

# Peabody River Asset Management, LLC

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This brochure provides information about the qualifications and business practices of Peabody River Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at 617-497-6358 or [info@peabodyriver.com](mailto:info@peabodyriver.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Peabody River Asset Management, LLC, is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Peabody River Asset Management, LLC, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and from:

Secretary of the Commonwealth  
Massachusetts Securities Division  
One Ashburton Place  
17<sup>th</sup> Floor  
Boston, Massachusetts 02108  
617-727-3548  
[securities@sec.state.ma.us](mailto:securities@sec.state.ma.us)

**Item 2: Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV,” which amends the disclosure document that we provide to clients as required by SEC rules. This brochure, dated 15 May 2020, is prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and includes certain new information that our brochures issued before April of 2011 did not include. This present version is only slightly revised from the version issued 31 March 2017. There are small updates and modest elaborations.

Pursuant to the new SEC rules, we ensure that our clients receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our fiscal year, which is the calendar year. We also offer this brochure to clients at the beginning of every calendar year. We may further provide other disclosure information about material changes as necessary.

We will provide you with a new brochure as necessary based on future changes or new information, at any time, without charge.

Additional copies of our brochure may be requested by contacting Adam Jared Apt, the firm’s manager, at 617-497-6358 or [info@peabodyriver.com](mailto:info@peabodyriver.com).

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#### **Item 4: Advisory Business**

Peabody River Asset Management, LLC (“Peabody River”) is an investment advisory firm registered with the Commonwealth of Massachusetts and the State of California. Adam Jared Apt, CFA, the manager, is the sole owner of the firm, which he established in 2007.

Peabody River constructs portfolios in a way that it believes will achieve an appropriate balance between prospective risk and prospective return for each client, and with appropriate cash flows. It does this after due evaluation of each client’s balance sheet, objectives for wealth and income, likely cash flows and time horizons, understanding of and tolerance for investment risk, and tax status. The firm constructs portfolios for individuals, families, and the endowments or reserves of non-profit organizations and institutions.

Peabody River constructs portfolios from the top down in four stages: asset class allocation (meaning the weight placed on asset classes, such as stocks and bonds, and sub-classes, like domestic stocks and international stocks), asset location (meaning the decision, for individuals or families, as to which account should hold the securities, the taxable or the tax advantaged, and of which family member), asset allocation (meaning the weight placed on individual securities), and security selection.

Portfolios are built primarily from ETFs (exchange-traded funds), ETNs (exchange-traded notes), individual master limited partnerships (MLPs), individual bonds, and also, but only rarely, mutual funds and convertible bonds. ETFs are used for exposure to domestic stocks, international stocks, domestic and international bonds, and sectors of the markets in these securities. Warrants will not be purchased but may be held if spun off through corporate actions of existing holdings. Peabody River does not include hedge funds, private equity, venture capital, or individual real estate properties in its fee-based management advice, but may render an opinion on such investments if asked by a client. Peabody River dislikes the layering of fees, and therefore may, in some of the rare instances where mutual funds are used, charge less than its regular fee for that portion of the portfolio. Domestic stock management consists of portfolios of ETFs with a “value” tilt (low price-to-book, low price-to-earnings, low price-to-cashflow, and/or low price-to-dividend ratios) and a tilt toward smaller-capitalization stocks. For some clients who require a predictable income stream, portfolios of laddered bonds may be constructed. In order to avoid incurring taxes unnecessarily, the firm may retain legacy holdings in a portfolio in whole or in part if they do not seem likely to lead to poor investment performance. For this reason, individual clients’ portfolios, even when personal balance sheets, objectives, time horizons, cash flows, tax positions, and risk tolerances are similar, may have heterogeneous holdings.

Peabody River’s style is mostly “buy and hold,” with occasional rebalancing to reflect changes in the client’s circumstances and to restore the appropriate balance of prospective return and prospective risk after market action or corporate actions. There may infrequently be rebalancing to reflect changes in the firm’s outlook for individual securities and asset classes.

Peabody River does not vote proxies on the client’s behalf, but it is willing to render advice to clients who want to vote their proxies and ask for guidance.

Peabody River prefers to manage the entire portfolio of each client. Because the firm structures total portfolios, however, it is willing to accommodate clients who want to have some portion of their individual stock holdings managed by another firm, as long as Peabody River can obtain enough information about this other portion to be able to integrate it into the remaining portfolio. It will not charge any fee for the portion that remains outside its management. There is one exception to this: Peabody River may have a prior arrangement with one or more independent registered investment advisors that, in the judgment of Peabody River, have long track records of superior management of domestic equities through a “value” approach. If a client requests that Peabody River delegate domestic equity management to such a firm, Peabody River may receive some portion of the fee for management of the delegated portion of the portfolio, but at no time will the total fee paid by the client be greater than the asset-weighted average of the fees normally charged by Peabody River and the other firm. (In other words, there will be no extra charge to the client for this arrangement.)

Currently, Peabody River Asset Management has discretion over all the accounts that it manages, but it does offer non-discretionary management. Assets under management or being advised, excluding the personal assets of the firm's staff, were \$10,268,693.52 as of 31 December 2019.

In its advisory business, Peabody River Asset Management does not participate in any wrap-fee programs.

In its advice-only financial planning service, there is the potential for a conflict of interest if Peabody River advises a client to retain the services of a fee-only investment advisor, inasmuch as Peabody River is a fee-only investment advisor. Clients of Peabody River's financial planning service are under no obligation to retain Peabody River as their investment advisor, nor to retain the services of any other professional whom Peabody River may recommend. Peabody River has no financial interest in any services it recommends, apart from its own investment management.

In its consulting services, Peabody River will provide general education about investing, design an appropriate investment policy and draft an investment policy statement, evaluate the current portfolio, give guidance to clients who want to manage their own portfolios, and provide general advice on how to select an investment manager, including how to evaluate performance numbers. These are services that it may also, at no additional charge, provide to its investment management clients. To avoid conflicts of interest, Peabody River will not conduct searches for an investment manager, but it may put itself forward as a possible manager if the client or an agent of the client conducts such a search.

We believe that we have disclosed all material conflicts of interest under California Code of Regulations Section 260.238 (k) regarding Peabody River Asset Management, its representatives, or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

### **Item 5: Fees and Compensation**

The specific manner in which fees are charged by Peabody River Asset Management, LLC, is established in a client's written contract with Peabody River. Clients may elect to be billed directly for fees or to authorize Peabody River to directly debit fees from client accounts. If the latter, Peabody River will forward an invoice just before or just after the fees have been debited.

Peabody River Asset Management is a fee-only investment adviser. This means that it does not sell any products on commission. It does not sell insurance products, and it does not accept mutual fund loads or 12b(1) fees. Clients will, however, incur the trading costs when Peabody River buys or sells a financial instrument or product on their behalf, as well as when, for example, a mutual fund held by clients trades its holdings. Peabody River tries to keep transactions costs to the minimum consistent with constructing appropriate portfolios for its clients. Peabody River's preferred brokerage and custodian, Shareholders Service Group, currently charges a commission of \$15.95 per trade of stock, ETF, or ETN, and \$40 per trade of an individual bond.

Clients may, of course, with or without the advice of Peabody River, purchase commissioned financial products, such as insurance, through other agents or advisers who are unaffiliated with Peabody River.

In accordance with Massachusetts regulations that took effect 1 January 2020, Peabody River Asset Management maintains a separate one-page document that sets out its fee schedule. This document is available upon request and can be downloaded from the Peabody River web site.

The basic fee for discretionary investment advisory services is 0.90% of all assets freely under discretionary management per annum, assessed quarterly in arrears. It is calculated on assets under management on the last business day of the quarter, and for those who have been clients for less than a full quarter, the amount will be prorated. There is a minimum annual fee of \$3000. In highly exceptional circumstances, the fee for individuals is negotiable.

There is an eleemosynary discount off the regular base fee for not-for-profit organizations. The base fee for such organizations is 0.80%.

There are breakpoints in the fee structure at \$2,000,000, at \$5,000,000, and at \$10,000,000. The following table presents the full fee structure for discretionary asset management (as of 1 July 2015), expressed as percentages of assets under management, per annum:

	Individuals	Not-for-Profit Organizations
Below \$2,000,000	0.90%	0.80%
\$2,000,000 to \$5,000,000	0.75%	0.65%
\$5,000,000 to \$10,000,000	0.40%	0.30%
\$10,000,000 and above	0.25%	0.15%

These are marginal rates.

For the so-called “held-away” accounts of individuals, that is, accounts like a 401(k), where the assets are in the custody of a pension plan and cannot be transferred, and where the investment options are limited by the plan and may also have limitations on the frequency of trading, the fee for discretionary management is 0.75% for up to \$5,000,000 in assets; from that amount and above, the fee is as specified in the table.

In addition, bond ladders, if appropriate for a portfolio, will be managed at an annual fee of 0.10% per annum, assessed quarterly in arrears. There is no discount, and there are no breakpoints.

The inception date for calculating fees is normally the date upon which assets are received by Peabody River’s preferred custodian, but may be reckoned differently depending upon circumstances, as will be set out in the contract.

The fee for financial planning services, which may include non-specific investment advice, is \$200 per hour or a negotiated annual retainer whose minimum is \$1000. The fee for investment consulting services is \$200 per hour plus expenses.

Lower fees for comparable services may be available from other sources.

Clients may terminate an investment management contract at any time. Because fees are charged in arrears, there will be no refunds. When termination occurs between quarter ends, the client will owe an amount corresponding to the portion of the quarter during which Peabody River was the manager of the portfolio. Investment consulting and financial planning contracts may be terminated by the client at any time, but annual retainers are not refundable and may not be prorated.

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

Peabody River Asset Management does not offer asset management compensated by performance-based fees.

### **Item 7: Types of Clients**

Peabody River Asset Management offers portfolio management services to individuals, high-net-worth individuals, families, charitable institutions, organizations, foundations, and endowments. Clients may include trusts.

There is no minimum account size, but the minimum annual fee is \$3,000 per annum, which, considered as a percentage of assets to be managed and in comparison with Peabody River Asset Management's base management fee, may be too expensive for individuals' accounts worth less than about \$330,000. Exceptions to this minimum fee may be granted at the discretion of Peabody River.

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

#### *Primary Methods of Analysis*

For the most part, Peabody River's advice is based on long experience and familiarity with both the financial markets and financial products. We rely on historical statistical information, as well as forward-looking economic analysis and financial statement analysis.

All investment products except cash are inherently risky, and Peabody River works hard to convey the possibilities of loss to clients both through its writings (available to everyone at [www.peabodyriver.com](http://www.peabodyriver.com)) and through conversation. We emphasize an understanding of the possibility and probabilities of loss, rather than simple statistical measures of volatility.

#### *Other Methods of Analysis*

Peabody River Asset Management may make use of "quantitative" tools for risk analysis of individual securities and entire portfolios. These tools consist primarily of risk models, where the risk of each security and of the portfolio is analyzed with respect to broad risk factors, whose known risks and correlations are estimated. These tools, if used, will be provided by a reputable third-party company or companies with expertise in the design of risk models.

In addition to the risk analysis data described above, other sources of information may include corporate Web sites and independent Web services, such as Morningstar and xtf.com, as well as chat rooms and bulletin boards. In addition, Peabody River Asset Management may use published general economic and capital market data and forecasts from a variety of sources, such as the Congressional Budget Office and Ibbotson Associates (owned by Morningstar).

### **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Peabody River Asset Management or the integrity of Peabody River Asset Management's management. Peabody River Asset Management and its staff have no such material facts to disclose.

**Item 10: Other Financial Industry Activities and Affiliations**

Peabody River Asset Management and its staff have no other financial industry affiliations and are not registered nor have applications pending to register as securities broker-dealers or as futures commission merchants, commodity pool operators, or commodity trading advisers.

Peabody River Asset Management also has no arrangements that are material to its advisory business or its clients with a related person who is: a broker-dealer, investment company, other investment adviser, financial planning firm, commodity pool operator or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company, pension consultant, real estate broker, or entity that creates or packages limited partnerships. No staff member of Peabody River Asset Management is a general partner in any partnership in which clients are solicited to invest.

The only exception, as noted under Item 4, is that Peabody River Asset Management currently does and may have a prior agreement with one or more independent registered investment advisors (RIAs) that, in the judgment of Peabody River Asset Management, have long track records of superior management of domestic equities through a “value” approach. If a client who prefers the selection of separate domestic U.S. stocks to the use of mutual funds or exchange-traded funds requests that Peabody River Asset Management delegate domestic equity management to such a firm, Peabody River may receive some portion of the fee for management of the delegated portion of the portfolio, but at no time will the total fee paid by the client be greater than the asset-weighted average of the fees normally charged by Peabody River Asset Management and the other firm. (In other words, there will be no extra charge to the client for this arrangement.) Because such an arrangement would produce less revenue for Peabody River Asset Management, the only conflicts of interest that arise from this arrangement are, first, that Peabody River would prefer to keep all management in house and will recommend such an arrangement only upon the request of the client, and second, there would be an incentive to underweight domestic equities. The latter conflict is mitigated by Peabody River’s making a recommendation for an overall equity allocation, of which the domestic portion is usually a fixed proportion. For clients resident in California who request this arrangement, Peabody River will ensure that the independent RIA is licensed with or has filed notice with the California Department of Corporations.

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

Peabody River Asset Management and its staff abide by the Code of Ethics and the Standards of Professional Conduct of the CFA Institute, except that, when complying with Standard III D, “Performance Presentation,” it may not be in compliance with the CFA Institute’s Global Investment Performance Standards (which are described as a “best method” but are not a requirement for compliance with Standard III D). The staff of Peabody River are reminded of this obligation annually. Peabody River Asset Management will provide the Code of Ethics and the Standards of Professional Conduct to clients in either paper or electronic form upon request.

Adam Jared Apt, manager of Peabody River Asset Management LLC, may on occasion buy or sell for his own accounts securities that he also recommends to clients. In such cases, he will execute the trades for his personal accounts only after completing execution of the trades in these same securities in all the clients' accounts where the securities are to be bought or sold.

### **Item 12: Brokerage Practices**

Peabody River Asset Management prefers to use a single firm, Shareholders Service Group, for both custody of assets and trading. This works to the advantage of both Peabody River Asset Management and the client, because by simplifying procedures, the use of single such firm reduces the possibilities of reporting and trading errors and increases the ability of Peabody River Asset Management to produce informative reports for each client. Furthermore, Shareholders Service Group and any other firms offering broker-dealer services that might be chosen by Peabody River Asset Management offer discounted or low-cost trading. Because the cost of trading is borne by the client's account, the client gains a financial advantage by having accounts on such a platform. Peabody River Asset Management is independent from and has no beneficial relationship with Shareholders Service Group.

Although the brokerage firms offering such trading platforms may also offer research or discounts on investment management software, such advantages to Peabody River Asset Management will be incidental. This is because low commissions are an important consideration in choosing the platform. Any research received or software discounted through such an arrangement will be used to the advantage of all of Peabody River Asset Management's clients.

Peabody River Asset Management therefore strongly urges clients to transfer custody to and permit it to trade through Shareholders Service Group or any other brokerage firm it may in the future select for combining custody and a trading software platform, but this is not a requirement.

Peabody River Asset Management may receive investment research or discounts on software from firms through which it trades. In general, however, it does not seek out "soft-dollar" arrangements, and instead prefers to pay low trading commissions and to pay cash, from its own account, for any services it receives.

### **Item 13: Review of Accounts**

#### *Reviews and Reviewers of Accounts*

The reviewer is Adam Jared Apt, manager of Peabody River Asset Management LLC. Mr. Apt reviews every client portfolio under discretionary management several times a week (on days when the U.S. stock market is open), except during occasional vacations, when only broad market activity will be monitored. Particular attention will be paid on days of extraordinary activity in the markets generally, and of extraordinary activity in any of the individual holdings specifically, with a view toward trading to rebalance or restructure the portfolios. Also, particular attention will be paid to specific portfolios when a client informs Peabody River Asset Management of a change in his or her circumstances or financial requirements.

#### *Nature and Frequency of Regular Reports*

Clients receive from the custodian quarterly and usually monthly reports of their portfolio holdings, of the valuations of those holdings, and of trading activity in their accounts. They can choose to receive these either on paper or in electronic form. They receive from Peabody River quarterly reports of their investment performance (returns), as well as the performance of suitable benchmarks. They receive at least semi-annually the Peabody River Asset Management newsletter, which covers thoughts relevant to the management of the portfolios, including anything that might affect the market outlook and ideas that might lead to changes in the structure of many or all client portfolios, generally.

The manager will arrange a meeting with each client a minimum of once a year, and will try to telephone each client at least quarterly, at the convenience of the client.

**Item 14: Client Referrals and Other Compensation**

Peabody River Asset Management welcomes referrals but does not compensate anyone who is not an employee for referrals, except occasionally with a meal or gift worth less than \$50.

**Item 15: Custody**

Peabody River Asset Management does not have custody of clients' assets. Clients should receive at least quarterly and usually monthly statements from the broker dealer that holds and maintains client's investment assets, normally Shareholders Service Group. These may be in paper or electronic form. Peabody River Asset Management urges clients to review such statements carefully and to compare such official custodial records to the account statements that we provide. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Because Web-based access by a third party to clients' defined contribution plans is considered legally to constitute custody, Peabody River works with its clients to arrange for a grant of limited power of attorney over them, which allows Peabody River to manage the defined contribution plan accounts without having access to the funds contained in them.

**Item 16: Investment Discretion**

Peabody River Asset Management usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and quantity of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Peabody River observes the investment policies, limitations, and restrictions of the clients whom it advises.

Investment guidelines and restrictions are specified in the management contract together with the Investment Policy Statement (IPS).

**Item 17: Voting Client Securities**

As a matter of firm policy and practice, Peabody River Asset Management does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Peabody River Asset Management may provide advice to clients regarding the clients' voting of proxies.

**Item 18: Financial Information**

Registered investment advisers are required in this item to provide you with certain financial information or disclosures about Peabody River Asset Management's financial condition. Peabody River Asset Management has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients,

and has not been the subject of a bankruptcy proceeding and has no financial condition that is likely to impair its ability to meet contractual commitments to its clients.

Peabody River Asset Management does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance.

### **Item 19: Requirements for State-Registered Advisers**

#### *Education and Business Background*

##### **1) Adam Jared Apt**

Manager of Peabody River Asset Management, LLC.

Born: 10-11-1955

#### *Education*

B.A. Astronomy, Amherst College, 1977

D. Phil. History of Science, Oxford University, 1982

M.B.A., University of Chicago, 1986

C.F.A, 1990

#### *Work Experience*

1993-1997, Northfield Information Services, Inc., a provider of risk management tools for investments

1997-1999, Colonial Management Associates, an open-end mutual fund complex.

1999-2000, Asset Sciences, Inc., a provider of Web-based financial planning services for individuals.

2000-2001, Customer Dialogue Systems, Inc., which acquired Asset Sciences in 2000.

2002-2007, LTSave, Inc.

At LTSave, Inc., a provider of Web-based investment advice for individuals for retirement planning, Mr. Apt was Vice President of Investment Analytics. In this position, he was responsible for the design of the automated system that generated the investment advice. He also created the capital market forecasts that the firm used.

1. Mr. Apt has not been subject to an award or otherwise been found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

2. Mr. Apt has not been subject to an award or otherwise been found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices