

Form CRS

Item 1: March 31, 2021

Item 1A: Fredric E. Russell Investment Management Co. is registered with and governed by the Securities and Exchange Commission as an Investment Advisor.

Differences in regulation

The difference between broker-dealers and registered investment advisors is how each group gets regulated. Investment advisors have a fiduciary duty to their clients that requires them to put their clients' interests ahead of their own. Advisors who have a conflict of interest, such as by receiving compensation for certain products they sell, must fully disclose the conflict or eliminate it. Additionally, an advisor isn't allowed to conduct trades directly for the advisor's own institutional account with clients unless details about the transaction are released to the client and the client gives consent.

By contrast, broker-dealers that work with the public typically become members of the self-regulatory Financial Industry Regulatory Authority, or FINRA. Broker-dealers owe a duty of fair dealing with their clients, which is generally seen as being less onerous than the fiduciary duties that registered investment advisors owe their clients. In particular, broker-dealers must not sell investments to their customers unless those investments are suitable for the customer's needs. When making a recommendation of particular investments, broker-dealers must disclose material conflicts of interest.

Sources of compensation

Because of these different regulatory standards and duties to clients, broker-dealers and registered investment advisors typically get compensated differently. Broker-dealers gravitate toward transaction-based compensation such as trade commissions, and as a result, some consumer advocates have warned their clients against improper practices like account churning to generate extra commission income.

By contrast, registered investment advisors often work on asset-based fees, earning a percentage of assets under management regardless of how many transactions a client does.

Item 1B: Free and simple tools are available to research firms and financial professionals at [Investor.gov/CRS](https://www.investor.gov/crs), which also provides educational materials about broker-dealers, investment advisers and investing.

Item 2A: What investment services and advice can you provide me?

As a Registered Investment Advisor firm, we have the ability to manage your investment portfolio, which may include a mix of individual stocks, fixed income securities and cash equivalents to meet our financial goals. While we emphasize the journey of long-term financial success, our goal is to meet each client's unique objectives. Because each client's goals and situation are unique, all of our relationships begin by exploring your specific investment objectives, along with an agreement about the degree of risk that will be assumed while managing your assets. We do our best to advice we deliver is always objective and in client's best interest.

We help clients translate agreed-upon investment objectives into specific investment guidelines to help increase the value of your assets over time. This includes specifying a mix of equities, fixed-income securities and cash equivalents to meet your financial goals.

Stocks

Like Warren Buffet once said, "Find outstanding companies at sensible prices." This too is our goal for individual stock management—to create long-term growth of your portfolio. We emphasize a value-investment approach. We review fundamental components, and employ a disciplined methodology to identify quality companies we believe are undervalued in the market.

Fixed-Income Securities

We add value to our clients' holdings of fixed-income securities by utilizing interest rate trend analysis to determine the appropriate average maturity of our fixed-income portfolios within a range of 3-10 years.

Fee-Only Financial Planning

Fredric E. Russell Investment Management Co. does not receive any commissions, rebates, awards, finder's fees, bonuses, or other forms of compensation from third parties as a result of our planning recommendations. We are committed to helping our clients reach their financial goals by providing unbiased and objective recommendations. Our clients benefit through improved investment returns, reduced risk and increased financial knowledge.

Item 2B: Fredric E. Russell Investment Management Co. is registered as an investment advisor with the Securities Exchange Commission. We manage your investment portfolio with a mix of stocks, fixed income and cash equivalents.

The firm only offers **non-discretionary services** to all our clients. A **non-discretionary** account is the one where the retail investor makes the ultimate decision regarding the purchase or sale of investments.

The firm does not seek the client's opinion on any investment matter, discourages any client from giving such a piece of advice, or conducting any personal trades in their account. The firm has sole responsibility to manage their funds by using strategies abide by our contract. In addition to that, the firm has an account minimum requirement of \$250,000. The CEO reserves the right on making exceptions for any existing client's family and close friends, the ones who hold an account with us above the required minimum level. If the client conducts a trade in his or her account, the firm has the authority to sell those particular securities without client's consent.

Furthermore, the firm is under no obligation to furnish any reports about their account. Clients may access all relevant information through account access platform provided by their custodian.

The firm offers advice only with respect to Stocks and Treasury Bills and Treasury Notes that are a part of our holdings. The client(s) also understands that the firm cannot eliminate unique (specific asset) or systemic (market) risk for common stocks. The firm will attempt to diversify these risks but there is no guarantee that the firm will be able to do so. Likewise, the firm cannot eliminate interest rate and credit risk for any fixed income securities.

Also, stock prices may decline sharply and may not recover for long periods of time. In 1929, for example, large capitalization stocks, (defined by Ibbotson Associates as equities which comprise the Standard & Poor

500 or are similar in size to market capitalization of companies which comprise the Standard & Poor 500) fell 8.5%. In 1930, these equities declined a further 24.9%. In 1931, they again fell, this time by a staggering 43.34%! In fact, if an investor had taken positions in large capitalization stocks in 1929, he or she would not have recovered his or her capital or broken even until 1937. For an eight-year period (1929-1937) which produced a return of zero, he or she would have suffered tremendous bouts of volatility and distress.

Also, the client(s) understands that the portfolio is always subject to realized and unrealized losses in any asset class. The client(s) understands this and agrees to hold the firm harmless for such losses that may occur. The client(s) also understands that the formulation of the firm's equity strategy is a subjective exercise. There is no universal or objective agreement on how to weigh the competitive advantages discussed in the firm's marketing literature, including its brochure. For example, some analysts may consider market share more important than return on equity in deciding whether a firm has important competitive advantages. Likewise, the very definition of competitive advantage is subjective: for example, the firm weighs some characteristics more heavily than others in assessing whether a company has a de facto franchise. This weighting may not enjoy universal agreement. Also, competitive advantages are not guaranteed to be perpetual, or to last for any given or specified time.

Furthermore, the company may purchase some issues without pronounced competitive advantages, companies which are, nevertheless, in the opinion of the firm, sound investments.

The client(s) also understands that the equity universe is a large universe, containing inevitably companies with greater risk than others. Some issues for example, purchased for the portfolio, may not pay a dividend and may have limited liquidity due to the number of shares outstanding and average daily trading volume. Likewise, some companies may have market share or balance sheets, or cash flows, superior to others. Likewise, some securities may have significant long term or short-term debt, limited operating history, concentration in one product, or inexperienced management, or other characteristics which may make such investments more risky than other common stocks. These companies will experience more volatility than Standard & Poor's 500 and are more subject to profit declines and loss than the index.

For more detailed information you can view our ADV Form Part 2A.

Item 3A: What fees will I pay?

Our fee schedule is as follows:

Fredric E Russell Investment Management Co. is compensated for its advisory services by charging an annual fee of 1.00 percent of the market value of the account per annum, billed 0.25 percent every three months/quarter.

Fredric E Russell Investment Management Co. reserves the right, in its sole discretion, to negotiate, reduce or waive the advisory fee for certain Client Accounts for any period of time determined solely by our Chief Executive Officer.

When the client first opens an account under our management with Charles Schwab & Co., Inc., our custodian, he or she chooses either to authorize us to debit the investment account each quarter for our management fee or to mail us a check for the management fee every quarter. We send each client a billing

notice via electronic mail advising him of the amount of the fee and that it has been withdrawn. If the client chooses, we can send a paper copy of this notice through regular mail.

Our clients incur no other fees or expenses. Clients do not pay any fees in advance. We prorate client accounts if the account is not under our management for the entire quarter, for instance when the client first opens the account, as this almost never occurs precisely on the first or last day of a quarter. In such instances, we calculate a prorated fee that is simply the fee for the entire quarter divided by the number of days in the quarter and multiplied by the number of days the account was under our management.

3B: What are your legal obligations to me when acting as my investment advisor?

The client(s) authorizes the firm, at its discretion, and without requiring prior notice to the client(s), to invest in (a) U.S. common stocks and, (b) U.S. government obligations, and any other class of securities enumerated without any percentage limitation for the preceding two categories. (The Securities and Exchange Commission requires that any broker or custodian such as Schwab must report to the client(s) within twenty-four hours any investment activity undertaken for the client(s) by any investment manager. Thus, the client(s) will be informed of any investment activity undertaken by the firm with Schwab for the benefit of the account(s). The firm may also purchase common stocks traded on foreign exchanges, whether United States based or based in a foreign country. The firm may also purchase and sell derivative instruments, including but not limited to, calls, puts, and futures on common stocks and other instruments.

The relationship between the client(s) and the firm assumes no role for the client(s) in the formulation and execution of investment activity and strategy of the portfolio, except for the client's decision asset allocation decision.

The relationship also assumes that the firm undertakes no responsibility to discuss with the client(s) the rationale of any purchase, sale or any other decision that affects the portfolio. The firm fervently hopes that the client(s) understands that the firm spends its energy and time through research and other activities that will protect and enhance the value of funds of the client(s) under the firm's management. Client understands that the relationship between the firm gives control over the conception and execution of the investment decisions and strategy that govern the client's assets. The firm asks for no advice, input or commentary on any investment decisions except, as stated above, the client's asset allocation preference. Should the client wish to change any asset allocation, for any reason, it is up to the client to let the investment manager know in writing of such change. The firm undertakes no obligation to send any reports summarizing the investment results of any account. If market values diverge from client's asset allocation directive the firm is not obligated to rebalance the portfolio unless instructed in writing by client to do so. (Client may review positions in his or her account electronically or through paper through the electronic portal titled Advisor Source operated by Charles Schwab. A password and account name will be required to retrieve information from this portal).

If client(s) initiates any investment activity in the Portfolio the firm has the right to liquidate, without notice to the client, any such purchase, and client(s) will hold firm harmless for any loss incurred through such liquidation or sale.

Client may terminate this relationship by giving written notice to the firm and or to the custodian. Should the client terminate the relationship by instructing the custodian, without notification to the firm or with notification to the firm after notification to/Charles Schwab delinking the account from the firm's master account, to prohibit the firm from management of the account, that is from ascertaining the assets in the account(s) foreclosing the firm's ability to confirm assets in the account(s), then the firm will be freed of any

responsibility for the account's management and may subsequently bill client of the account on the day of the delinking using values determined by Advent Software, Factset, or Yahoo Finance, or Charles Schwab & Co. to determine the market value of the accounts. The firm in such case the firm will not be responsible for the management of the account after such linking, including but not limited to, any decline in the value of securities. Furthermore, the firm will impose a service charge of five hundred dollars in addition to the management fee discussed below. With written termination notice to the firm five business days before notice to the custodian the firm may immediately liquidate all securities unless the client in writing specifies otherwise. In both cases, the firm reserves the right to bill the client's account immediately after termination no matter what day such termination occurs, at the rate of one quarter of one percent. The firm will bill client for the entire month, so in effect the bill will be two thirds of one quarter of one per cent. Termination date will be considered the date of delinking or receipt of written notice from the client of intent to terminate this contract.

Item 3C. How else does your firm make money and what conflicts of interest do you have?

There are no other streams of income for the firm. The management fees collected quarterly, at .25% per quarter are the only income for the firm. As such, there are no conflicts of interest as further described in form ADV.

Item 3D. How do your financial professionals make money?

Financial professionals can make their money in a variety of ways, including but not limited to: commissions, where professionals are paid to sell, hourly fees, when professionals are paid based on time spent, flat rates, where professionals charge one unvarying rate for services, and performance-based fees, where professionals are paid based on the performance of the assets under management. At Fredric E. Russell Investment Management company, we do not charge hourly or flat-rate fees. Our fees are based on assets under management. We charge 1% per annum of the total market value of each portfolio. These are calculated continuously. Fees are paid quarterly, and not in advance.

Item 4: Do you or your financial professionals have legal or disciplinary history?

No, the firm has no legal or disciplinary history.