

## Form ADV Part 2A - For New West Investment Management, Inc.

Brochure

June 7, 2012

### Cover Page

New West Investment Management, Inc. (CRD# 117872)

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New West Investment Management, Inc. is registered with the states of Colorado, California, and Texas.

This brochure provides information about the qualifications and business practices of New West Investment Management, Inc. If you have questions about the contents of this brochure, please contact New West using any of the above referenced means. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about New West Investment Management, Inc. is available on the SEC's website at [www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov). New West Investment also maintains a website at [www.NewWestInvestment.com](http://www.NewWestInvestment.com).

## **Material Changes**

Listed below is a material change made since the last update on April 19, 2012:

### ***Cover Page, Texas added:***

New West Investment Management, Inc. is registered with the states of Colorado, California, and Texas.

### ***Fees and Compensation, page 5, removal of the following:***

If additional cash, securities, or other investments are accepted for management by New West, and added to the client account during a calendar quarter, an additional fee, pro-rated for the number of days remaining in the calendar quarter and based on the value of the additional assets, may be billed to the client and due within ten days.

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### Form ADV Part 2B- For Peter V. Hedberg

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## Advisory Business

New West Investment Management, Inc. was founded in 1990 by Peter V. Hedberg to meet investors' needs by combining personal financial services with professional investment results. The firm has two shareholders and is majority owned by Mr. Hedberg while David S. Saunders, as an investor, owns 23.4% of the company. Mr. Saunders is not involved in any aspects of the operation of New West.

New West is a registered investment advisor that manages separate investment portfolios on a discretionary, fee-only basis. New West Investment Management, Inc. provides personalized investment advisory services for individuals, their businesses, retirement plans and trusts. Advisory services include developing a set of investment objectives, evaluating existing portfolio holdings and selecting individual investments on a continuous basis in light of these objectives, and formally reviewing the results relative to the objectives.

Developing investment objectives entails identifying and prioritizing needs regarding the stability of portfolio value, the growth of portfolio value and the amount and predictability of annual investment income. Evaluating portfolio holdings requires analyzing existing investments compared to individual investment objectives.

Investments are selected taking into account specific objectives, the current economic environment, and the potential risks and returns for each security. Vehicles used fall predominately into three asset classes: cash and equivalents, debt securities and equity investments.

Cash and equivalents comprise money market funds and other investments whose value is expected to fluctuate little, that have a due date of less than one year or that have a variable interest rate. Debt securities include bonds issued by governments, municipalities and corporations that mature in more than one year and pay a fixed rate of interest.

Equity investments are New West's specialty and may be either exchange listed or over-the-counter traded. The aim is to identify good businesses with undervalued securities that can then be used to build an investment portfolio to satisfy financial needs. Undervalued issues are used with the intent of minimizing potential declines in the value of the holdings and maximizing the potential return.

Open and closed-ended mutual funds are utilized, but individual securities are the vehicle of choice so as to minimize portfolio expenses and to gain greater investment control. Other types of investments, which may be hybrids of, or related to, the classes referenced above, may be purchased or held. Foreign securities are sometimes used.

In-depth research is performed prior to investment in any security, is fundamental in nature and may include review of research reports, news releases, published articles, required corporate filings, discussion with company contacts and inspection of corporate facilities. In no case will material, non-public information be used in making investment decisions. There is no set time horizon for holding an investment although positions tend to be held for multi-year periods. Option, short sales and margin transactions may be undertaken, but rarely are. Clients may provide input into the types of securities that are used in the construction of their portfolio.

Client investment portfolio values are updated daily utilizing sophisticated PC based portfolio tracking software. Accounts are monitored on a regular basis, and in no instance less often than monthly, to confirm that portfolio holdings reflect a client's investment objectives. The number of client relationships at New West Investment Management does not exceed 75 and as of December 31<sup>st</sup>, 2011, assets under management were \$28,800,000.00.

## Fees and Compensation

In most cases, New West is compensated for the investment advisory services provided by charging a fee based on an annual percentage of the value of the investment portfolio managed. The percentage is adjusted for different types of investments held in the portfolio and the total value of the assets managed for a client. It is important to note that New West is not compensated by commission, transaction fee or sales charge. The fee schedule is as follows:

|                  | <u>Cash, Equivalents<br/>&amp; Accrd Dividends</u> | <u>Debt &amp; Accrd<br/>Interest</u> | <u>Equity<br/>Investments</u> | <u>Mutual Funds &amp;<br/>Other Assets</u> |
|------------------|--|--------------------------------------|-------------------------------|--|
| Base Rate        | 0.375%   | 0.625%                               | 1.25%                         | 0.625%                                     |
| Over \$500,000   | 0.34375%   | 0.5625%                              | 1.00%                         | 0.5625%                                    |
| Over \$1,000,000 | 0.3125%  | 0.50%                                | 0.875%                        | 0.50%                                      |
| Over \$2,500,000 | 0.28125%   | 0.4375%                              | 0.75%                         | 0.4375%                                    |
| Over \$5,000,000 | 0.25%  | 0.375%                               | 0.625%                        | 0.375%                                     |

The annual base rate is reduced for each asset class when total assets managed for a client increase above the following levels: \$500,000, \$1,000,000, \$2,500,000 and \$5,000,000. The minimum rate is reached when total assets managed exceed \$5,000,000. Furthermore, the total account management fee charged, including unblended equity accounts, will never be more than 1.00% or less than 0.50%.

In some instances an hourly fee may be charged, if agreed upon in advance, at a rate of \$100.00 per hour for services outside of normal asset management. New West has a \$250,000 minimum account size. Fees and account minimums are negotiable.

Clients pay the management fee quarterly in advance. The initial fee will be due in full on the date that New West Investment is retained, and will be based on the total client account value. The initial fee shall cover the period beginning as of the date referenced above and ending on the last business day of the next full calendar quarter, and shall be pro-rated for any partial quarter. Thereafter, the fee will be based on the client account value as of the last business day of the previous quarter. All fees will be billed to the client and shall be due and payable within ten days of billing.

The fee schedule may be modified or changed by New West upon thirty (30) days notice to the client. The fees specifically do not include commissions or transaction fees assessed by the client broker or other expenses and fees charged by mutual funds, for example. Other than for additional assets, there will be no adjustment to the fee made during any calendar quarter as a result of appreciation or depreciation in the client account during the quarter for which the fee has been prepaid, nor shall any adjustment or refund be made as a result of partial withdrawal(s) from the client account made by the client. A prorata refund for the fees paid in advance will be made by New West to the client within fifteen (15) days of the termination date of the relationship between the client and New West Investment Management, Inc.

## Performance Based Fees and Side-by-Side Management

New West Investment Management, Inc. does not charge performance based fees as they misalign incentives between the investment manager and the client. Also, side-by-side management issues do not arise as New West is compensated by all clients in the same fashion.

## Types of Clients

Please see the section on Advisory Business, page 4, paragraph 2, for the types of clients New West manages portfolios for. Refer to the Fees and Compensation section, this page, paragraph 4, for minimum account size requirements.

## Methods of Analysis, Investment Strategies and Risk of Loss

Any and all investments have associated risks; from loss of principle and purchasing power, to uncertainty of outcome and income instability. Our investment approach utilizes a deep understanding of the elements of asset pricing in order to reduce and balance these risks. No matter how well designed and managed, an investment portfolio can suffer temporary, and sometimes permanent, loss of capital. Investing in securities involves risk of loss that clients should be prepared to bear.

At New West Investment Management, Inc. we recognize that asset prices are a function of an enormous number of complex inputs. Investment strategy can go awry as a result of the factors that are not considered, ignored or deemed to be unknowable. Furthermore, factor influences can lay dormant for long periods of time, and thereby render research undertaken a waste of resources, only to become the driving or exclusive force in asset pricing in very short order. The following list of global considerations is ordered by level of importance:

- |                                   |                                |                           |
|-----------------------------------|--------------------------------|---------------------------|
| 1 Governmental Stability          | 2 Established Rule of Law      | 3 Economic Philosophy     |
| 4 Public Policy                   | 5 Market Systems               | 6 Demographics            |
| 7 Regulatory Structures           | 8 Economic Environment         | 9 Currency Interaction    |
| 10 Industry or Segment Conditions | 11 Company or Entity Specifics | 12 Security Type & Detail |
| 13 Investment Alternatives        |                                |                           |

These factors are then overlaid with investor expectations and human psychology. As such, it is easy to understand the volatility of assets prices. While some investors focus on only a few of the above items, at New West our approach to constructing and managing investment portfolios integrates a deep understanding of these factors with the economic goals of our clients in order to properly allocate assets in a portfolio.

New West Investment Management, Inc. seeks to identify mispriced securities. When buying shares of a company we look for abnormally profitable businesses that have a sustainable advantage. We construct investment portfolios, using individual securities in most cases, to increase transparency and to decrease risk, fees and taxes.

Amongst the chaos in the world's investment markets, two types of philosophies dominate: speculation and investment. At New West we pride ourselves on being investors and understand that investing means owning an asset or a business or loaning funds to a business and other entity.

When selecting stocks to add to a portfolio, in most cases we are looking to own a slice of an abnormally profitable business at an attractive price that has sustainable growth opportunities. This provides a margin of safety against a permanent loss of capital. Although this concept is easy to understand, finding companies that meet all three criteria is usually a function of discovering an opportunity hidden in a problem with the company, industry or the stock market as a whole. That requires fighting off the urges of human psychology to invest in something that others can easily disparage. That can be a lonely endeavor.

Recognizing that bonds can also provide attractive risk adjusted returns; most portfolios have funds allocated to this asset class. Consideration is given to current and expected future interest rates, time until maturity and the uncertainty or risk of repayment over the complete term the instrument is to be held.

New West Investment Management, Inc. is never paid a commission or other compensation to invest in a particular security. The investments that are held in client accounts are most often held in our personal investment accounts. While this is no guarantee of success, it aligns our financial well-being with that of our clients.

## **Disciplinary Information**

Form ADV Part 2 provides a long list of reportable events that an investment firm, management person or supervised person must disclose to clients and prospective clients, ranging from civil and criminal actions for fraud, perjury, and forgery to violation of regulations, bankruptcy filings and the list goes on. Happily, neither New West Investment Management, Inc. nor the sole firm principal, Peter V. Hedberg, has anything to report. Over the 20 plus years the firm has been in existence there has never been so much as a letter of complaint.

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

New West Investment Management, Inc. is not affiliated with, nor does it have material arrangements with individuals or companies that are broker-dealers, investment companies, accounting or law firms, insurance companies or other types of investment or financial consulting or services firms.

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

As Peter V. Hedberg, President of New West Investment Management, Inc., is a member of the CFA Institute, the firm is required to, and has adopted the CFA Institute's Code of Ethics and Standards of Professional Conduct. The Code of Ethics and Standards of Professional Conduct can be reviewed at [CFAINstitute.org](http://CFAINstitute.org).

Furthermore, securities held in client accounts are never purchased from or sold to New West, but in some cases the firm and/or its employees may own, or have owned, the same security. This creates a conflict as to the allocation of investments and at what price, between New West clients and the firm and/or its employees. Client interests are always placed ahead of the firm and/or its employees. However, since future price action, or availability, of securities is unknown, employees may receive more or less favorable executions than some clients. There is no restriction on selling a security in an investment portfolio at the same general time that it is being purchased in another or from swapping securities between clients if it is in the best interest of each client.

## **Brokerage Practices**

Clients of New West Investment Management, Inc. are responsible for selecting the broker-dealer having custody of, and to handle the purchase and/or sale transactions of, the securities or other investments in their account. New West Investment has limited trading authorization on client accounts and is authorized to receive whatever information is necessary to manage the client's investment portfolio. While New West may from time to time recommend broker-dealers to the client with which New West may have a special trading relationship, such recommendations will be made to minimize commission or other transaction costs to the client or to assure quality brokerage service to the client and New West Investment Management, Inc.

New West shall not receive any commission or compensation from any broker-dealer. Brokerage firms often provide services, investment research, information and referrals to investment advisors. These are incidental, and not central, to New West's broker-dealer recommendations. New West will not be responsible for, or liable to the client, for any loss or liability incurred by the client by reason of any action, omission, or inaction on the part of the client broker, whether or not said client broker, was recommended by New West.

In executing trades for client accounts, New West often aggregates purchase and sale transactions and then allocates the shares or other investments to each client account. This is done in order to get better purchase or sale prices as well as to speed up the transaction process and thereby minimize the possibility that clients would receive different prices for investments bought or sold.

## **Review of Accounts**

Please see the section on Advisory Business, page 4, paragraph 9, for information on review of client accounts. In addition, many account reviews are initiated due to security specific research and general investment market action. Also see the Custody section below for a discussion on written reports provided to clients.

## **Client Referrals and Other Compensation**

New West Investment Management, Inc. welcomes referrals from clients and other professionals; however the firm never pays or in any way compensates the referring party. In addition, New West is never paid, compensated or rewarded in any way for placing client funds in any investment, security, fund or portfolio.

## **Custody**

New West Investment Management, Inc. is never the custodian for the client's investment portfolio assets. The client will receive from the broker-dealer having custody of the portfolio assets, and handling transactions in the client account, confirmation of trades completed, periodic account statements, required tax filing reports and correspondence about individual securities.

To review planning and investment selection (please see the section on Advisory Business, page 4, paragraph 2), New West provides clients with a comprehensive quarterly report. The report outlines account performance compared to benchmark indices, total value of managed assets, estimated annual income, allocation by asset class, accrued interest, dividends due and unrealized gains and losses on portfolio holdings. It is important that clients review and compare both sets of reports.

## **Investment Discretion**

New West Investment Management, Inc. accepts authority to execute purchase and sale transactions for securities and investments, on the client's behalf, in client accounts and to present and receive information to and from the broker-dealer providing trading and custody services to the client, only. Discretion is exercised after a limited power of attorney, signed by the client, is delivered to the custodian broker-dealer and is implemented in order to provide the investment services described in this brochure.

## **Voting Client Securities**

New West Investment Management, Inc. does not accept authority or responsibility to enter a vote on a client's behalf in regards to securities or investments held in accounts. This is a cumbersome duty with likely little or no reward for the client. Clients will receive proxies and other solicitations from the brokerage firm having custody of the assets. New West does discuss voting choices and options with clients when contacted and in the rare instance where a vote entered is deemed beneficial to the client, will initiate contact with the client to recommend voting selections.

## **Financial Information**

New West Investment Management, Inc. is not required to file financial information, as the firm does not require clients to prepay management fees six or more months in advance.



## **Requirements for State-Registered Advisers**

Peter V. Hedberg, born July 15, 1959, as President and founder of New West Investment Management, Inc. handles all aspects of investment decisions and business at the company. Mr. Hedberg was awarded a Bachelors of Science degree, with a finance major, from the University of Colorado in 1983. He has achieved level one of the Charter Financial Analyst Candidate Program, which requires an intensive six-month study program and passage of a rigorous exam that has a less than 50% passage rate. Mr. Hedberg is a member of the CFA Institute of Colorado.

Prior to founding New West in November of 1990, Mr. Hedberg was employed as a Registered Representative with Boettcher & Company from April of 1989 and with Shearson Lehman Brothers and the predecessor firm of E. F. Hutton & Company from June of 1984.

New West Investment Management, Inc. is not engaged in any other businesses, nor does it sell products or services not related to the investment advisory services described above. The investment advisory services mentioned represent 100% of New West's annual billings. Peter V. Hedberg, the principal executive of the company, is not actively involved in any other significant business ventures.

## Form ADV Part 2B - For Peter V. Hedberg

Brochure Supplement

June 7, 2012

### Cover Page

Peter V. Hedberg, President (CRD# 1289752)  
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### **Educational Background and Business Experience**

Please see the section on Requirements for State-Registered Advisers, page 9, in the previous brochure.

### **Disciplinary Information**

Please see the section on Disciplinary Information, page 7, in the previous brochure.

### **Other Business Activities**

Peter V. Hedberg, President of New West Investment Management, Inc. is not actively involved in any other significant business ventures.

### **Additional Compensation**

Peter V. Hedberg is never paid a commission, sales award, prize or other compensation to invest in a particular security or for a referral to other financial services providers. 100% of Mr. Hedberg's annual earned income has come from, and is expected to continue to come from, salary and bonuses paid to him by New West Investment Management, Inc.

### **Supervision**

Peter V. Hedberg is self-supervised.

### **Requirements for State-Registered Advisers**

This section requires disclosure of events in addition to those covered in Disciplinary Information above, such as awards against Peter V. Hedberg for being found liable in arbitration, civil, self-regulatory organizations or other proceedings. It also requires disclosure of prior or current bankruptcy petitions. Peter V. Hedberg has no such events to report.