

ST. JAMES INVESTMENT COMPANY, LLC

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PART 2A OF FORM ADV THE BROCHURE

Updated: March 12, 2020

This Brochure provides information about the qualifications and business practices of St. James Investment Company, LLC ("St. James"), a registered investment adviser. If you have any questions about the contents of this Brochure, please contact us at 214-484-7250 ext. 207. 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.

Registration as an investment adviser does not imply a certain level of skill or training. Additional information about St. James is also available on the SEC's website at www.adviserinfo.sec.gov.

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Item 2 - Material Changes

St. James Investment Company's last update to Part 2A of Form ADV was on February 28, 2019. Our business activities have not changed, materially, since the time of that update.

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Item 4 - Advisory Business

St. James Investment Company was founded in 1999. Our owners are Robert J. Mark, through his entity Sibelius Holdings, LLC, and Larry J. Redell. As of December 31, 2019, St. James managed \$1,230.8 million on a discretionary basis. We also distribute our Core Equity model, under which \$133.2 million was managed by other advisers. St. James does not provide regular supervisory or management services on a non-discretionary basis.

St. James is an independent, fee-only, registered investment advisory firm providing portfolio management to private individuals, trusts and estates, registered investment companies (mutual funds and an ETF), pension, profit sharing and other retirement plans, charitable organizations, and foundations. We manage equity portfolios. Each client's portfolio is managed based on the St. James composite investment strategy they select. We are an asset manager utilizing a value investment strategy which is implemented through the use of equity securities, as well as open-end mutual funds and Exchange Traded Funds ("ETFs" and CEFs"). St. James accepts reasonable investment restrictions from clients, which are documented in the client files.

In all matters, St. James' portfolio management services are analytical and advisory only and do not include legal or other professional services. St. James will work with legal, accounting, insurance or other professional advisors, if requested by the client, to ensure the coordination of all pieces involved in the investment management process, however, St. James is strictly a portfolio manager only and is not responsible for any of the client's outside service providers.

If a client's account is a pension or other employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), St. James acknowledges that it is a "fiduciary" to the plan as that term is defined under Section 3(21)(A) under ERISA. However, St. James does not provide legal, accounting or tax advice, or custodial, insurance, recordkeeping, or brokerage services to the plan. The client is responsible for maintaining the plan in compliance with requirements applicable to tax-qualified plans under the Internal Revenue Code including, where applicable, receipt of a favorable determination letter. St. James does not accept responsibility for the administration of the plan including, without limitation, timely transmission of required contributions, filing required governmental reports, preparing or providing notices and communications to the plan's participants as required by applicable law and regulation, or notifying you that any such notices or communications are required.

Succession Plan

Because Robert Mark is the sole Portfolio Manager at St. James, should he not be able to continue in that role, the St. James team would notify our clients that management of their accounts would cease, and any unearned fees would be refunded. St. James team members would then work, in their respective roles, to wind down the business.

Item 5 - Fees and Compensation

Clients pay St. James an annual fee for services rendered under their respective investment advisory agreements. St. James calculates the annual fee according to the terms set forth below.

Fee Calculation

Fees are paid quarterly, in advance or in arrears according to the terms of the Investment Advisory Agreement, based on the market value of the account on the last trading day of the previous quarter. For the initial billing cycle, of accounts billed in advance, the fee is calculated based on the number of days the account was managed during the quarter in which it funded, in addition to the fee for the following quarter. Fees for partial quarters are prorated based on the number of days the client's account was open during the quarter. However, should an account terminate after the 15th of the last month of a quarter, the account will be billed for the full quarter. Fees are deducted from the client's managed account in accordance with this brochure and the custodian's account application. It is St. James' preference to deduct the fee directly from each account, but a client may request another method of payment. With regard to ERISA accounts, fees are deducted directly from the Plan account.

Refunds of fees may be available upon cancellation of the Investment Advisory Agreement as herein provided. Refund checks are issued, at the end of the quarter, to the account custodian for deposit into the client's account.

The fee charged, by St. James, may be higher or lower than normally charged in the industry, and it is possible the same, similar, or significantly different services may be available from other investment advisers at higher or lower rates. Some of the factors that determine the fee, are the type of services provided, type of account being managed, the custodial arrangement, and the total assets under management from related accounts. St. James allows for negotiable fees. The maximum annual fee, charged by St. James, is 0.75%.

Sub-Advised Accounts

St. James provides sub-advised portfolio management services for a number of independent registered investment advisers and investment companies. For servicing these individually managed accounts, St.

James charges an annual asset management fee. St. James calculates this fee, according to the terms of the Investment Sub-Adviser Agreement, using the process described in the “Fee Calculation” section, above. St. James debits the sub-advised client’s account directly for those fees. (In some cases, the adviser debits the client’s account and pays St. James its portion of the fee.) Accounts are marked closed when the Adviser confirms termination. St. James receives a maximum annual fee of 0.50% based on the assets managed. The fee is negotiable based upon the type of services provided, type of account(s) being managed, the custodial arrangements, the total assets under management from related accounts, and size of the assets managed on behalf of the organization utilizing St. James as a sub-adviser.

Model Distribution

In select circumstances, St. James distributes a model of an investment portfolio, for use by other advisers, for an annual management fee of 0.50% of assets managed using the model.

General Information on Fees

In addition to the St. James advisory fee, clients may pay fees for custodial services, account maintenance, transaction fees and other brokerage fees associated with maintaining an account. St. James does not share in any portion of such fees. Please see “Item 12 – Brokerage Practices”, on page 7, of this brochure.

All fees paid to St. James for investment advisory services are separate and distinct from the fees and expenses charged by funds to their shareholders. Clients should understand that account assets invested in shares of mutual funds, ETFs, or other investment companies (“funds”) are subject to additional fees and expenses, as described in the prospectuses of those funds, paid by the funds but ultimately borne by the client. These fees will generally include a management fee, other fund expenses, and possibly a distribution fee. A client may invest in funds directly, without the services of St. James. In that case, the client would not receive the services provided by St. James, which are designed, among other things, to assist the client in determining which investment strategy is most appropriate to the client’s financial situation and objectives. The client should review both the fees charged by the funds, and the fees charged by St. James, to fully understand the total amount of fees to be paid by the client. For purposes of calculating its advisory fee, St. James excludes client assets that are invested in funds sub-advised by St. James.

St. James does not receive “Indirect Compensation”, which is compensation received from outside sources.

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

St. James does not charge any performance-based fees or engage in side-by-side management.

Item 7 - Types of Clients

St. James provides advisory services to private individuals, trusts and estates, investment companies, pension, profit sharing and other retirement plans, charitable organizations, and foundations. St. James generally requires that separately managed accounts have a minimum of \$100,000 in total asset value to be managed. Exceptions may be made in certain situations.

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

Core Equity Portfolio

At St. James, our primary objective is to identify a diversified group of financially strong companies, each of which we believe trades at a substantial discount to intrinsic value; i.e., the price a private investor would pay to acquire the entire business outright. We consider ourselves agnostic value investors, as we are willing to scan the entire economic and market capitalization spectrum for potential investment candidates. We therefore do not rule out any sector; conversely, we do not feel the need to maintain a presence in any particular sector.

The core effort in our research process is to determine a realistic approximation of fair value for a company's stock and, if we believe it is fundamentally attractive, to purchase the stock at a substantial discount to fair value. Our expectation is to hold positions for approximately five years.

Stage One: Qualification

We typically begin the screening process with data from the Value Line Index – an equal-weighted stock index containing 1,700 companies from the NYSE, American Stock Exchange, and NASDAQ. Our first pass eliminates companies with poor balance sheets and stresses high-quality companies with proven business models. Because we gravitate towards companies with near-term operating challenges offering long-term value, a company's financial strength is critical. Further, we believe a proven, high-quality business lessens the risk of allocating money in a "value-trap". This qualification process typically eliminates the majority of the initial universe of potential investment positions.

Stage Two: Quantitative Valuation

Once pre-qualified, we evaluate remaining investment candidates with an analytical valuation model in an attempt to approximate fair value. This process, based upon the value-oriented security analysis pioneered by Graham and Dodd, employs absolute valuation criteria for determining fair value. For example, we examine free cash flow relative to enterprise value to ascertain absolute value. Further, we typically look to discount cash flows to the potential equity investor with a 10% discount rate, which we deem appropriate given our absolute return bias. Finally, we often require the market value of a security to be at least 20% below intrinsic value, further narrowing the universe of prospective investments.

Stage Three: Fundamental Qualitative Research

We examine our undervalued opportunities to understand why a particular company is inexpensive, and if it is likely to move toward intrinsic value. Importantly, we carefully differentiate between cyclical operating issues and secular fundamental weaknesses.

As part of our diligence, we review a company's financial statements and corresponding filings, sometimes conducting discussions directly with the company when relevant. We further enhance our understanding through industry publications and direct competitors. Finally, our qualitative analysis always includes an assessment of senior management's ability to allocate capital, shareholder orientation and insider ownership.

The result of this qualitative process is a final decision on the company under review. After a careful assessment of the risks to the company's business and corresponding cash flow, we determine if (1) we have an interest in purchasing a company's stock as well as (2) the preferred purchase price.

Stage Four: Portfolio Construction

Typical portfolio construction employs about 20 to 25 of what we view as the most attractive stocks across 12-20 industries of the 96 classified by Value Line. We employ a self-imposed restraint of investing no more than 8% at cost in any given position and no more than 20% in an industry. Given our portfolios represent our best ideas; we are often sector overweight or underweight as compared to broad market benchmarks.

Stage Five: Sell Discipline

Central to our philosophy is a strict sell discipline. Positions are also quickly sold if there is a significant change in long-term fundamental prospects or if the balance sheet is no longer sufficiently conservative. Finally, our process determines a sell target at the time of portfolio inclusion, which is typically fair value +/- 10%. We will also sell should fundamentals erode, we lose confidence in management's ability, or we find a superior opportunity elsewhere.

The description contained herein is an overview of the risks entailed in St. James' investment strategy and is not intended to be complete. All investing involves a risk of loss and the investment strategy offered by St. James could lose money over short or long periods. Performance could be hurt by a number of different market risks including but not limited to:

Investing in securities is inherently risky. An investment in individual securities or in a portfolio of securities could lose money. The investments selected by St. James should be deemed speculative investments and are not intended as a complete investment program. These types of investments are designed for sophisticated investors who fully understand and are capable of bearing the risk of loss of their entire investment. St. James cannot give any guarantee that it will achieve its investment objectives or that any client will receive a return of its investment.

Bankruptcy of a broker or custodian could cause excessive costs or loss of investor funds. If a broker, with whom St. James has an account, becomes insolvent or bankrupt, St. James may be unable to recover all, or even a portion, of the assets maintained by clients with that broker. Similarly, if a custodian housing a client's securities or other assets becomes bankrupt or insolvent, the client may be unable to recover all, or even a portion of, the assets held by the custodian.

St. James may rely on information that turns out to be wrong. St. James selects investments based, in part, on information provided by Issuers to regulators or made directly available to St. James by the Issuers or other sources. St. James is not always able to confirm the completeness or accuracy of such information and, in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and could result in losses.

St. James may fail to identify successful companies. Identifying undervalued securities and other assets is difficult, and there are no assurances that such a strategy will succeed. Furthermore, clients may be forced to hold such investments for a substantial period of time before realizing any anticipated value.

Investing in securities entails risks associated with the underlying business. Investments in securities entails all the risks associated with the underlying businesses, including reliance on a company's managers and their ability to execute business strategies. In addition, all businesses face risks such as adverse changes in regulatory requirements, interest rate and currency fluctuations, general economic downturns, changes in political situations, market competitions and other factors. St. James will not have day-to-day control over any company in which it invests for clients.

There are risks associated with a potential breach in cybersecurity. Investment advisers, including St. James, must rely, in part, on digital and network technologies (“cyber networks”) to maintain substantial computerized data about activities for client accounts and otherwise conduct their businesses. Such cyber networks might, in some circumstances, be subject to a variety of possible cybersecurity incidents or similar events that could potentially result in the inadvertent disclosure of confidential computerized data or client data to unintended parties, or the intentional misappropriation or destruction of data by malicious hackers seeking to compromise sensitive information, corrupt data, or cause operational disruption.

Item 9 - Disciplinary Information

Neither St. James, nor its employees, have been involved in any legal or disciplinary events, in the past 10 years, that would be material to a client’s evaluation of the company or its personnel.

Item 10 - Other Financial Industry Activities and Affiliations

While employees endeavor, at all times, to put the interests of the clients first as part of St. James’ fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest and may affect the judgment of these individuals when making recommendations. St. James has no affiliates and does not engage in activities other than those described in this Brochure. Please see Part 2B of Form ADV (The Brochure Supplement) for a description of other business activities of supervised persons of St. James.

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

St. James, its owners, and employees may buy or sell the same securities that St. James recommends to clients for their own accounts. Neither St. James, nor its owners or employees earn commissions.

No St. James employee may buy or sell any security prior to a known transaction(s) in a client’s account, so that the employee may not benefit from trades placed on behalf of clients. Employee trades may be executed in a block trade with client accounts, if necessary, so that the employee receives the same price execution as the clients. To avoid any situations which could result in a conflict of interest, the following restrictions have been placed on all associated persons:

- An officer, or employee, of St. James may not buy or sell securities for their personal accounts if the decision to buy or sell is determined based on information learned from their position at St. James, and such information is not readily available to the investing public upon reasonable inquiry.
- No officer or employee should place his or her interests in front of any advisory client, nor should the interests of family or friends be placed in front of other advisory clients.
- St. James will maintain a list of all security holdings for it, as well as anyone listed above.
- A principal or the Compliance Officer of the Firm shall review employee transactions on, at least, a quarterly basis.
- St. James requires that all employees and officers of the Firm act in accordance with all applicable federal and state regulations governing investment advisory practices.

- Any individual that fails to follow these procedures may be subject to termination.

Code of Ethics

St. James has adopted a Code of Ethics to prohibit conflicts of interest from personal trading by advisory personnel and has established standards of conduct expected of its advisory personnel. We have set forth statements of general principles, standards of personal conduct, reporting obligations, and review and enforcement procedures. Employees are required to acknowledge that they have read, understand, and agree to comply with the Code of Ethics both initially, and on an annual basis. St. James will provide a copy of the Code of Ethics to its clients, or prospective clients, upon request.

Item 12 - Brokerage Practices

Upon inquiry, St. James will suggest the custodial and brokerage services of Schwab Institutional, which is part of Charles Schwab & Company, to clients that it directly advises. In recommending Schwab Institutional, St. James considers a number of factors, including financial condition, acceptable recordkeeping, trade execution quality, market knowledge and expertise, commission structure, reputation, and integrity. St. James does not receive soft dollar benefits and does not consider client referrals from broker-dealers when recommending Schwab.

When St. James acts as a sub-adviser, the adviser and/or client will direct the brokerage/custody relationship.

A client may direct St. James to effect transactions in the client's account through a specific broker-dealer. Under such a directed brokerage arrangement, the client is responsible for negotiating terms for his/her account directly with the broker-dealer. For accounts subject to directed brokerage arrangements, St. James will not aggregate trades or seek better execution services or prices from other broker-dealers. Consequently, St. James may be unable to obtain best execution on behalf of clients that direct brokerage; such clients may pay materially disparate commissions, greater spreads or other transaction costs, or receive less favorable net prices on transactions than would otherwise be the case.

Generally, orders for the same security, at the same broker/dealer, are combined or "blocked" to facilitate best execution. St. James effects blocked transactions in a manner designed to ensure that no participating client, including any proprietary account, is favored over any other client. Specifically, each client that participates in a blocked transaction will participate at the average share price for all executions in that security, within the order duration, at each custodian. In instances where a blocked trade is less than 10,000 shares, the order may be executed on a "market-not-held" basis.

Securities purchased or sold in a blocked transaction are allocated pro-rata, when possible, to the participating client accounts in proportion to the size of the order placed for each account. St. James may, however, increase or decrease the amount of securities allocated to each account, if necessary, to avoid holding odd-lot or small numbers of shares for particular clients. Additionally, if St. James is unable to fully execute a blocked transaction, and St. James determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro-rata basis, St. James may allocate such securities in a manner determined in good faith to be a fair allocation. In addition, typically, the trading sequence follows a rotational system by custodian name/group so that clients of each brokerage firm will have their opportunity to participate in a transaction first. This rotational trading mechanism aims to provide for fair treatment for each client account. Employees of St. James may also participate in any trading done on an aggregate basis.

Item 13 - Review of Accounts

Members of St. James' operations team review a sample of accounts on, at least, a monthly basis. Security weightings, cash level and client risk tolerance are considered. Account holdings may also be reviewed, at any time, as changing market conditions warrant. St. James' traders specifically review accounts with high or low cash levels, based upon the model weightings for each account's strategy on, at least, a monthly basis.

St. James shall provide advised (direct) clients with an annual report that lists all assets held in the account and the values of each asset. The client shall receive the report, via US mail, within 30 days of the end of the year. It will include the following reports:

- a) Portfolio performance over the last year and since account inception
- b) Performance results of a comparative benchmark for the same periods
- c) End of year status regarding asset allocation
- d) Billing notification

Reporting for sub-advised accounts will be conducted by the adviser, not St. James. All clients will also receive, at a minimum, quarterly reports from their respective custodian.

Item 14 - Client Referrals and Other Compensation

St. James utilizes the services of various custodians/broker-dealers, collectively referred to as "Custodians." While there is no direct benefit received by St. James for its use of these custodians, economic benefits are received by St. James which would not be received if the Firm did not utilize the Custodians' services.

These benefits do not depend on the amount of transactions directed by St. James to the Custodians. These benefits may include: a dedicated trading desk that services clients of the Custodian exclusively, a dedicated service group and an account services manager dedicated to St. James' accounts, access to real time order matching system, ability to "block" client trades, electronic download of trades, balances, and positions of the Custodians' web sites, duplicate and batched client statements, confirmations and year-end summaries, the ability to have advisory fees directly debited from client accounts (in accordance with state and federal requirements), access to the mutual funds of the Custodians' affiliates, and the ability to participate in client referral programs. It should be noted that all of these benefits are generally available today from a variety of large brokerage firms and clearing agents at no extra cost, or special charge, to St. James.

St. James does not compensate outside solicitors for referral of clients to the Firm.

Item 15 - Custody

All client assets are held in custody by unaffiliated, qualified custodians, either broker/dealers or banks. Because St. James can debit advisory fees from its clients' accounts, St. James is considered to have custody of client assets. The custodians send, at a minimum, quarterly account statements directly to clients. Clients should carefully review statements received from their custodian and compare these statements to any account information provided by St. James.

Item 16 - Investment Discretion

St. James does have the authority to determine, without obtaining specific client consent, the securities to be bought or sold and the amount of securities to be bought and sold. This is called “discretion” or “discretionary authority”. All discretionary authority is limited to the client’s account as managed by St. James and to the limited power of attorney in the custodian’s (Schwab Institutional, Fidelity Capital Markets, TD Ameritrade, or others) application.

Item 17 - Voting Client Securities

It is St. James’ policy to exercise proxy voting authority over accounts for which the advisor, or client engaging it for services, has requested St. James to do so.

Objective: St. James recognizes that corporate governance and shareholder prospects can directly affect shareholder values. The purpose of this policy is to ensure that St. James votes proxies in the best interests of its clients so as to maximize values over time. It is St. James’ policy to vote proxies along with management suggestions, unless we determine that is not in the best interest of our clients to do so.

Delegation: Robert Mark has the responsibility for voting proxies. He may delegate such responsibility to professional members of the St. James staff who are qualified to analyze proxy issues and exercise prudence when discretion is required to vote proxies. Robert Mark, or the designee, is responsible for ensuring that they thoroughly understand the issues that may arise in how proxies are voted. When appropriate, Robert Mark, or the designee, may consult with consultants or advisors.

Control: Robert Mark, or the designee, will vote proxies in a timely manner in accordance with the policy unless it is in the best interest of St. James’ clients to vote otherwise. St. James’ complete proxy voting policy and procedures are memorialized in the St. James Policies and Procedures Manual and are available for review. The Chief Compliance Officer will maintain a record of votes on all proxy issues, with the St. James’ complete proxy voting record available to clients. St. James will not vote proxies when the custodian utilized by the client does not allow the advisory firm to provide this function. Please contact Amy Burson (amy@stjic.com) to obtain a copy of the proxy voting policy and procedures and/or proxy voting records.

St. James will not participate in class actions on behalf of its clients. Any decision to participate in a class action proceeding shall, at all times, rest with the client. The client shall, in no way, be precluded from contacting St. James for advice or information about a particular class action proceeding. However, St. James shall not be deemed to have authority solely as a result of providing such advice to client.

Item 18 - Financial Information

St. James does not require or solicit the prepayment of fees six months or more in advance.

St. James has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.