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Hallmark Capital Management, Inc.

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Thomas S. Moore, CFA®, Executive Vice President, Chief Investment Officer

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“How do I research an investment advisor?”

By George R. Kress, CFA®

To assess the quality of your investment-advisor relationship, an article in the April–May 2015 issue of *Worth* suggested you should consider expenses, relative performance and risk exposure.¹

The article went on to suggest that honest and open dialogue is the key to obtaining this information directly from your advisor. Fortunately, both federal regulation and industry best practices have improved transparency, providing advisors' current and prospective clients with the means of confirming any advisor's statements.

The key document here is federal Form ADV, through which advisors register with the federal government and many states. In 2010, the SEC's revision of Form ADV resulted in advisors having to publish a common language ADV, replacing the impenetrable legalese of previous versions. The form's Part 2A is intended to explain how an advisor performs his or her work on behalf of clients. It should describe an advisor's investment philosophy, processes for selecting securities and building investment portfolios, information about which employees have discretion for making investment decisions, any affiliation with other financial institutions or brokerage firms and, not least important, fee schedules.

If your advisor is broker-affiliated and your investment is through a sponsored WRAP fee program, be sure to review Appendix 1 for details on the program's total costs.

Form ADV Part 2B is a supplemental brochure, detailing the biographies, industry experience and any disciplinary history for those individuals making investment decisions at the firm. Some readers may find these documents a sure cure for insomnia, but what you learn from Parts 2A and 2B should reiterate what an advisor tells you, and reflect the character of the securities you observe in your portfolio. **If not, you have good reason to ask the advisor for an explanation of the difference.**

Advisors should readily provide these documents upon request. They are required to present new clients with Forms ADV parts 2A and 2B prior to the start of an investment management relationship and, thereafter, to offer an annual update of these forms. If you would like to research an advisor anonymously, visit the website of the U.S. Securities and Exchange Commission at www.sec.gov. There you can “check out a broker or adviser” through the education tab on the home page.

When attempting to assess an advisor's performance record, inquire about whether his or her past investment

returns are presented in accordance with the Global Investment Performance Standards (GIPS®). According to the CFA Institute, the global not-for-profit association of investment professionals that created and administers the GIPS, “the GIPS standards are voluntary and are based on the fundamental principles of full disclosure and fair representation of investment performance results.”

The GIPS require a standard presentation format, with returns presented relative to the advisor's chosen comparative benchmark. Presentation of returns is required before advisory fees, but after transaction costs.

Regardless, all GIPS presentations must include the advisor's fee schedule for investment management services and must also present the volatility of past performance. This is your means of evaluating the risk exposure undertaken by the advisor. Standard deviation of past years' returns is the measure presented. Other measures of relative risk may be included as well.

For current clients of GIPS compliant advisors, you can examine the advisor's composite performance presentation—representing a collection of the advisor's clients with a similar investment objective—and compare these returns to your own, to determine how yours performed compared to those of the group. ®

¹ Jack Waymire, “Trust but Verify,” *Worth*, April–May 2015.

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—George R. Kress, CFA®

How to reach **Hallmark**

We are delighted to offer our services and welcome the opportunity to speak with you. Steve Erikson, CFP®, and George R. Kress, CFA®, can be reached at 973.808.4144.



Standing, left to right: George R. Kress, Thomas S. Moore; seated, left to right: Cynthia Bechmann, Steve Erikson

About Hallmark Capital Management, Inc.

Hallmark Capital Management, Inc. (Hallmark) is dedicated to empowering clients to attain their financial goals by providing objective investment management and financial planning services. Hallmark employees remain committed to maintaining the highest degree of professionalism and integrity, while using their best judgment and wisdom on behalf of clients, as they have for more than 25 years. They have a fiduciary duty of care, loyalty, honesty and good faith to always place the best interests of clients ahead of their own.

Assets Under Management
\$912 million (as of 12/31/14)

Minimum Asset Requirement
\$500,000 (for investment services)

Number of Clients
379 (as of 12/31/14)

Primary Custodian for Investor Assets
Multiple—please inquire

Financial Services Experience
Erikson, 30 years; Kress, 24 years; Moore, 34 years; Bechmann, 30 years

Professional Services Provided
Planning and money management services

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