

**Part 2A of Form ADV: *Firm Brochure***

**Pennant Management, Inc.**

11270 W. Park Place  
Suite 1025  
Milwaukee, WI 53224

Telephone: 414-359-1044

Email: [melste@pennantmanagement.com](mailto:melste@pennantmanagement.com)

Web Address: [www.pennantmanagement.com](http://www.pennantmanagement.com)

01/26/2012

This brochure provides information about the qualifications and business practices of Pennant Management, Inc.. If you have any questions about the contents of this brochure, please contact us at 414-359-1044 or [melste@pennantmanagement.com](mailto:melste@pennantmanagement.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.

Additional information about Pennant Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 106974.

## **Item 2    Material Changes**

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 01/26/2012, is our new disclosure document prepared according to the SEC's new requirements and rules. Our initial filing of this Brochure was on 3/28/11.

This Item serves to provide our clients with a summary of new and/or updated information since the initial filing. The only changes to this year's Brochure were updates to our "assets under management" (Item 4) and our research paid with soft dollars (Item 12).

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

<b>Item 3</b>	<b>Table of Contents</b>	<b>Page</b>
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	9
Item 6	Performance-Based Fees and Side-By-Side Management	17
Item 7	Types of Clients	17
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	18
Item 9	Disciplinary Information	21
Item 10	Other Financial Industry Activities and Affiliations	21
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	22
Item 12	Brokerage Practices	25
Item 13	Review of Accounts	29
Item 14	Client Referrals and Other Compensation	31
Item 15	Custody	31
Item 16	Investment Discretion	32
Item 17	Voting Client Securities	32
Item 18	Financial Information	33

## **Item 4    Advisory Business**

Pennant Management, Inc. is a SEC-registered investment adviser with its principal place of business located in Milwaukee, Wisconsin. Pennant Management, Inc. began conducting business in 1992.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- U.S. Fiduciary Services, Inc.,

Pennant Management, Inc. offers the following advisory services to our clients:

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit

- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities
- Options contracts on commodities
- Futures contracts on tangibles
- Futures contracts on intangibles
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests
- Interests in partnerships investing in equity and mezzanine finance

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

## **INVESTMENT SUPERVISORY SERVICES ("ISS") MODEL PORTFOLIO MANAGEMENT**

Our firm provides portfolio management services to clients using model asset allocation portfolios. Each model portfolio is designed to meet a particular investment goal.

<b>Growth</b>	This objective is interested exclusively in growth and has no immediate income requirements. It may hold all types of investment vehicles including up to a 100% fully invested position in stocks and stock equivalents. At other times, it may be appropriate to hold 100% of the assets in fixed income instruments or in other types of investment vehicles. In general, portfolio asset weight of equities is typically greater than or equal to 75%. This account is more likely to be traded and may show a higher degree of turnover. Since this account is aiming for high total return, it will bear higher risks in terms of potential price depreciation in trying to obtain these returns.
<b>Growth/Income</b>	This objective can have an identical or larger position in stocks than Income/Growth - however, there is no need that the stocks pay a dividend like that associated with the investment objective category of Income/Growth. This objective is primarily interested in long term growth to enhance the purchasing power of the assets. As a result, it is expected that the majority of the assets in this type of account will be invested in equities or equity equivalents. Typically this account will have an asset allocation of between 55% to 75% stocks and stock equivalents.
<b>Income/Growth</b>	This objective can have an identical or larger position in stocks than Growth/Income - however, there is a general pre-disposition towards the purchase of issues that pay a dividend. This objective is interested in long term growth to enhance the purchasing power of the assets, but accompanied by the generally stabilizing benefits of regular income flow. Typically this objective will have an asset allocation of between 35% to 55% in stocks and

<b>Income</b>	<p>stock equivalents - with the emphasis on stock issues that pay income.</p> <p>This objective should provide the maximum income obtainable consistent with safety of principal and with some provision for maintaining the purchasing power of the assets. Investment vehicles will normally be composed of bonds, with equities and equity equivalents present in order to protect against longer term price inflation. In keeping with an emphasis on income, the current income return should normally exceed that available on the broad stock market averages. Portfolio asset weight of equities is less than or equal to 35%.</p>
<b>Short Term Bond</b>	An approach stressing the active management of bond securities using short to intermediate bonds with an average maturity of 1 to 5 years depending on account specific objectives.
<b>Managed Money Market</b>	A low volatility, highly liquid, bond investment approach using money market instruments with an average maturity of 1 to 360 days depending on account specific liquidity needs.
<b>Alternative Equity Strategy</b>	The Alternative Equity Strategy employs a flexible investment strategy that is designed to make money when the market is moving higher and protect money when the market is declining. The AES team actively manages portfolios based on current economic conditions.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Through personal discussions with the client in which the client's goals and objectives are established, we determine if the model portfolio is suitable to the client's circumstances. Once we determine the suitability of the portfolio, the portfolio is managed based on the portfolio's goal, rather than on each client's individual needs. Clients, nevertheless, have the opportunity to place reasonable restrictions on the types of investments to be held in their account. Clients retain individual ownership of all securities.

Our investment recommendations are not limited to any specific product or service offered by a broker dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance

- Variable annuities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities
- Options contracts on commodities
- Futures contracts on tangibles
- Futures contracts on intangibles
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests

Because investments involve degrees of risk, they will only be recommended and implemented when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

To ensure that our initial determination of an appropriate portfolio remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances, we will:

1. send quarterly packages to each Model Portfolio Management Services client noting their model portfolio investment objective;
2. at least annually, contact each participating client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions;
3. be reasonably available to consult with the client; and
4. maintain client suitability information in each client's file.

### **MUTUAL FUND PORTFOLIO MANAGEMENT**

Pennant Management, Inc. provides discretionary portfolio management services to the USFS Funds Limited Duration Government Fund and USFS Funds Tactical Asset Allocation Fund, registered under the Investment Company Act of 1940 (the "Mutual Funds"), and the USFS Short Term Investment Fund for Qualified Plans Trust , a collective investment fund (the "CIF").

Pennant Management, Inc. serves as the investment manager to the Mutual Funds and the CIF, and continuously manages the fund assets based on the investment goals and objectives as outlined in the Mutual Funds' prospectus and the CIF's Disclosure

Memorandum.

Interested investors should refer to the Mutual Funds' prospectus and Statement of Additional Information ("SAI") and the CIF's Disclosure Memorandum for important information regarding objectives, investments, time-horizon, risks, fees, and additional disclosures. These documents are available on-line at [www.pennantmanagement.com](http://www.pennantmanagement.com).

Prior to making any investment in the Mutual Funds or the CIF, investors and prospective investors should carefully review these documents for a comprehensive understanding of the terms and conditions applicable for investment in the Mutual Funds and the CIF.

## **PENSION AND PORTFOLIO CONSULTING SERVICES**

We also provide several advisory services separately or in combination. Although the primary clients for these services will be pension, profit sharing and 401(k) plans, we offer these services, when appropriate, to individuals, trusts, estates, banks, and charitable organizations. Pension and Portfolio Consulting Services are comprised of the following distinct services. Clients may choose to use any or all of these services.

### *Investment Policy Statement Preparation (hereinafter referred to as "IPS"):*

We will meet with the client (in person or over the telephone) to determine the client's investment objectives and an appropriate investment strategy designed to meet those objectives. Our firm then prepares a written IPS detailing those objectives and investment strategy. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance.

### *Construction of Asset Allocation Models:*

We assist plan sponsors in constructing appropriate asset allocation models. We will then review various mutual funds (both indexed and managed) to determine which funds should be included in each model. The number of funds to be recommended will be determined by the client's IPS.

### *Monitoring of Investment Performance:*

We monitor client investments continually, based on the procedures and timing intervals delineated in the client's IPS. Although our firm is not involved in any way in the purchase or sale of these investments, we supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

### *Employee Communications:*

For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own accounts ("self-directed plans"), we may also provide quarterly educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will be determined in consultation with the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will not provide plan participants with individualized, tailored investment advice or



individualized, tailored asset allocation recommendations.

## **PUBLICATION OF PERIODICALS**

Pennant Management, Inc. publishes a quarterly newsletter providing general information on various financial topics including, but not limited to, estate and retirement planning, the economy, and market trends. No specific investment recommendations are provided in this newsletter and the information provided does not purport to meet the objectives or needs of any individual. This newsletter is distributed free of charge to our advisory clients.

## **CONSULTING SERVICES**

Clients can also receive specialized consulting services applicable to the management of deposit gathering entities, like banks and other financial services companies. These specialized consulting services include, asset and liability analysis, bond accounting analysis, policy review consulting, investment strategy and forecasting consulting, and regulatory reporting consulting.

Consulting recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

Following are descriptions of two of our specialized consulting services:

### **ASSET & LIABILITY ANALYSIS**

Asset & Liability Analysis combines a bank's call report data and history to measure interest risk in a portfolio on a quarterly basis. Its purpose is to give bankers a tool with which to determine interest rate risk and to help prepare for examinations. A bank's financial history will be combined with its most recent call report and established interest rate risk measurement techniques to produce a reasonable estimate of both interest margin and equity risk. When combined with an active control program, this analysis fulfills the Asset Liability Committee (ALCO) process and risk sensitivity measures. The analysis helps the banker develop risk analysis methods, rate risk strategies, levels of risk tolerance and the ability to understand and communicate risk.

### **BOND ACCOUNTING ANALYSIS**

This analysis integrates portfolio analysis with investment accounting. The analysis calculates and incorporates duration, average life, convexity, rate shock analysis, cash flow and budget, and planning projections with details of portfolio accounting. This service is typically transaction oriented.

## **AMOUNT OF MANAGED ASSETS**

As of 12/31/2011, we were actively managing \$2,663,982,394 of clients' assets on a discretionary basis, plus \$2,867,945,603 of clients' assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **INVESTMENT SUPERVISORY SERVICES ("ISS")**

# INDIVIDUAL PORTFOLIO MANAGEMENT FEES

Our annual fees for Individual Portfolio Management Services are charged on a percentage of assets under management and generally range from .10% to .50%, according to the following schedules:

## PENNANT MANAGEMENT, INC. SCHEDULE OF INVESTMENT ADVISORY FEES FOR INSTITUTIONAL CASH MANAGEMENT and BOND PORTFOLIO ACCOUNTS

Effective: 9/01/10

MARKET VALUE OF ASSETS	ANNUAL FEE
All assets except assets invested through the Pennant Management, Inc. Master Repurchase Arrangement	0.100% of Market Value
Assets invested through the Pennant Management, Inc. Master Repurchase Arrangement	0.500% of Market Value

MINIMUM ANNUAL FEE	\$ 5,000.00
--------------------	-------------

## PENNANT MANAGEMENT, INC. SCHEDULE OF INVESTMENT ADVISORY FEES FOR INSTITUTIONAL BALANCED and EQUITY PORTFOLIO ACCOUNTS

Effective: 05/01/10

MARKET VALUE OF ASSETS	ANNUAL FEE
First \$ 100,000,000	0.350% of Market Value
Balance	0.180% of Market Value

MINIMUM ANNUAL FEE	\$ 14,000.00
--------------------	--------------

**PENNANT MANAGEMENT, INC.**  
**SCHEDULE OF INVESTMENT ADVISORY FEES**

Effective: 08/01/09

<b>MARKET VALUE OF ASSETS</b>	<b>ANNUAL FEE</b>
First \$ 250,000	1.250% of Market Value
Next \$ 750,000	0.900% of Market Value
Balance	0.650% of Market Value

<b>MINIMUM MONTHLY FEE</b>	<b>\$ 250.00</b>
----------------------------	------------------

**PENNANT MANAGEMENT, INC.**  
**SCHEDULE OF INVESTMENT ADVISORY FEES**  
**FOR CASH MANAGEMENT ACCOUNTS**

Effective: 08/1/09

<b>MARKET VALUE OF ASSETS</b>	<b>ANNUAL FEE</b>
Balance	0.400% of Market Value

<b>MINIMUM MONTHLY FEE</b>	<b>\$ 250.00</b>
----------------------------	------------------

**PENNANT MANAGEMENT, INC.**  
**SCHEDULE OF INVESTMENT ADVISORY FEES**  
**FOR ALTERNATIVE EQUITY STRATEGY ACCOUNTS**

Effective: 8/01/09

<b>MARKET VALUE OF ACCOUNT</b>	<b>ANNUAL FEE</b>
First \$ 75,000	2.00% of Market Value
Next \$ 75,000	1.50% of Market Value
Next \$ 350,000	1.25% of Market Value

Next \$ 500,000	1.00% of Market Value
Balance	0.80% of Market Value

<b>MINIMUM ANNUAL FEE</b>	\$ 1,500.00
---------------------------	-------------

### **FEES FOR EXTRAORDINARY SERVICES**

When extraordinary or unusual services are rendered, an additional charge will be made depending on the time required and responsibility involved.

### **TERMINATION FEE**

We reserve the right to charge a reasonable termination fee based upon the time required to complete our duties.

A minimum of \$1,000,000 of assets under management is required for this service. This account size may be negotiable under certain circumstances. Pennant Management, Inc. may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

***Limited Negotiability of Advisory Fees:*** Although Pennant Management, Inc. has established the aforementioned fee schedules, we retain the discretion to negotiate alternative fees on a client-by-client basis. Facts and circumstances considered in determining exceptions to the fee schedules may include assets to be placed under management, anticipated future additional assets, and related accounts. The specific annual fee schedule is identified in each client's contract with the adviser.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

### **INVESTMENT SUPERVISORY SERVICES ("ISS") MODEL PORTFOLIO MANAGEMENT FEES**

Our annual fees for Model Portfolio Management Services are charged on a percentage of assets under management and generally range from .40% to 2.0%, according to the following schedules:

**PENNANT MANAGEMENT, INC.**  
**SCHEDULE OF INVESTMENT ADVISORY FEES**  
**FOR INSTITUTIONAL CASH MANAGEMENT**  
**and BOND PORTFOLIO ACCOUNTS**

Effective: 9/01/10

<b>MARKET VALUE OF ASSETS</b>	<b>ANNUAL FEE</b>
All assets except assets invested through the Pennant Management, Inc. Master Repurchase Arrangement	0.100% of Market Value
Assets invested through the Pennant Management, Inc. Master Repurchase Arrangement	0.500% of Market Value
<b>MINIMUM ANNUAL FEE</b>	<b>\$ 5,000.00</b>

**PENNANT MANAGEMENT, INC.**  
**SCHEDULE OF INVESTMENT ADVISORY FEES**  
**FOR INSTITUTIONAL BALANCED and EQUITY PORTFOLIO ACCOUNTS**

Effective: 05/01/10

<b>MARKET VALUE OF ASSETS</b>	<b>ANNUAL FEE</b>
First \$ 100,000,000	0.350% of Market Value
Balance	0.180% of Market Value
<b>MINIMUM ANNUAL FEE</b>	<b>\$ 14,000.00</b>

**PENNANT MANAGEMENT, INC.**  
**SCHEDULE OF INVESTMENT ADVISORY FEES**

Effective: 08/01/09

<b>MARKET VALUE OF ASSETS</b>	<b>ANNUAL FEE</b>
First \$ 250,000	1.250% of Market Value

Next \$ 750,000	0.900% of Market Value
Balance	0.650% of Market Value

<b>MINIMUM MONTHLY FEE</b>	<b>\$ 250.00</b>
----------------------------	------------------

**PENNANT MANAGEMENT, INC.**  
**SCHEDULE OF INVESTMENT ADVISORY FEES**  
**FOR CASH MANAGEMENT ACCOUNTS**

Effective: 08/1/09

<b>MARKET VALUE OF ASSETS</b>	<b>ANNUAL FEE</b>
Balance	0.400% of Market Value

<b>MINIMUM MONTHLY FEE</b>	<b>\$ 250.00</b>
----------------------------	------------------

**PENNANT MANAGEMENT, INC.**  
**SCHEDULE OF INVESTMENT ADVISORY FEES**  
**FOR ALTERNATIVE EQUITY STRATEGY ACCOUNTS**

Effective: 8/01/09

<b>MARKET VALUE OF ACCOUNT</b>	<b>ANNUAL FEE</b>
First \$ 75,000	2.00% of Market Value
Next \$ 75,000	1.50% of Market Value
Next \$ 350,000	1.25% of Market Value
Next \$ 500,000	1.00% of Market Value
Balance	0.80% of Market Value

<b>MINIMUM ANNUAL FEE</b>	<b>\$ 1,500.00</b>
---------------------------	--------------------

### **FEES FOR EXTRAORDINARY SERVICES**

When extraordinary or unusual services are rendered, an additional charge will be made depending on the time required and responsibility involved.

### **TERMINATION FEE**

We reserve the right to charge a reasonable termination fee based upon the time required to complete our duties.

A minimum account size is required for each model portfolio fee schedule. This account size may be negotiable under certain circumstances. Pennant Management, Inc. may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

***Limited Negotiability of Advisory Fees:*** Although Pennant Management, Inc. has established the aforementioned fee schedules, we retain the discretion to negotiate alternative fees on a client-by-client basis. Facts and circumstances considered in determining exceptions to the fee schedules may include assets to be placed under management, anticipated future additional assets, and related accounts. The specific annual fee schedule is identified in each client's contract with the adviser.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

### **MUTUAL FUND PORTFOLIO MANAGEMENT FEES**

Pennant Management, Inc. charges an asset-based fee for this service. The fee arrangement, termination, and refund policies are described in the Mutual Fund's prospectus and Statement of Additional Information ("SAI"). The Advisor often invests portions of managed client portfolios in the Mutual Funds, which means that it is possible for Pennant Management or the Related Companies to receive revenue from assets invested in the Mutual Funds while the Advisor also collects its advisory fee.

### **PENSION AND PORTFOLIO CONSULTING FEES**

Pennant Management, Inc.'s Pension and Portfolio Consulting Services fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Pension and Portfolio Consulting Services fees are calculated and charged on either an hourly or fixed fee basis, ranging from \$100 to \$500 per hour or a fixed fee ranging from \$500 to \$60,000. An estimate for the total hours is determined at the start of the advisory relationship. Fixed fee arrangements will be reached with the client prior to entering into the contract.

## **PUBLICATION OF PERIODICALS OR NEWSLETTERS**

Pennant Management's newsletter is published free of charge to its clients and is publically available on its website, [www.pennantmanagement.com](http://www.pennantmanagement.com).

## **CONSULTING SERVICES FEES**

Pennant Management, Inc.'s Consulting Services fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Consulting Services fees are calculated and charged on either an hourly or fixed fee basis, ranging from \$100 to \$500 per hour or a fixed fee ranging from \$500 to \$60,000. An estimate for the total hours is determined at the start of the advisory relationship. Fixed fee arrangements will be reached with the client prior to entering into the contract.

## **GENERAL INFORMATION**

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

***Mutual Fund Fees:*** All fees paid to Pennant Management, Inc. for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***Grandfathering of Minimum Account Requirements:*** Pre-existing advisory clients are



subject to Pennant Management, Inc.'s minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

**ERISA Accounts:** Pennant Management, Inc. is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Pennant Management, Inc. may only charge fees for investment advice about products for which our firm and our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Pennant Management, Inc.'s advisory fees.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

Pennant Management, Inc. does not charge performance-based fees.

## **Item 7 Types of Clients**

Pennant Management, Inc. provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Investment companies(including mutual funds)
- Pension and profit sharing plans(other than plan participants)
- Charitable organizations
- State or municipal government entities
- Certain Limited Partnerships

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements and certain minimum account requirements to maintain an account, based on

the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This situation presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This situation presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Quantitative Analysis.** We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Qualitative Analysis.** We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holdings less suitable for the client's portfolio.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. Although we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT STRATEGIES**

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on a security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying

security. This strategy effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

**Risk of Loss.** Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal.

## Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

## Item 10 Other Financial Industry Activities and Affiliations

We are a registered investment adviser and a wholly owned subsidiary of U.S. Fiduciary Services, Inc., a holding company. As a subsidiary of U.S. Fiduciary Services, Inc., our firm is under common ownership and control with several financial institutions, including the following with which we have a material business relationship (referred to collectively as the "Related Companies"):

- **GreatBanc Trust Company**, an Illinois trust company regulated by the State of Illinois Department of Financial and Professional Regulation;
- **Salem Trust Company**, a Florida trust company regulated by the State of Florida Department of Financial Institutions;
- **USF Affiliate Services, Inc.**, an Illinois company that provides administrative and back office support to all affiliates of U.S. Fiduciary Services, Inc.; and
- **Waretech, Inc.**, an Indiana company that provides technology support to all affiliates of U.S. Fiduciary Services, Inc.

GreatBanc Trust and Salem Trust provide custody and trustee services, while Pennant Management, Inc. provides investment advisory services. Clients of Pennant Management are free to pick any custodian or trustee that they choose. There is no requirement to use the fiduciary services provided by the Related Companies. The relationship between the Related Companies and the Advisor is meant to broaden the array of services available to clients.

When appropriate, Pennant Management, Inc. and our employees may recommend the various investment and investment-related services of the Related Companies to our advisory clients. The Related Companies and their employees may also recommend the advisory services of our firm to their clients. The services provided by the Related Companies are

separate and distinct from our advisory services, and are provided for separate and additional compensation. There may also be arrangements between Pennant Management, Inc. and the Related Companies whereby Pennant Management, Inc. or the Related Companies and their employees receive payment in exchange for client referrals. No Pennant Management, Inc. client is obligated to use the services of any of the Related Companies.

In addition, some management persons and other employees of Pennant Management, Inc. may be management persons or employees of one or more of the Related Companies.

Clients should be aware that the receipt of additional compensation by Pennant Management, Inc. and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Pennant Management, Inc. endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

The Related Companies may receive fees from mutual fund companies for providing shareholder services, including client sub-accounting services.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Pennant Management, Inc. and our personnel owe a duty of loyalty, fairness and good faith toward our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Pennant Management, Inc.'s Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by calling us at 414-359-1044.

Pennant Management, Inc. and individuals associated with our firm are prohibited from engaging in principal transactions.

Pennant Management, Inc. and individuals associated with our firm are prohibited from engaging in agency cross transactions.

As previously disclosed in this brochure, Pennant Management, Inc. is the investment adviser to an affiliated mutual fund. Please refer to "Advisory Business" (Item 4) and "Fees and Compensation" (Item 5) for a detailed explanation of this relationship and important conflict of interest disclosure.

In addition, access persons of our firm are required to report all personal securities transactions conducted in our affiliated mutual funds.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees 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.

Our firm and individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person may have an interest or position in a certain security which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any

security prior to a transaction being implemented for an advisory account, thereby preventing such employee from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions when possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances when there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for his personal portfolio when his decision is a result of information received as a result of his employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction being implemented for an advisory account. This policy prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or her designee.
6. We have established procedures for the maintenance of all required books and records.
7. Clients can decline to implement any advice rendered, except when our firm is granted discretionary authority.
8. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
9. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
10. We have established policies requiring the reporting of Code of Ethics violations to our senior management.



11. Any individual who violates any of the above restrictions may be subject to termination.

## PRIVACY POLICY

The Securities and Exchange Commission ("SEC") has issued a final rule regarding the obligation of registered investment advisors and securities firms to protect the financial privacy of their clients. The new rule, Regulation S-P, implements the privacy requirements of the final modernization legislation, the Gramm-Leach Bliley Act. The SEC has mandated that full compliance must be achieved.

Regulation S-P protects "nonpublic personal information" about individuals. "Nonpublic personal information" includes nonpublic "personally identifiable financial information", plus any lists, or descriptions or grouping of consumers that is derived from nonpublic personally identifiable financial information.

It is Pennant Management, Inc.'s policy not to release client financial information to a third party without specific written instruction from the client. Client financial and account information is confidential. No client information is available to anyone except an associate of Pennant Management, its Affiliates, and the firm where the account has custody services rendered. In the event a third party (client's accountant, attorney, etc.) requests account information for us, we require written instruction from the client authorizing Pennant Management to release said information. Any records that are unnecessary for us to retain are placed in a bin in a secure area and shredded by a local shredding company. All associates of Pennant Management sign a confidentiality agreement as a condition of employment and are trained annually on information security procedures.

Pennant Management enters into confidentiality agreements with service providers, vendors, and nonaffiliated third parties who might have contact with nonpublic personally identifiable financial information. These agreements prohibit them from using any client information for purposes beyond those for which the information was disclosed. Pennant Management does not sell or make available our client list. No client name will be used as a reference unless agreed to in writing by such client.

## Item 12 Brokerage Practices

Pennant Management, Inc. requires discretionary clients to provide us with a written statement that authorizes Pennant Management, Inc. to determine the broker dealer to use and the commission costs that will be charged for transactions.

The written statement must include any limitations on this discretionary authority. Clients may amend these limitations as required. Such amendments must be provided to us in writing.

Pennant Management, Inc. will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help Pennant Management, Inc. in providing investment management

services to clients. Pennant Management, Inc. may, therefore, recommend or use a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

Consistent with obtaining best execution for clients, Pennant Management, Inc. may direct brokerage transactions for clients' portfolios to brokers who provide research and execution services to Pennant Management, Inc. and, indirectly, to Pennant Management, Inc.'s clients. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment our own internal research and investment strategy capabilities. This practice may be pursued at our discretion without prior agreement or understanding by the client. Research services obtained through the use of soft dollars may be developed by brokers to whom brokerage is directed or by third-parties who are compensated by the broker. Believing that the research we receive will help us to fulfill our overall duty to our clients, Pennant Management, Inc. does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients. Pennant Management, Inc. may not use each particular research service, however, to service each client. As a result, a client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Broker-dealers we select may be paid commissions for effecting transactions for our clients that exceed the amounts other broker-dealers would have charged for effecting these transactions if Pennant Management, Inc. determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to our discretionary client accounts.

Certain items obtainable with soft dollars may not be used exclusively for either execution or research services. The cost of such "mixed-use" products or services will be fairly allocated and Pennant Management, Inc. makes a good faith effort to determine the percentage of such products or services which may be considered as investment research. The portions of the costs attributable to non-research usage of such products or services are paid by our firm to the broker-dealer in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934.

When Pennant Management, Inc. uses client brokerage commissions to obtain research or brokerage services, we receive a benefit to the extent that Pennant Management, Inc. does not have to produce such products internally or compensate third-parties with our own money for the delivery of such services. Therefore, such use of client brokerage commissions results in a conflict of interest, because we have an incentive to direct client brokerage to those brokers who provide research and services we utilize, even if these brokers do not offer the best price or commission rates for our clients.

Within our last fiscal year, we have obtained the following products and services on a soft-dollar basis:

- The Leuthold Group (econometric, market, industry and security databases)
- Advent AXYS (computer based portfolio analysis software)

- Hosted Moxy (portfolio analytics/portfolio reports)
- NYSE Monthly Market Data (quotes, news, data, analytics)
- Options Price Reporting Authority (quotes, news, data, analytics)

Pennant Management, Inc. will block trades when possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Pennant Management, Inc. will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Pennant Management, Inc.'s block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Pennant Management, Inc., or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) At the time the order is placed for execution, the portfolio manager must reasonably believe that the order aggregation will benefit each client participating in the aggregated order, and will enable Pennant Management, Inc. to seek best execution for each client participating in the aggregated order. The portfolio manager's determination need not always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with

the custodian/broker, transaction costs may be based on the number of shares traded for each client.

7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Investment Officer no later than the morning following the execution of the aggregate trade.

8) Pennant Management, Inc.'s client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

9) Funds and securities for aggregated orders are clearly identified on Pennant Management, Inc.'s records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

10) No client or account will be favored over another.

Pennant Management, Inc. may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we may recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. Pennant Management, Inc. is independently owned and operated and not affiliated with Schwab.

Schwab provides Pennant Management, Inc. with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge 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 Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to our firm other products and services that benefit Pennant Management, Inc. but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our 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 our fees from clients' accounts; and
- v. assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help us manage and further develop our business enterprise. These services may include:

- i. compliance, legal and business consulting;
- ii. publications and conferences on practice management and business succession; and
- iii. access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and pay third-party vendors for the types of services rendered to Pennant Management, Inc. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

## **Item 13 Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by Pennant Management's Portfolio Managers and Chief Investment Officer.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their custodians, we provide quarterly reports summarizing account performance, balances and holdings.

### **INVESTMENT SUPERVISORY SERVICES("ISS") MODEL PORTFOLIO MANAGEMENT SERVICE**

**REVIEWS:** While the underlying securities within Model Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of the investment objectives and guidelines of each model portfolio as well as any investment restrictions provided by the client. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by Pennant Management's Portfolio Managers and Chief Investment Officer.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their custodians, we provide quarterly reports summarizing account performance, balances and holdings. These reports will also remind the client to notify us if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions.

### **MUTUAL FUND PORTFOLIO MANAGEMENT**

**REVIEWS:** Pennant Management, Inc. continually reviews and monitors the Mutual Funds' holdings in accordance with the investment objectives as detailed in the Mutual Funds' Prospectus.

**REPORTS:** Clients should refer to the Mutual Funds' Prospectus for information regarding regular reports to the fund by Pennant Management, Inc..

### **PENSION CONSULTING SERVICES**

**REVIEWS:** Pennant Management, Inc. will review the client's Investment Policy Statement (IPS) whenever the client advises us of a change in circumstances regarding the needs of the plan. Pennant Management, Inc. will also review the investment options of the plan according to the agreed upon time intervals established in the IPS. Such reviews will generally occur quarterly.

These accounts are reviewed by Pennant Management's Portfolio Managers and Chief Investment Officer.

**REPORTS:** These client accounts will receive reports as contracted for at the inception of the advisory relationship.

## CONSULTING SERVICES

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Consulting Services clients unless otherwise called for by the consulting services contract. Such reviews will be conducted by the client's account representative.

**REPORTS:** These client accounts will receive reports as contracted for at the inception of the advisory engagement.

### Item 14 Client Referrals and Other Compensation

Rule 206(4)-3 of the Investment Advisers Act of 1940 prohibits an investment manager from paying cash fees to client solicitors unless there has been compliance with the terms of the rule (which includes, in most situations, certain disclosure requirements).

Pennant Management, Inc. may periodically have arrangements with firms or individuals outside its organization, whereby it will pay such firms or individuals for the referral of investment advisory or consulting business. Typically such referrals compensate the solicitor based on a percentage of the annual fee we receive from the client. Such payments reduce our profit margin; they do not increase the cost to the client.

Payments to such firms or individuals are subject to normal due diligence on the part of Pennant Management. This review is intended to reasonably insure that such parties are not disqualified to be engaged in the securities business as dictated by law, sanction or directive. It is important to note that these parties are not employees of Pennant Management. As a consequence, they are not qualified to render investment advice on behalf of Pennant Management, nor are they subject to our supervisory oversight.

We may also periodically maintain internal incentive compensation programs that pay qualified employees the equivalent of a percentage of the annual fee received from a specific client or clients. These programs are designed to instill a sense of ownership of the relationship. All payments made to qualified employees under such programs reduce Pennant Management's profit margin and do not increase the cost to the client.

### Item 15 Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is

important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also amend such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

As a general rule, Pennant Management, Inc. does not vote proxy ballots. Custodial agents are directed to send such data directly to the client.

However, clients can direct Pennant Management to vote their shares on their behalf. Such a direction is put into place during execution of the initial investment advisory contract, or a subsequent letter of direction from a client. A copy of Pennant Management's proxy voting policy is available upon request.

When we are directed to vote proxies, we will vote proxies in the best interests of our clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may request, in writing, information on how proxies for his shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his account, we will promptly provide such information to the client.



We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

You can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. You can also instruct us on how to cast your vote in a particular proxy contest by contacting us at 414-359-1044.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account, including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

## **Item 18 Financial Information**

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Pennant Management, Inc. has no additional financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Pennant Management, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.