

## **Gilliland Investment Management, Inc.**

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### **Form ADV, Part 2A Brochure**

March 26, 2024

This Brochure provides information about the qualifications and business practices of Gilliland Investment Management, Inc. If you have any questions about the contents of this Brochure, please contact us at 806-655-5909 or by email at [mark@gillilandinvestment.com](mailto:mark@gillilandinvestment.com). 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.

Gilliland 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 about which you determine to hire or retain an adviser.

Additional information about Gilliland Investment Management, Inc also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Gilliland Investment Management, Inc. is 124490.

## Item 2 – Material Changes

Since our last annual updating amendment filed on March 24, 2023, we have made no material changes.

Our Brochure may be requested by contacting our office at 806-655-5909 or by emailing us at [mark@gillilandinvestment.com](mailto:mark@gillilandinvestment.com). Our Brochure is also available on our web site [www.gillilandinvestment.com](http://www.gillilandinvestment.com), also free of charge.

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

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## Item 4 – Advisory Business

Gilliland Investment Management (hereinafter “GIM”, “the firm”, “our”, or “we”) is an independent investment firm that provides advice and portfolio management services on a continuing basis, including the appropriate allocation of managed assets among stocks, bonds, cash, mutual funds, exchange traded funds, closed-end funds, real estate investment trusts (REITs), with the selection of specific securities which will provide diversification and help meet the client’s stated investment objectives.

Gilliland Investment Management was originally established in October 2012 as a sole proprietorship owned by Mark Gilliland. The firm was incorporated in March 2015 as Gilliland Investment Management, Inc.

As of December 31, 2023, GIM had \$ 34,931,916 in assets under management for 182 accounts. All assets under management are managed on a discretionary basis.

## Item 5 – Fees and Compensation

The specific manner in which fees are charged by GIM is established in a client’s written agreement. The annual fee for investment advisory services will be charged as a percentage of assets under management according to the schedule below.

<u>Assets Under Management</u>	<u>Annual Fee</u>
\$50,000 - \$499,999	1.25%
\$500,000 - \$1 million	1.00%
\$1 million - \$3 million	0.75%
\$3 million and up	0.50%

All fees are subject to negotiation. Fees are payable quarterly, in arrears at the end of each calendar quarter based on the value (market value or fair market value in the absence of market value) of the client’s account as of the last business day of the quarter.

Our clients authorize the account custodian to debit their client account for the amount of our investment advisory fee. At the end of each quarter, we will notify your custodian of the amount of the fee due and payable to us through our fee schedule and contract. The custodian does not check our fee, its calculation or the assets on which the fee is based. They will deduct the fee from your account(s) and credit our account. In limited situations, we may provide an alternative payment method.

Each month you will receive a statement directly from your custodian showing all transactions, positions and credits/debits to or from your account; the statements after the quarter end will reflect these transactions, including the advisory fee paid by you to us.

Certain clients of GIM with pre-existing relationships may initially be charged fees which are more or less than those set out above.

Management fees shall be prorated for capital contributions made during the applicable calendar quarter (with the exception of de minimis contributions). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any earned unpaid fees will be due and payable.

#### Item 5a – Additional Fees and Expenses:

Advisory fees payable to us do not include all the fees you will pay when we purchase or sell securities for your account(s). The following list of fees or expenses are what you pay directly to third parties, whether a security is being purchased, sold or held in your account(s) under our management. We do not receive, directly or indirectly any of these fees charged to you. They are paid to your broker, custodian or the mutual fund or other investment you hold. These fees may include brokerage commissions, transaction fees, exchange fees, SEC fees, advisory fees and administrative fees charged by mutual funds, exchange traded funds, money market funds, custodial fees, deferred sales charges, transfer taxes, wire transfer and electronic fund processing fees, and commissions or mark-ups / mark-downs on security transactions.

GIM is a fee-only investment advisor. We do not have or employ any employee that receives compensation from the sale of securities or investments that are purchased or sold for your account(s). We do not have any potential conflicts of interest present that relate to any additional (and un-disclosed) compensation from your or your assets that we manage.

#### *Consulting services*

Fees for consulting services may be billed at an hourly rate of up to \$100 per hour. Consulting services may be focused on particular investment and financial advisory issues. Consulting services and fees will be agreed to in advance by the firm and the client.

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

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

## **Item 7 – Types of Clients**

GIM provides portfolio management services to individuals, high net worth individuals, corporations, non-profit organizations, and retirement plans.

The minimum initial investment is \$50,000 for management of accounts. Accounts may be combined to reach the \$50,000 minimum. Fees and account sizes are subject to negotiation and may differ based on a number of factors. These factors may include the amount of assets and the number and range of supplemental advisory and client related services.

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

### *Investment Strategies*

We begin the investment process by carefully listening to the client and gaining a thorough understanding of the client's goals, risk tolerance, investment time horizon, cash flow needs, and other circumstances. We then determine an appropriate investment strategy for the client based on those understandings.

From this understanding, we develop an asset allocation model that properly balances risk and reward over a long-term time horizon. Asset allocation is the relative mix of cash, fixed income, and equity securities suitable for a client's investment portfolio. We believe that investment risk is lessened when a portfolio is diversified. Diversification is achieved by investing across asset classes and securities within an asset class.

We combine asset allocation with diversification to ensure a client's portfolio will be managed in a prudent manner.

### *Equity Investing*

The equity portion of a client's portfolio is usually constructed using exchange-traded funds (ETFs) no-load mutual funds, and individual stocks. We seek client' input and weigh their risk tolerance to determine the extent that individual stocks may be implemented in their portfolio. Some clients prefer to limit their equity exposure to mutual funds and ETFs, while other clients prefer that we build the equity section with nothing but individual stocks. But most clients prefer a mix. For those clients, we start with a core group of ETFs that cover the small cap, mid cap, and large cap sectors of the market. We then add ETFs or individual stocks that target certain market opportunities.

Building the equity section with ETFs or mutual funds maximizes diversification and eliminates specific stock risk, while individual stocks give clients to opportunity increase returns by targeting specific sectors or market opportunities. Mutual funds and ETFs are selected based on their performance vs similar funds over various time frames, their expense ratio (the lower the better),

and the experience of their management team, the liquidity of the fund, and the reputation of the firm offering the fund.

Individual stocks are selected in situations where we believe we have found an opportunity to capitalize on a market opportunity. Sometimes we see a company whose stock has been unfairly depressed, so that the stock is selling below its intrinsic value. This is often referred to as value investing. Sometimes, we see a company that is growing nicely, and that growth is not being reflected in the price of the stock. This is known as growth investing. GIM uses both approaches. Often, we see an opportunity, such as a sector of the market that is experiencing high demand. We can invest in that sector with an ETF focused on that sector, or we can pick one or two stocks from that sector that we believe offer the best opportunity for growth.

Research information is generated both internally and obtained from external sources. External research sources we may utilize include:

- Annual reports, 10-Ks and 10-Qs filed with the SEC
- Research materials prepared by other firms
- Company earnings announcements, press releases, and websites
- Financial websites, newspapers, or magazines, and industry publications
- Government and economic reports

#### *Fixed Income Investments*

Client assets allocated to fixed income securities are primarily invested in our “bond basket”. Our bond basket is a group of 3-5 bond funds (Note - Small accounts may have just 1 or 2 bond funds). These funds may be no-load mutual funds, exchange traded funds (ETFs), or closed-end funds (CEFs). Each bond fund covers a different sector of the bond market, including foreign bonds. We analyze bond funds using research from Morningstar, research reports prepared by other firms, and our own fundamental analysis.

Our bond basket is designed to maximize income while being highly diversified across the bond market, as well as add stability to our clients’ portfolios.

#### *Other Asset Classes*

Sometimes we see an opportunity to invest in asset classes can further diversify a client’s portfolio and reduce risk. We may invest in real estate via publicly traded real estate investment trusts (REITs). We may also invest in commodities via exchange traded funds (ETFs) or exchange traded notes (ETNs). We do not invest in futures contracts, nor will we directly own commodities, precious metals or natural resources. Investments in these asset classes are made only in highly liquid funds or securities. We do not invest in non-publicly traded securities.

### *Risk of Loss*

Investing in securities involves risk of loss that clients should be prepared to bear. Securities markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. When securities are sold, they may be worth less than they were purchased for, which means that you could lose money.

### **Item 9 – Disciplinary Information**

GIM has never been the subject of an investment related regulatory or legal complaint. No employee of GIM has ever been the subject of an investment related regulatory complaint or litigation.

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

In addition to being the registered representative of Gilliland Investment Management, Inc., Mark E. Gilliland is also a licensed certified public accountant (CPA) and is the sole stockholder of Gilliland & Co., PC, a professional corporation licensed to practice accounting in Texas by the Texas State Board of Public Accountancy. As such, GIM may sell other services or products to advisory clients. Accounting and tax preparation services provided by Gilliland & Co., PC are separate and distinct from the advisory services provided by GIM, and are provided for separate and typical compensation. No GIM client is obligated to use Gilliland & Co., PC for any accounting and/or tax preparation services, and no accounting/tax client of Mr. Gilliland is obligated to utilize the advisory services of GIM. Gilliland & Co., PC's accounting services do not include the authority to sign checks or otherwise disburse funds on any advisory client's behalf.

Mr. Gilliland expects to spend less than 35% of his time with non-advisory activities.

### **Item 11 – Code of Ethics**

GIM has adopted a Code of Ethics for all supervised persons of the firm 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 GIM must acknowledge the terms of the Code of Ethics annually, or as amended.

GIM anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it



will cause accounts over which GIM has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which GIM its affiliates and/or clients, directly or indirectly, have a position of interest. GIM's employees and persons associated with GIM are required to follow GIM's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of GIM and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for GIM's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of GIM will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of GIM's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between GIM and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with GIM's obligation of best execution. In such circumstances, the affiliated and client accounts receive securities at a total average price. The custodian will charge commissions based on its established rates for each client account. GIM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

GIM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Mark Gilliland.

It is GIM's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. GIM will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client.

## **Item 12 – Brokerage Practices**

All client assets are held by third party custodians. Clients may choose any custodian they prefer. If the client has no preference, GIM typically recommends that clients use Fidelity Investments Institutional Wealth Services ("Fidelity IWS") as the custodian. All client assets under management are currently held at Fidelity IWS. Fidelity IWS provides us with access to its

institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisors. Prospective clients are hereby advised that lower brokerage fees for comparable services may be available from other sources. We have a duty to get best execution for our clients. Best execution is not only brokerage fees, but also involves price improvement and speed of execution. We periodically review our transaction costs in light of current market circumstances, available published statistical analysis as well as other relevant information.

GIM has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides GIM with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist GIM in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help GIM manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom GIM may contract directly.

GIM is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

Fidelity is providing GIM with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act").

### **Item 13 – Review of Accounts**

Client accounts are reviewed by Mark Gilliland, sole proprietor of Gilliland Investment Management on a regular basis. The frequency of the review is dependent upon the type of review being performed.

GIM downloads transactions from the custodian for posting into our portfolio management system 1 to 5 times a week depending on investment activity. Before posting, all transactions are reviewed to confirm that they are authorized. Unusual transactions are investigated. After transactions have been posted, all client accounts are reconciled to balances reported by the custodian.

Securities held in client accounts are reviewed on a weekly basis. Unusual moves, either up or down, are investigated.

Client accounts are reviewed on at least a monthly basis. In this review, account performance is compared to other accounts with similar asset allocation models. We identify any large fluctuations and take action as necessary.

On a quarterly basis, we mail reports to all clients. Each package includes an account statement for each client account, a performance report for each account, and a billing statement showing how the management fee was calculated for the previous quarter. Before mailing the quarterly statements, we review the asset allocation model and compare it to the target asset allocation model. We also compare performance for accounts with similar asset allocation models. Any necessary changes are made.

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

While we very much appreciate any referrals that clients may make on our behalf, we do not offer or participate in any programs where we compensate someone for client referrals.

#### **Item 15 – Custody**

We do not have custody of client assets. Therefore, each client must select a custodian and may be required to pay custodian fees. Also, clients will incur brokerage and other transaction costs during our management of their accounts. Clients should receive at least quarterly statements from the custodian that holds and maintains client's investment assets. GIM 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**

GIM usually 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 client account.

When selecting securities and determining amounts, GIM observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to GIM in writing.

### **Item 17 – Voting *Client* Securities**

As a matter of firm policy and practice, GIM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for securities maintained in client portfolios. GIM may provide advice to clients regarding the clients' voting of proxies.

### **Item 18 – Financial Information**

Gilliland Investment Management does not have any financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. In addition, we do not require or solicit pre-payment of advisory fees.

### **Item 19 – Requirements for State-Registered Advisers**

#### **EDUCATION AND BUSINESS BACKGROUND**

MARK EDWARD GILLILAND      BORN: 1962

#### Education

Graduated, West Texas A&M University in 1986 with a Master of Professional Accounting degree.  
Graduated, West Texas A&M University in 1984 with a Bachelor of Business Administration degree.

#### Employment History

President, Gilliland Investment Management, Inc., from 1/15 to present  
Sole Proprietor, Gilliland Investment Management, from 10/02- 12/14.  
Sole Stockholder, Gilliland & Co., PC, Certified Public Accounts, from 1/13 to present.  
Sole Proprietor, Mark E. Gilliland, CPA from 10/02 to 12/12.

Vice President, Treasurer, Controller, A to Z Tire and Battery, Inc., from 6/96 to 10/02.  
Asst. Controller/District Sales Manager, Anderson Merchandisers, Inc. from 1/91 to 6/96.  
Staff Accountant, KPMG Peat Marwick, from 1/89 to 1/91.  
Staff Accountant, Brown Graham & Co. CPAs, from 1/87 to 1/89.

Examinations and Professional Designations

NASAA Series 65, Uniform Investment Adviser Law Examination, 10/02  
Certified Public Accountant (CPA), 9/89