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Item 1 - Cover Page

Avity Investment Management Inc.

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203-629-2800

[www.avityim.com](http://www.avityim.com)

July 12<sup>th</sup>, 2023

This Brochure provides information about the qualifications and business practices of Avity Investment Management Inc. ["Avity"]. If you have any questions about the contents of this Brochure, please contact us at 203-629-2800. 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.

Avity Investment Management Inc. 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 with which you determine to hire or retain an Adviser.

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

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## Item 2 – Material Changes

From the time of our last annual update of this Form ADV Part 2 in March 2023 until amended on July 12, 2023, the only material change was the retirement of Stephen K. Grimm and the sale of his ownership in the company to the three remaining Principals.

Pursuant to SEC rules, we will ensure that all clients receive a summary of all material changes to this and subsequent Brochures by April 30<sup>th</sup> each year. Anytime you wish to see our most current Brochure we will be glad to furnish a copy to you without charge. A Brochure may be requested by contacting Kim Cappelli at 203-629-2800.

Additional information about Avity is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). In addition, the SEC's web site provides information about any persons affiliated with Avity who are registered, or are required to be registered, as investment adviser representatives of Avity.

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

Avity has been in operation as an investment management business since 1970. The company is owned entirely by the employees of the firm. The owners of the firm are H. Park Duncan, Edward C. Long and Christopher D. Ward.

Our primary service is continuous investment supervision. Client portfolios are managed individually and vary in composition, but include some mix of exchange-listed stocks, municipal bonds, corporate bonds, U.S. government securities, options, mutual funds and cash equivalents. The portfolio mix depends on the client's circumstances. Each account is handled on a discretionary basis, whereby we make adjustments to the investments as we believe appropriate, without specific consultation with the client.

Overall investment policy is agreed upon by the client and the designated portfolio manager at our firm. Accounts are regularly reviewed and investment changes are implemented in light of all pertinent factors. We communicate with our clients on an ongoing basis, through written material, by phone and in person. Meetings are held with clients as often as needed and usually at least once a year. Valuation reports are always offered to clients on a monthly basis. Most clients chose to receive their valuations monthly, although some prefer to receive them quarterly.

As of December 31, 2022 Avity Investment Management managed \$1,513,465,665 of client assets.

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

Our investment services are offered at a percentage of assets under management. The standard fee schedule for equity and balanced accounts is 1.0% per annum on the first \$2 million, 0.75% on the amount between \$2 million and \$5 million, 0.60% on the amount between \$5 million and \$10 million, and 0.50% on the amount above \$10 million. These rates are often negotiated, particularly for large accounts. Our standard fee schedule for fixed income only accounts is 0.60% on the first \$2 million, 0.50% on the amount between \$2 million, and \$5 million, 0.40% on the amount between \$5 million and \$10 million, and 0.35% on the amount above \$10 million.

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Fees are billed quarterly. In most cases, fees are debited to the clients' custodian accounts in line with standing authorizations. Some accounts are billed at the beginning of the quarter but most are billed after the completion of the quarter. Our contract can be cancelled at any time. Unearned fees are promptly refunded in the event that a client or we end a relationship, no matter what the reason. Any earned, unpaid fees are due and payable at the end of a relationship. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Management fees may be prorated for capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals).

Investment management fees are our only source of compensation, but clients may incur additional costs. Avity's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers and other third parties such as deferred sales charges, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Avity's fee, and Avity does not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Avity considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

Avity does not charge any performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client).

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## **Item 7 – Types of Clients**

Avity provides portfolio management services to individuals, trusts, estates, charitable organizations, pension funds, profit-sharing plans and corporations.

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

Avity's methods of security analysis emphasize traditional fundamental research. When investing in stocks we are interested in all pertinent factors relating to a corporation's competitive position, industry outlook, management, finances, research capability, new products, etc. This fundamental analysis of a particular company's securities is made within the framework of our overview of the economic and investment outlook. We seek to avoid excessive risks by an emphasis on high quality securities which we endeavor to purchase at attractive prices. Avity monitors technical and charting techniques but these play a minor part in our decisions.

When investing in fixed income securities our activities are concentrated on maintaining the most advantageous maturity range for each portfolio. Client bond investments are generally comprised of highly rated securities to limit volatility, but under certain circumstances prices can fluctuate significantly.

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

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be relevant to your evaluation of Avity or the integrity of Avity's management. Avity has no disclosures applicable to this Item.

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

Avity is not engaged in any business other than giving investment advice and has no financial industry affiliations.

## **Item 11 – Code of Ethics**

Avity has adopted a Code of Ethics for all employees of the firm (including officers, directors and staff members) describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Avity must acknowledge the terms of the Code of Ethics annually, or as amended. The general principles of this code are summarized as follows:

- In all circumstances, the interests of our clients shall come first.
- All employees are required to comply with applicable federal securities laws when engaged in business of the firm or personal transactions.
- All personal securities transactions must be conducted in a manner as to be consistent with the code of ethics and to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility.
- Avity personnel must not abuse their positions in any way.
- Information concerning the identity of security holdings and financial circumstances of clients must be kept confidential, in accordance with our policies on privacy.
- Independence of the investment decision-making process is paramount.
- All personnel are expected to conduct themselves by the highest standards of honesty, integrity and professionalism, in a manner that reflects favorably on the firm.

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Officers and employees of Avity may be investors in stocks or bonds in which clients are invested. However, Avity's employees are prohibited from trading in a manner that conflicts with the clients' interests. Clients have priority on both purchases and sales.

Conflicts of interest are unlikely since most holdings have a wide marketability and represent large issues; additionally most holdings are held for a period of years and positions of both clients and employees are generally too small to make any predictable significant impact on market levels. All employees are required to sign a statement acknowledging their understanding of the rules on an annual basis. Employee trading is reviewed by officers of the firm on a quarterly basis. Employees are prohibited from purchasing new public stock offerings.

Any client or prospective client may receive a copy of our code of ethics upon their request.

## **Item 12 - Brokerage Practices**

For all clients, we have discretion as to which specific securities are bought and sold, and the amount of such securities bought and sold. Our objective and practice is to execute trades in a way that the terms and net results are the most favorable under the circumstances. Transactions are made in the context of an overall investment strategy that has been agreed to by the client. Occasionally clients will instruct us to avoid or limit investment on their behalf in certain industries or companies, or execute a specific transaction. From time to time, tax considerations may cause a client to instruct us to limit the sale of securities, or otherwise alter our normal investment strategies, in their account.

Our client accounts are held at either brokerage firms or bank custodians. At the beginning of a client relationship, we discuss with the client the various alternatives for a custodian. The final decision of where the assets are custodied is the client's prerogative.

Selecting which broker or dealer to use depends on the situation and the client. For client accounts held at discount brokerage firms, trades are generally executed at the custodian broker if the cost is reasonable, the execution capability is strong and the clearance, settlement and custody functions are performed in an efficient and reliable manner. Occasionally, trades are executed away from the discount broker, potentially at a higher

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expense, if an alternative broker offers ancillary benefits, such as investment research. Such arrangements are only entered into when the quality of the trade execution (speed, reliability, confidentiality, etc.) are not compromised. Currently, an arrangement with one discount broker provides for credits to be accumulated based on the level of client activity. Those credits are periodically used to purchase third party research that benefits all of our clients. In addition, a discount broker has agreed to pay a portion of certain technology on our behalf. The benefit we receive from that broker is an incentive for us to recommend them to our clients and is a conflict of interest. We believe, however, that taken in the aggregate our recommendation of that discount broker as custodian is in the best interest of our clients, supported by the scope, quality and price of their services, and not by contributions that benefit us only.

For those accounts held at bank custodians, our objective in selecting third-party broker-dealers is to obtain the best combination of price and execution, taking into account the full range and quality of a broker-dealer's services including, among other things, the value of research, execution capability, commission rate, financial responsibility and responsiveness. In managing our client's assets, the Company's investment approach focuses on high quality, liquid securities. For accounts held at bank custodians, trades are generally executed with third-party brokers at commission rates higher than those paid by accounts held at discount brokerage firms. The commissions paid to third-party brokers by accounts held at bank custodians help fund research that plays an important role in Avity's investment process. Therefore, this information is of benefit to all of our clients, including our clients who have their accounts held at discount brokers and who pay lower commission rates than some other clients.

For clients who have chosen to have their account held at a full-service brokerage firm, trades will be executed predominately with that broker. This is done for certain accounts because the client has directed us to trade through the brokerage firm holding the account and in most cases a surcharge is applied to trades that are done away from that broker. In such cases the client has responsibility to negotiate terms and arrangements for commission rates or fees with the directed broker and Avity will not seek better execution services or prices from other broker-dealers. As a result, the client may pay higher commissions or other transaction costs, greater spreads or receive less favorable net prices on transactions than would otherwise be the case. Avity may receive research from that

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broker-dealer as a result of those commissions, benefiting all of our clients, including those who have their accounts held at discount brokers and who pay lower commission rates.

There are normally many broker-dealers that can provide the best combination of price and execution in a particular transaction. Therefore, the firm's portfolio managers create and maintain an Approved List of Brokers, which identifies those firms that provide the most useful, best quality investment research available. Such research includes work on domestic and international economics, financial market trends, equity and fixed income market strategy, industries, companies and specific fixed income securities. This research is employed as a vital part of the firm's investment work on behalf of all of our clients. The portfolio managers maintain a list of capabilities that are necessary for a broker-dealer to be considered for inclusion on the Approved List. In addition, the portfolio managers receive feedback from the trading department on a regular basis regarding performance of the brokers on the Approved List of Brokers. After considering all of these issues, the firm's portfolio managers establish an annual commission target for each broker on the Approved List.

In placing trades, the Company's traders are instructed first to determine whether one or several broker-dealers can provide the best combination of price and execution for the particular trading activity. In cases where only one broker, or a specific set of brokers, is capable of effectively executing a certain transaction, then clearly that broker, or set of brokers, will be used in those transactions. In cases where more than one broker can provide best execution, the Company's traders are instructed to direct trades to those brokers on the Approved List of Brokers in accordance with guidance provided by the Company's portfolio managers. Research derived from these sources is an integral part of our investment process and therefore is of benefit to all of our clients, including clients who have their accounts held at discount brokerage firms and who pay lower commission rates than some other clients.

As described above, Avity allocates the available commissions to a broker-dealer based on the quality and quantity of research services provided. Brokerage and research services are described above and include the furnishing of advice, either directly or through printed or electronically transmitted reports.

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

Avity examines each account under its supervision frequently and manages them on a continuous basis. All reviews are done by the portfolio manager listed. Some of the specific events that trigger account reviews include decisions:

1. to change weightings of industries held,
2. to change maturity schedules of bond holdings,
3. to sell or purchase individual stocks and bonds, or
4. client meetings or other forms of client communication.

All clients are provided with account reports on a periodic basis. Most clients elect to receive reports on a monthly basis though some find that quarterly appraisals suffice. Reports are either mailed and/or emailed to clients or posted in their secure “vault” through our website. For those that are posted online, an email is sent to the client informing them when each statement is available, which includes a link to the website. In addition, meetings are held with most clients on a regular basis.

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

Avity does not have any arrangements in which firms or non-employee individuals solicit advisory clients on its behalf.

Nor does Avity have any arrangements, oral or in writing, in which it is paid cash or receives some economic benefit from a non-client in connection with giving advice to clients (other than investment research as described in Item 12).

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## **Item 15 - Custody**

Clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Avity urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 - Investment Discretion**

Avity receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount 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, Avity observes the investment policies, limitations and restrictions of the clients for which it advises.

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

Avity generally has authority to vote client securities and maintain policies to ensure that proxies are voted in the best interest of clients. Our policy is to vote proxies in a manner consistent with the greatest long-term shareholder value. Voting decisions are based on our analysis of management and shareholder proposals. In keeping with our firm's investment philosophy, client portfolio investments are focused on high quality companies that we believe have superior management. As such, most proxies are voted according to management recommendations. Any material conflicts are resolved in the best interest of clients.

Clients may instruct their custody bank or broker to mail proxy material directly to them, in which case we do not take responsibility for voting proxies for those clients.

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Clients may obtain a copy of Avity's complete proxy voting policies and procedures upon request. Clients may also obtain information from Avity about how proxies were voted on behalf of their account(s).

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

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Avity's financial condition. Avity 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.