

# Schuchard Capital Management, Inc.

Part 2A of Form ADV: Firm Brochure – Annual Update Prepared January 2024

## **Business and Contact Information**

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## **Introduction/Background**

This Firm Brochure provides information about the qualifications and business practices of Schuchard Capital Management, Inc. (herein referred to as “we” or “our firm”). Please contact us with questions (see above Business and Contact Information).

The United States Securities and Exchange Commission (SEC) requires the Firm Brochure of all of its registered investment advisers. Note that SEC registration is required strictly on an adviser’s level of client assets under management. The SEC does not impose minimum skills or training requirements for registered advisers. This brochure is not approved or verified by the SEC or any state securities authority. It is also available on the SEC website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Summary of Material Changes**

There have been no material changes to our qualifications or business practices as described in our Firm Brochure and Supplements since our previous annual update in January 2023.

# Schuchard Capital Management, Inc.

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# Schuchard Capital Management, Inc.

## **Advisory Business**

Michael R. Schuchard established Schuchard Capital Management, Inc. in 1989. He is the sole stockholder of the Michigan corporation. From 1986 through 1988, he practiced under the name Winchester Management & Research, Inc., a Massachusetts corporation.

We take pride in providing objective and unbiased investment advice to clients and conducting all aspects of our business with great integrity. Beyond portfolio management and financial planning, we coordinate and implement estate planning and tax planning by working closely with our clients and their attorneys and accountants.

## **Advisory Services**

We primarily provide continuous and regular investment supervisory services to clients. We also provide periodic consultations at a negotiated service level.

Typical components of our advisory services are:

- Assessing initial goals and changes in objectives over time or in light of new circumstances.
- Developing a portfolio based on various factors including investment objective, risk tolerance, age, income, cash needs, liquid assets, net worth, and tax bracket.
- Preparing/updating a cash flow analysis and/or financial plan.
- Providing portfolio valuations, at least quarterly, detailing the status of the portfolio and its holdings.
- Providing supplemental tax information, when applicable and requested.

# Schuchard Capital Management, Inc.

## Types of Investments

Portfolios tend to fall into one of four broad investment objective categories:

- Growth
- Balanced
- Income Only
- Preservation of Capital

Investment objectives may be further tailored to suit a particular client. For example, a Growth Portfolio may be designed to provide varying degrees of growth and risk as follows:

- All Equity Growth
- Aggressive Growth
- High Growth

Once a portfolio objective is established, an appropriate asset mix is developed using the following asset classes:

- Cash & Equivalents
- Fixed-Income Securities
- Alternative Investments (i.e., commodities, precious metals, real estate, oil and gas, emerging markets debt, and foreign currency)
- U.S. Common Stocks
- Foreign Common Stocks

Asset allocations are further defined into subclasses. For example, an allocation to U.S. Common Stocks may include:

- U.S. Large Cap Market Stocks (Blended)
- U.S. Large Cap “Value” Stocks
- U.S. Small Cap Market Stocks (Blended)
- U.S. Small Cap “Value” Stocks

# Schuchard Capital Management, Inc.

## **Types of Investments, Continued**

In selecting particular investments within an asset class, we favor exchange traded funds (ETF) and no-load index mutual funds with low expense ratios.

We may use other types of investments at our discretion or upon a client's request including, but not limited to, the following:

- No-load actively managed mutual funds
- Exchange traded funds (ETF)
- Individual stocks traded over various exchanges
- Foreign issuers
- U.S. Government securities
- Municipal securities
- Corporate debt securities
- Certificates of deposit

Rarely, we may use the following types of investments:

- Warrants
- Options
- Commercial paper

We honor restrictions imposed by clients as to the types of securities to be held in their portfolios.

# Schuchard Capital Management, Inc.

## **Assets under Management**

As of December 31, 2023, client assets under our management totaled \$265,812,000.00 of which 100% are managed on a discretionary basis through continuous and regular supervisory services. (See Investment Discretion on Page 14.)

## **Fees and Compensation**

Our only source of revenue is derived from client fees based on assets under management and, occasionally, from consultation fees or fees for administrative work outside of asset management, like settling estates or opening new accounts. This compensation structure allows us to provide objective and unbiased investment advice to clients, limiting conflicts of interest. We do not receive:

- Additional compensation based on the performance of client portfolios.
- Any form of commissions or fees from selling investment products.
- Kickbacks or soft dollar arrangements from broker-dealers, custodians, or any other investment companies.
- Referral fees from clients or from colleagues including other investment advisers, attorneys, and accountants. (We also do not offer referral fees to clients or colleagues.)

Basically, the conflict arising from our fee structure is that greater revenue is generated with greater assets under our management. So, there would be an incentive for our Firm to encourage clients to increase their account assets with us. For example, when advising the transfer of a client's assets to our management, a conflict arises if the costs to the investor increase as a result of the transfer. In such a case, we assist the client in analyzing whether the benefits of moving the assets to our management are worth the added cost of a higher advisory fee. We may even offer discounted advisory fees to reduce or eliminate the disadvantage to the client if the costs were lower to leave the assets in place.

# Schuchard Capital Management, Inc.

## **Fees and Compensation, Continued**

Advisory fees are calculated annually using the beginning of the year total portfolio market value of assets under management and the following rate schedule (stated as an annual rate):

- 1.0% of the first \$300,000
- 0.7% of the next \$700,000
- 0.4% of the next \$1,000,000
- 0.3% of the next \$2,000,000
- 0.2% of the balance exceeding \$4,000,000

As mentioned earlier, fees may be negotiated with any client based on the level of services provided. In addition, any services outside of asset management, such as settling estates or opening new accounts, will be billed separately.

One-fourth of the annual fee is payable at the beginning of each quarter. Clients have the option of providing us authorization to deduct fees directly from their investment account or to be billed by invoice. We encourage clients who choose to have us deduct fees from investment accounts to verify accurate billing by referencing the appropriate monthly statement mailed directly from the custodian. The custodian is not responsible for verifying accuracy of fee calculations or billings.

Either the client or adviser may terminate the advisory relationship at any time. Advisory fees will be refunded on a pro rata basis in the same manner they were originally billed (i.e., returned to the investment account if originally directly deducted or issued a refund check if originally billed by invoice).

Clients whose assets are invested in mutual funds (including no-load funds) are paying two advisory fees: (1)an investment advisory fee to Schuchard Capital Management, Inc. (see fee schedule described above) and (2)an additional advisory fee to the mutual fund company (via expense ratios).

# Schuchard Capital Management, Inc.

## **Fees and Compensation, Continued**

In addition, other client costs include purchase and redemption fees, if applicable, and transaction costs charged by the executing broker.

Clients have the option to purchase investment products that we recommend through any broker, custodian, or agent of their choice. (See Brokerage Practices on Page 10).

## **Types of Clients**

Our client base consists of individuals (retail investors), trusts, pension and profit sharing plans, estates, and charitable organizations.

## **Methods of Analysis**

Our method of analysis is derived from historical performance data of the various asset classes. We do not use past returns to predict future returns or to “time” the market. Instead, we use the data to understand the relationship between asset classes and the correlation of returns between them. This, in turn, influences the asset class mix used in our investment strategies. For example, past data shows that “value” outperform “market” stocks over time, just as “small cap” outperform “large cap” stocks, leading us to view “small cap value” stocks as an important asset class in building long-term wealth.



# Schuchard Capital Management, Inc.

## **Investment Philosophy and Strategies**

Asset allocation dominates our investment philosophy. We believe the proper mix of assets is essential to successful investing of any portfolio.

Portfolio investment strategies are driven by client objectives, cash flow needs, age, risk aversion, and other factors. Clients with current portfolio cash flow needs will typically have a Balanced strategy. Clients saving to fund future cash flow needs will typically have a Growth strategy. Occasionally, clients will have an Income Only or a Preservation of Capital strategy. Aside from an extremely conservative strategy, most portfolios will have some or significant exposure to Common Stocks and/or Fixed-Income Securities. This exposes the portfolio to risk.

To minimize risk, current and some future cash flow needs are invested in Cash & Equivalents and/or Fixed-Income Securities. This “safe” money provides a level of insulation from stock market fluctuations. Typically, the remainder of the portfolio is designated for growth and invested accordingly in U.S. and Foreign Common Stocks.

We prefer exchange traded funds (ETF) and no-load index mutual funds to other investment vehicles. We also use Tax-Managed or Tax-Advantaged index funds, when applicable. Asset allocation and index investing seem to go hand in hand. Index funds mirror the market and provide the purest exposure to an asset class. They are fully invested in their sector of the market, unlike actively managed funds which may hold large cash positions. Style drift (holding stocks that do not meet fund criterion) is avoided with index investing, though it may plague actively managed funds. Index funds provide the additional benefit of lower expense ratios than their actively managed counterparts.

# Schuchard Capital Management, Inc.

## **Investment Philosophy and Strategies, Continued**

Following an asset allocation philosophy requires regular re-balancing of portfolios because different asset classes will grow at varying rates. Re-balancing to the original mix of assets forces taking profits from the areas that have grown, and may underperform in the future, and adding to the areas that have lagged and may outperform going forward. In other words, it promotes selling high and buying low.

Adhering to these three principles: (1) asset allocation, (2) low-cost index investing, and (3) regular re-balancing allows us to focus on the long-term goals of the portfolio and remove, or at least minimize, emotions from impacting investment decisions. Having a solid and historically proven investment philosophy allows us to avoid “chasing” performance, attempting to “time” the market, or succumbing to anxiety created by market volatility and exploitation by the media.

## **Risk of Loss**

Investing in Common Stocks and Fixed-Income Securities carries a high degree of risk. Substantial losses could be experienced in a short period of time with no guarantee that such losses will be recovered.

## **Disciplinary Information**

There have been no legal or disciplinary actions against our firm or employees.

# Schuchard Capital Management, Inc.

## **Other Financial Industry Activities and Affiliations**

Our firm and employees have no affiliations with any other financial industry firms and/or persons (i.e., custodians, broker-dealers, investment companies, banks, insurance companies, pension administrators, other financial advisers, attorneys, accountants, etc.), thereby eliminating conflicts of interest.

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

Our Code of Ethics establishes standards of business conduct emphasizing our fiduciary obligations and requiring compliance with federal securities laws. We also enforce a “Securities Transaction Policy” and an “Insider Trading Policy” to prevent potential conflicts of interest. All employees must annually acknowledge their requirement to comply with these provisions.

Employees may, from time to time, purchase or sell securities also recommended to our clients. We prohibit employees from trading such securities in client accounts in order to manipulate the market for personal benefit. However, the opportunity for market manipulation by an employee is minimal simply because individual stocks are not our primary investment vehicle and those that we may hold or recommend typically have large trading volumes.

We regularly review each employee’s personal securities holdings. Adviser approval is also required prior to certain types of investments. Disciplinary action will be swiftly implemented in the event of a violation.

Upon request, we will provide a complete copy of our Code of Ethics, Securities Transaction Policy, and Insider Trading Policy (see Business and Contact Information on Cover Page).

# Schuchard Capital Management, Inc.

## **Brokerage Practices**

Our firm recommends, but does not require, that clients establish brokerage accounts with Schwab Institutional, a division of Charles Schwab & Co., Inc. We are not representatives of Schwab or any other custodian, brokerage firm, or investment company. With further respect to such companies:

- We do not direct trades.\*
- We do not receive soft dollar benefits.
- We do not receive client referrals.\*\*

Schwab provides us access to its institutional trading and custody services for our clients at no charge to us as long as we maintain at least \$10 million of client assets with them. There are no other requirements in terms of transaction fees or trading commissions that we must generate for Schwab.

Schwab does not charge our clients separately for custody services, but is compensated by account holders for trades executed in their accounts. Schwab imposes a standard mutual fund transaction fee schedule for institutional adviser clients.

We use the Schwab Institutional website and Schwab Portfolio Connect to access client account information, to submit client trades for execution, to facilitate payment of our advisory fees from client accounts, and for client performance reporting. We do not receive any product or service of unique value from Schwab, compared to that provided by any other custodian.

\*Clients may select a custodian other than Schwab.

\*\*New clients are often referred to us by existing clients or colleagues, but we do not offer or receive referral fees.

# Schuchard Capital Management, Inc.

## **Review of Accounts**

For continuous and regular investment supervisory clients, ongoing adviser reviews of portfolios are conducted at least quarterly. Changes in a client's objectives and/or market conditions that warrant re-balancing may prompt additional reviews.

For consulting clients, periodic reviews of portfolios are conducted based upon the negotiated level of service to meet the client's preference.

Valuation reports detailing the status of the portfolio and its holdings are provided to continuous and regular investment supervisory clients at least quarterly. For consulting clients, valuation reports are provided according to the negotiated level of service to meet the client's preference.

These quarterly valuation reports include year-to-date performance and a summary of current account activity. They are supplemental to monthly statements mailed directly to clients by the custodian.

Financial plans are typically included with year-end valuation reports. These plans provide a summary of historical account activity and performance and may forecast future cash flow needs, savings, and portfolio growth.

Tax information, which is supplemental to the Schwab tax forms, is also provided to clients for use in preparing their income tax returns when requested by tax preparers. It may include information related to charitable gifts of cash or securities made from the portfolios, information related to income derived from U.S. Government Securities for assets held in the portfolio, and state-specific information related to any tax-exempt securities held in the portfolio.

# Schuchard Capital Management, Inc.

## **Client Referrals and Other Compensation**

As discussed under Fees and Compensation (Page 4 – 6), our only source of revenue is derived from client fees based on asset levels under management and, occasionally, consultation fees or additional fees for work outside of asset management, such as settling estates or opening new accounts. We do not offer or receive referral fees from clients, colleagues, custodians, brokers, or anyone else, thus limiting conflicts of interest.

## **Custody**

Custody of assets has become an important topic in light of recent financial industry frauds. With accounts held at an independent custodian, such as Schwab, client investment accounts are automatically provided an extra layer of security against fraud. Monthly statements are mailed to clients directly from the custodian allowing clients to closely monitor the status of their accounts. In addition, the custodian restricts our ability to act on behalf of clients based upon the authorizations that clients provide us through a Limited Power of Attorney specifically designed for Investment Advisers, as well as additional standing authorizations requested by clients.

# Schuchard Capital Management, Inc.

## Custody, Continued

There are three authorizations which clients may provide to us under the Limited Power of Attorney:

1. Trading Authority. Placing trades in client investment accounts is not considered to have custody. (See Investment Discretion on Page 14.)
2. Withdrawal Power. Though this authorization is limited to requesting checks in the name registered on the account and for mailing to the address of record on the account, as well as movement of assets between identically registered accounts, this power does constitute custody under SEC definitions.
3. Fee Authorization. We are considered to have custody of client assets because of client authorization provided to us to deduct advisory fees directly from investment accounts. Since the custodian is not responsible for verifying the accuracy of billings or fee calculations, the responsibility rests with the client.

Clients may request additional separate standing authorizations through the custodian allowing us to initiate money movement on their behalf between accounts that are not identically registered. These authorizations also constitute custody, even though the authorizations are limited to the specific instruction guidelines determined by the client. Examples include journals, moneylinks, wire transfers, and check requests. Each time a standing authorization is transacted between non-identically registered accounts, whether at the request of the client or by us, the custodian sends a notification directly to the client. This notification includes the details of the transaction and serves as a layer of protection to the client, keeping them apprised of account activity. Monthly account statements prepared by the custodian also reflect this type of account activity.

# Schuchard Capital Management, Inc.

## **Custody, Continued**

We value our clients trust, hold ourselves to the very highest levels of integrity, and strive for 100% accuracy in all we do. Yet, we encourage clients to take the following actions to protect their investment assets:

1. Verify portfolio valuations used in calculating the annual advisory fee with the year-end statement(s) mailed directly from the custodian.
2. Verify accurate billing of quarterly advisory fees by referencing the transaction detail of the appropriate monthly statement(s) mailed directly from the custodian.
3. Verify money movement transactions as detailed in notification letters mailed directly from the custodian.
4. Notify us promptly if a discrepancy is discovered so we may correct the error. (See Business and Contact Information on Cover Page).

Clients will see reminders of these responsibilities as legends on fee calculations.

## **Investment Discretion**

We manage client portfolios on a discretionary basis, unless the client requests otherwise. We select securities to be bought or sold and the amount of securities to be bought or sold consistent with the investment objectives established with each client.



# Schuchard Capital Management, Inc.

## **Voting Client Securities**

Our policy in regards to proxy voting and corporate reorganizations/actions is as follows:

1. We do not exercise proxy voting authority for client accounts.
2. We do not respond to corporate reorganizations/actions for client accounts.
3. We do not give instruction to clients in regards to proxy voting authority or corporate reorganizations/actions.

Unless clients have requested that we receive proxy voting and corporate reorganizations/actions materials on their behalf, they will receive these mailings directly from the custodian. Regardless of whether we receive mailings on behalf of clients or if clients receive them directly, our policy remains the same.

## **Financial Information**

For continuous and regular investment supervisory clients, prepayment of fees are solicited at the beginning of each quarter (three months in advance). For periodic consultation clients, fees are solicited based upon the negotiated timeframe of the periodic review (i.e, quarterly, semi-annually, annually).

We have no financial condition that will likely impair our ability to meet our contractual commitments to clients.

We have never been the subject of a bankruptcy petition.

# Schuchard Capital Management, Inc.

## Part 2A of Form ADV: Firm Brochure Supplement Annual Update Prepared January 2024

### **Michael R. Schuchard, President**

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Michael R. Schuchard is President of Schuchard Capital Management, Inc. He acts as client portfolio manager and the sole provider of investment advice.

Michael was born in 1953. He attended Oakland University in Rochester, Michigan for his first two years of undergraduate studies. In 1976, he earned his Bachelor of Business Administration Degree (BBA), with a major in Accounting/Finance, from the University of Michigan in Ann Arbor, Michigan.

In 1986, Michael began his advisory practice in Massachusetts under the name Winchester Management & Research, Inc. He founded Schuchard Capital Management, Inc. in Michigan in 1989.