating an individual corporate bond for inclusion into the strategy, the factors analyzed not only include the same factors as for a stock, but also include: interest payments, maturity date, discount to par value, yield curve, inflation, default risk, and call risk.

When evaluating mutual funds for inclusion into the strategy, the factors analyzed include: distribution history, the management team and its history, the manager's process, the manager's adherence to the investment strategy, the manager's tenure, the size of the fund, the fund's holdings and number of holdings, past performance from both an absolute and a relative basis over various time periods, costs relative to other funds, historical volatility, the fund's risk profile, the fund's ability to complement the other investments in the strategy, and the current economic environment.

### **Implementation/Portfolio Construction**

#### *Selective Value Strategy*

The SVS takes long-only positions and does not short securities but may from time to time use a small portion of the portfolio to buy put options as a hedge. The strategy is very selective and relatively concentrated seeking to deploy capital to only the best ideas that meet the Firm's parameters. As a result, the strategy once fully invested typically owns between six to 16 companies. Depending on market conditions and the Firm's evaluations, each company's position size is built over time and to varying final levels.

The Firm frequently monitors and evaluates the SVS's portfolio companies, and positions are sold, when: (a) the company's market price is near or has reached the top of its intrinsic value range; (b) the company has been re-evaluated or a change in company/industry conditions has resulted in an evaluated-intrinsic value that is much lower than previously thought; and (c) there is another company that appears to be a

better investment than the current holding. Notwithstanding these sell conditions, one of the goals of the SVS is to limit unnecessary turnover within the portfolio.

Consequently, unless there is a permanent impairment of the company's value and the Firm's reason for owning the company is no longer true, the Firm will not sell a company solely due to market price drops.

#### *Conservative Bond Portfolios*

No individual bond shall exceed 8% of the portfolio, unless it is a U.S. Treasury, U.S. government-backed agency bond, or FDIC insured brokered certificate of deposit – even then, the average position size is 4% or less. The following are the allowable asset classes for the strategy:

- U.S. Treasury Bonds and Bills
- U.S. Government Agency Bonds
- Investment Grade Corporate Bonds
- FDIC Insured Brokered Certificates of Deposit
- Investment Grade Municipal Bonds
- Preferred Stocks
- Cash
- Bond Mutual Funds (less than 10% of the portfolio, if at all)

#### *Moderate/Stability Funds & Stocks*

The strategy can hold diversified moderate, market-neutral, merger arbitrage, and/or conservative mutual funds. Such funds ideally do not have much overlap in holdings. Further, the strategy can also hold a few individual stocks if they fit the selection parameters and align well with a moderate risk tolerance. Nevertheless, this strategy is primarily focused on mutual funds. The following are the allowable asset classes for the strategy:

- U.S. Treasury Bonds and Bills
- U.S. Stocks
- Preferred Stocks
- International Stocks
- Mutual funds
- Cash

#### *Aggressive/Growth Funds*

The strategy holds at least two diversified aggressive/growth mutual funds, that do not have much overlap in holdings. The following are the allowable asset classes for the strategy:

- U.S. Treasury Bonds and Bills
- Global Focused Mutual Funds
- U.S. Focused Mutual funds
- Cash

#### *Income Stocks, Bonds, and Funds*

When fully implemented the strategy will normally hold at least 15 or more individual positions. While the primary focus is on stocks, the strategy can also opportunistically purchase corporate bonds. Corporate bond purchase will be limited to 20% of the strategy with no individual position being greater

than 5% of the total allocation to the strategy. Also, the strategy can hold dividend focused mutual funds that pass the Firm's parameters and diligence. The following are the allowable asset classes for the strategy:

- U.S. Treasury Bonds and Bills
- U.S. Corporate Bonds
- U.S. Stocks
- Preferred Stocks
- International Stocks
- Master Limited Partnerships
- Publicly Traded Limited Partnerships
- Real Estate Securities/REITs
- Dividend Focused Mutual funds
- Cash

**Investing in securities involves risk of loss that Clients should be prepared to bear.**

The strategies followed by Baviello are utilized across all of the Firm's Clients, as applicable. The Client should be aware that with any trading that occurs in the Client account (and depending on the specific fee arrangement with the Firm), the Client may incur transaction and administrative costs.

*Investment Risk* - Investing in securities involves risk of loss that Clients should be prepared to bear.

*Volatility Risk* - Due to the relatively concentrated nature of some of the strategies, there will likely be more volatility than the S&P 500 index or other strategies that consist of less-concentrated holdings. As a result of market forces and the significant, short-term fluctuations associated with companies' stock prices at times, there may be years when performance is down relative to the S&P 500.

*Market Risk* - The strategies may be more likely to suffer underperformance towards the end of a prolonged and surging bull market. Generally, such an environment is marked with broad overvaluation as companies' prices march higher – disconnecting from their operating fundamentals and values, thus significantly narrowing the opportunity sets that fit the parameters of most of the strategies.

*Mutual Fund Risk* - Mutual fund investing entails a number of risks including management underperformance, limited liquidity-only at the end of a day, potential capital gains income tax liability embedded in purchased shares, and performance potentially influenced by purchases or redemptions by other shareholders.

*ETF Risk* - Exchange traded fund investing entails a number of risks including limited liquidity and/or temporary pricing abnormalities based upon market conditions, potentially increased volatility based upon the fully invested nature of passively invested index exchange traded funds.

*Options Trading* - Baviello may cause its Clients to engage in options trading. The trading of options and other derivatives is highly speculative and may entail risks that are greater than those present when investing in other securities. Prices of derivatives can be and often are more volatile than prices of other securities. A Client may speculate on market fluctuations of securities and securities indices while investing only a small percentage of the value of the securities underlying the derivatives. A change in the

market price of the underlying securities or underlying market index will cause a much greater percentage change in the price of the option contract. In addition, to the extent that a Client purchases options that it does not sell or exercise, it will suffer the loss of the premium paid in such purchase. To the extent that a Client sells options and must deliver the underlying securities at the option price, the Client has a theoretically unlimited risk of loss if the price of such underlying securities increases. To the extent that a Client must buy the underlying securities, the Client risks the loss of the difference between the market price of the underlying securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option trading include commissions payable on the purchase and on the exercise or sale of an option.

Stock or index options that may be purchased or sold by a Client include options not traded on a securities exchange. Options not traded on an exchange are not issued by the Options Clearing Corporation. The risk of nonperformance by the obligor on such an option and the difficulty of disposing of such an option may be substantially greater than in the case of an exchange-traded option issued by the Options Clearing Corporation.

*Concentrated Position Risk* - Baviello may recommend that clients concentrate account assets in an industry or economic sector. In addition to the potential concentration of accounts in one or more sectors, certain accounts may, or may be advised to, hold concentrated positions in specific securities. Therefore, at times, an account may, or may be advised to, hold a relatively small number of securities positions, each representing a relatively large portion of assets in the account. As a result, the account will be subject to greater volatility than a more sector diversified portfolio. Investments in issuers within an industry or economic sector that experiences adverse economic, business, political conditions or other concerns will impact the value of such a portfolio more than if the portfolio's investments were not so concentrated. A change in the value of a single investment within the portfolio will affect the overall value of the portfolio and will cause greater losses than it would in a portfolio that holds more diversified investments.

*Preferred Securities Risk* - Preferred Securities have similar characteristics to bonds in that preferred securities are designed to make fixed payments based on a percentage of their par value and are senior to common stock. Like bonds, the market value of preferred securities is sensitive to changes in interest rates as well as changes in issuer credit quality. Preferred securities, however, are junior to bonds with regard to the distribution of corporate earnings and liquidation in the event of bankruptcy. Preferred securities that are in the form of preferred stock also differ from bonds in that dividends on preferred stock must be declared by the issuer's board of directors, whereas interest payments on bonds generally do not require action by the issuer's board of directors, and bondholders generally have protections that preferred stockholders do not have, such as indentures that are designed to guarantee payments – subject to the credit quality of the issuer – with terms and conditions for the benefit of bondholders. In contrast preferred stocks generally pay dividends, not interest payments, which can be deferred or stopped in the event of credit stress without triggering bankruptcy or default. Another difference is that preferred dividends are paid from the issue's after-tax profits, while bond interest is paid before taxes.

*Cybersecurity Risks* - Our firm and our service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes, and practices designed to protect networks, systems, computers, programs, and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. In general, cyber-attacks are deliberate; however, unintentional events may have similar effects. Cyber-attacks may cause

losses to clients by interfering with the processing of transactions, affecting the ability to calculate net asset value or impeding or sabotaging trading. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, and the dissemination of confidential and proprietary information. Any such breach could expose our firm to civil liability as well as regulatory inquiry and/or action. In addition, clients could be exposed to additional losses as a result of unauthorized use of their personal information. While our firm has established a business continuity plan and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cyber security risks are also present for issuers of securities, investment companies and other investment advisers in which we invest, which could result in material adverse consequences for such entities and may cause a client's investment in such entities to lose value.

*Pandemic Risk* - Large-scale outbreaks of infectious disease can greatly increase morbidity and mortality over a wide geographic area, crossing international boundaries, and causing significant economic, social, and political disruption. It is difficult to predict the long-term impact of such events because they are dependent on a variety of factors including the global response of regulators and governments to address and mitigate the worldwide effects of such events. Workforce reductions, travel restrictions, governmental responses and policies and macroeconomic factors could negatively impact investment returns.

Baviello primarily recommends domestic equity securities but is not restricted to the types of securities for which it provides advice. Investing in any type of security entails risk of loss to varying degrees as discussed above in response to Item B. Clients should be prepared to bear losses, including a complete loss of initial investment, when investing in securities.

#### **Disciplinary Information - Item 9**

Neither Baviello, nor any of our employees, has had any civil or criminal actions brought against them.

Neither Baviello, nor any of our employees, has had any administrative proceedings before the SEC, any other regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

Neither Baviello, nor any of our employees, has had any proceedings before a self-regulatory organization.

#### **Other Financial Industry Activities and Affiliations - Item 10**

Baviello has not provided information on other financial industry activities and affiliations because we do not have any relationship or arrangement that is material to our advisory business or to our Clients with any of the types of entities listed below.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor

5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships

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

#### **Description of Our Code of Ethics**

Baviello has adopted a Code of Ethics (the "Code") to address investment advisory conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes Baviello's policies and procedures developed to protect Client's interests in relation to the following topics:

- The duty at all times to place the interests of Clients first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics.
- The responsibility to avoid any actual or potential conflict of interest or misuse of an employee's position of trust and responsibility;
- The fiduciary principle that information concerning the identity of security holdings and financial circumstances of Clients is confidential; and
- The principle that independence in the investment decision-making process is paramount.

A copy of Baviello's Code of Ethics is available upon request to the Firm.

#### **Personal Trading Practices**

At times Baviello and/or its Advisory Representative(s) may take positions in the same securities as Clients, which may pose a conflict of interest with Clients. Baviello and its Advisory Representative(s) will generally be "last in" and "last out" for the trading day when trading occurs in close proximity to Client trades. We will not violate our fiduciary responsibilities to our Clients. Front running (trading shortly ahead of Clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), disclosure will be made to the Client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading.

### **Brokerage Practices - Item 12**

Baviello has complete discretion to select the brokers or dealers through which securities are to be traded and to negotiate the commission rates at which brokerage transactions are effected. Baviello acknowledges the obligation to seek best execution reasonable within the circumstances of a trade. However, Baviello does not obligate itself to obtain the lowest commission or best net price for an account on any particular transaction.

All orders for the purchase and sale of securities for Clients will be placed in such markets and through such brokers as in Baviello's best judgment offer the most favorable price and market for the execution

of each transaction under the circumstances. In selecting a broker or dealer for any transaction or series of transactions, Baviello may consider a number of factors, including, for example, net price, reputation, financial strength and stability, efficiency of execution, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, research services provided to Baviello, and other matters ordinarily involved in the receipt of brokerage services generally. In no event shall Baviello be under any duty to obtain the lowest commission or best net price for a Client on any particular transaction, nor is Baviello under any duty to execute any order in a fashion either preferential to the Client relative to other like accounts managed by Baviello or otherwise materially adverse to such other accounts.

The Client understands and agrees that Baviello may effect securities transactions which cause the Client to pay an amount of commission (as that term may be interpreted from time to time by relevant regulatory authorities) in excess of the amount of commission another broker would have charged; provided, however, that Baviello determines in good faith that such amount of commission is reasonable in relation to the value of brokerage and research services provided by such broker, viewed in terms of either the specific transaction or Baviello's overall responsibilities to the accounts for which Baviello exercises investment discretion. The Client also understands that the receipt and use of such services will not reduce Baviello's customary and normal research activities. In addition, Baviello may use only one or a limited number of Broker-Dealers in order to obtain better execution services than otherwise may be the case if multiple brokers were used.

Baviello selects brokers and custodians based on a number of factors. The main selection factors include, but are not limited to, past success in obtaining reasonable net prices on transactions, commission rates, custody services, online access to Client account data, reputation, financial strength and stability, back office support and other institutional adviser services, settlement and allocation capabilities, web trading ability, product offering and inventory (including fixed income securities), efficiency and speed of execution and error resolution, research and resource availability of broker websites, ability to place block trades, and willingness to execute related or unrelated difficult transactions in the future.

For Baviello's portfolio management programs we recommend and request Clients to implement trades and maintain custody of assets through TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"). TD Ameritrade is a member of the Financial Industry Regulatory Authority ("FINRA"), the Securities Investor Protection Corporation ("SIPC") and the National Futures Association ("NFA").

TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Baviello receives some benefits from TD Ameritrade through its participation in the program.

#### **Research and Other Soft Dollar Benefits**

Although not considered "soft dollar" compensation, we receive benefits from TD Ameritrade in the form of reports, software, and institutional trading support. We do not have to produce or pay for such research, products or services.

Baviello participates in TD Ameritrade's institutional customer program and Baviello may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Baviello's participation in the program and the investment advice it gives to its Clients, although Baviello receives



economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors.

These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Baviello participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Baviello by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Baviello's related persons.

Some of the products and services made available by TD Ameritrade through the program may benefit Baviello but may not benefit its Client accounts. These products or services may assist Baviello in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Baviello manage and further develop its business enterprise. The benefits received by Baviello or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to Clients, Baviello endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits by Baviello or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Baviello's choice of TD Ameritrade for custody and brokerage services.

#### **Brokerage for Client Referrals**

Baviello does not receive Client referrals from broker-dealers and custodians in which we have an institutional advisory arrangement. Also, we do not receive other benefits from a broker-dealer in exchange for Client referrals.

#### **Directed Brokerage**

Baviello has discretionary authority to select the Broker-Dealer for custodial and execution services. The Broker-Dealer is chosen based upon criteria such as, but not limited to, reasonableness of commissions charged to the Client, tools and services made available to the Client and Baviello, and convenience of access to the account trading and reporting. Baviello has chosen TD Ameritrade as its preferred custodian for Client accounts. We do not accept Client accounts held in custody at other Broker-Dealers and do not direct transactions on Clients' direction.

#### **Trade Aggregation**

Baviello may aggregate sale and purchase orders of securities held by Client accounts if, in Baviello's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the Clients based on an evaluation that each Client is benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for a Client will be affected simultaneously with the purchase or sale of like securities for other accounts. Such transactions may be made at different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold may be determined, and at Baviello's sole discretion, the Clients may be charged or

credited, as the case may be, the average transaction price. However, the commissions charged to a Client may differ from those charged to other Clients of Baviello as a result of those Clients' specific brokerage account arrangements.

The Firm may combine orders into block trades when more than one account is participating in the trade. This blocking or bunching technique must be equitable and potentially advantageous for each such account (e.g. for the purposes of reducing brokerage commissions or obtaining a more favorable execution price). Equity trades are blocked based upon fairness to Client, both in the participation of their account, and in the allocation of orders for the accounts of more than one Client. Allocations of all orders are performed in a timely and efficient manner. If an order is partially filled, the securities will be allocated pro rata based on the allocation statement. The Firm may allocate trades in a different manner than indicated on the allocation statement (non-pro rata) only if all managed accounts receive fair and equitable treatment.

### **Review of Accounts - Item 13**

Baviello's Managing Director and sole employee, L. Christopher Baviello, reviews each account no less than quarterly, for the purposes of monitoring the companies in the strategies. Accounts are also reviewed as the result of a dramatic change in economic or market conditions or changes in a Client's personal or financial circumstances.

Baviello provides each Client with quarterly portfolio valuations of their account. Additionally, the custodians of these accounts provide monthly (and/or quarterly) statements to these Clients. The firm uses only qualified custodians.

Baviello's reports are reconciled with custodian records. The Firm's reports give detailed information regarding each position held (e.g. quantity held, cost, current market price, aggregate market value, yield), and itemize the market value of assets under management, which is used as the basis for calculating fees. Valuations are based on market prices as provided by Baviello's custodians.

### **Client Referrals and Other Compensation - Item 14**

Baviello does not have relationships with any individuals or entities that provide referrals to us for compensation. Similarly, Baviello does not have relationships with any individuals or entities that provide advisory services to our Clients with whom we have any financial relationship.

### **Custody - Item 15**

Baviello does not accept or maintain custody of a Client's funds or securities except for authorized management fee deduction. Baviello has written authorization from the Client to deduct advisory fees from the account held by a qualified custodian. Baviello sends invoices to the Client directly at the same time it sends invoices to the custodian. Baviello's qualified custodian sends statements to Clients itemizing management fees no less than quarterly. Clients should carefully review these custodial statements to ensure that their management fees are being deducted accurately.

### **Investment Discretion - Item 16**

Baviello offers Portfolio Management Services to its advisory Clients on a discretionary basis. Clients must grant the firm discretionary authority in the Client advisory agreement. Discretionary authority extends to the type and amount of securities to be bought and sold and does not require advance Client approval.

Clients may limit the firm's discretionary authority if they wish, by, for example, setting a limit on the type of securities that can be purchased for their account. All such restrictions must be provided in writing. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

### **Voting Client Securities - Item 17**

#### **Proxy Voting**

Baviello does not accept authority for voting Client proxies.

Clients receive proxy materials for their portfolio holdings directly from the custodian via electronic mail or United States Postal Service. Clients may contact the Firm for questions about particular solicitations at the phone number on the cover page of this Form ADV Part 2.

### **Financial Information - Item 18**

Baviello does not require or solicit prepayment of more than \$500.00 in fees per Client, six months or more in advance.

Baviello does have discretionary authority over Client accounts and custody only to the extent that the Firm automatically deducts management fees. Baviello is not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual obligations to Clients.

Baviello has never been the subject of a bankruptcy petition.

### **Requirements for State-Registered Advisors - Item 19**

#### **Principal Executive Officers and Management Persons**

The Principal Owner of Baviello is L. Christopher Baviello. For information about the owner's formal education and business background, see the *Baviello Brochure Supplement for each owner* (included at the end of this brochure).

#### **Outside Business Activities**

Baviello is not actively engaged in any other business.

#### **Performance Based Fees**

Baviello does not accept performance-based fees. Performance based fees are based on a share of capital gains on or capital appreciation of the Client's assets.

#### **Disciplinary Information**

Baviello and its management persons have not been involved in any reportable disciplinary events.

**Other Relationships or Arrangements With Issuers of Securities**

Baviello does not have any relationships or arrangements with any issuer of securities.

**L. Christopher Baviello**  
**Managing Director/Chief Compliance Officer**

**Baviello Investment Management, LLC**

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**March 21, 2023**

**Form ADV Part 2B Brochure**

**This brochure supplement provides information about L. Christopher Baviello that supplements the Baviello Investment Management, LLC brochure. You should have received a copy of that brochure. Please contact Baviello Investment Management, LLC if you did not receive the Firm's brochure or if you have any questions about the contents of this supplement.**

**Additional information about L. Christopher Baviello, is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Educational Background and Business Experience - Item 2**

**Louis Christopher Baviello, CIMA®**

Year of birth: 1983

Formal education after high school:

- University of Virginia; B.S.C. Commerce and B.A. Economics, 2006

Business background for the previous five years:

- Baviello Investment Management, LLC, Managing Director and Chief Compliance Officer, 03/2018 – Present.
- LPL Financial LLC & Great Valley Advisor Group d/b/a separate legal entity Baviello Investment Management LLC, Financial Advisor, 05/2016 to 03/2018
- Janney Montgomery Scott, LLC, Financial Advisor, 07/2014 to 05/2016
- Merrill Lynch Wealth Management, Financial Advisor, 05/2012 to 07/2014

for Use of the Marks. CIMA designees must report 40 hours of continuing education credits, including two ethics hours, every two years to maintain the certification. The designation is administered through Investment Management Consultants Association<sup>SM</sup> (IMCA®). **Professional Designations**

**Qualifications:**

**Certified Investment Management Analyst<sup>SM</sup> (CIMA®)**

The CIMA certification signifies that an individual has met initial and on-going experience, ethical, education, and examination requirements for investment management consulting, including advanced investment management theory and application. Prerequisites for the CIMA certification are three years of financial services experience and an acceptable regulatory history. To obtain the CIMA certification, candidates must pass an online Qualification Examination, successfully complete a one-week classroom education program provided by a Registered Education Provider at an AACSB accredited university business school and pass an online Certification Examination. CIMA designees are required to adhere to IMCA's Code of Professional Responsibility, Standards of Practice, and Rules and Guidelines.

**Disciplinary Information - Item 3**

Mr. Baviello has no legal or disciplinary events applicable to this Item.

**Other Business Activities - Item 4**

L. Christopher Baviello does not receive any additional compensation for providing advisory services beyond the fee-based compensation he receives through Baviello Investment Management, LLC.

L. Christopher Baviello is not actively engaged in any other business or occupation (investment-related or otherwise) beyond his capacity as Managing Director of Baviello Investment Management, LLC. Moreover, Mr. Baviello does not receive any commissions, bonuses or other compensation based on the sale of securities or other investment products.

**Additional Compensation – Item 5**

Mr. Baviello does not receive any additional compensation for providing advisory services beyond that received as a result of his capacity as Managing Director of Baviello Investment Management, LLC.

**Supervision - Item 6**

L. Christopher Baviello, the sole employee of Baviello Investment Management, LLC, monitors the Firm's investment activities, his own personal investing activities, and adheres to the Firm's compliance program and Code of Ethics. Mr. Baviello can be reached at (443) 278-8880.

**Requirements for State-Registered Advisers - Item 7**

**Disciplinary Information**

L. Christopher Baviello, Managing Director, has not been involved in any reportable disciplinary events.

**Bankruptcy Petition**

L. Christopher Baviello, Managing Director, has not been subject to a bankruptcy petition.