

PART 2A OF FORM ADV: FIRM BROCHURE

March 28, 2012

STW Fixed Income Management LLC

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This brochure provides information about the qualifications and business practices of STW Fixed Income Management LLC. If you have any questions about the contents of this brochure, please contact us at (805) 745-2400 or stw@stw.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 STW Fixed Income Management LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Any statement describing STW Fixed Income Management LLC as being registered or a registered investment adviser does not imply a certain level of skill or training.

ITEM 2 MATERIAL CHANGES

This Brochure dated March 28, 2012, differs from the previous version dated October 4, 2011 in that STW has added further details regarding its wholly owned subsidiaries in Items 4 and 10.

STW's assets under management have also been updated in Item 4 to reflect assets under management as of the quarter ended December 31, 2011.

STW also deleted text related to changes in credit ratings previously contained in Item 8.

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ITEM 4 ADVISORY BUSINESS

STW Fixed Income Management LLC is a specialty fixed income manager. STW became a standalone company in 1985. STW is 100% owned by William H. Williams, Chief Executive Officer and Chief Investment Officer. Prior to forming his own firm, Mr. Williams was a partial owner of Starbuck, Tisdale & Williams, where he was responsible for fixed income investments and where he developed STW's investment philosophy and process.

STW has two wholly owned subsidiaries, STW Fixed Interest Management Ltd., a Bermuda exempted company, and STW International Ltd., a Cayman exempted company. STW's subsidiaries have no separate employees or independent operations from STW Fixed Income Management LLC. These entities have entered into investment management agreements with certain clients based outside of the United States. STW Fixed Income Management LLC performs all services under these agreements and receives as fee revenue, approximately 95% of the asset management fee charged by the subsidiaries. No additional fees are assessed. STW's subsidiaries are deemed to be persons associated with STW and therefore are not separately registered with the SEC.

Investment-grade fixed income management is STW's only business. Assets under management are \$11.4 billion as of December 31, 2011, the majority of which is denominated in US dollars. Sterling denominated portfolios are managed as well. STW offers custom management to meet the needs of its clients, managing to a variety of published and custom benchmarks, guidelines and client tax considerations. All assets are managed on a discretionary basis.

STW tailors its advisory services to the individual needs of clients. Clients may impose reasonable restrictions on investing in certain securities or types of securities. STW provides advice to pooled investment vehicles, including registered investment companies, based upon the investment objectives and restrictions in a pooled investment vehicle's prospectus or other offering document.

STW offers its value management through separate account management and mutual funds.

ITEM 5 FEES AND COMPENSATION

STW charges fees for the investment-grade fixed income management services it provides to clients. Fees are based on the total market value of assets under management, and including accrued interest, as calculated by STW, the client's custodian or as otherwise agreed with the client.

STW's standard fee schedule for separately managed dollar denominated accounts is:

0.375% for the first \$30 million
0.250% for the next \$70 million
0.125% for the next \$400 million
0.100% for the next \$500 million
0.080% for the balance

STW's fee schedule for separately managed dollar denominated tax-responsive accounts and accounts that are subject to material loss and/or gain restrictions is:

0.3375% for the first \$30 million
0.2250% for the next \$70 million
0.1125% for the next \$400 million
0.0900% for the next \$500 million
0.0720% for the balance

STW's fee schedule for separately managed pounds sterling denominated accounts is:

0.375% for the first £20 million
0.250% for the next £40 million
0.125% for the next £240 million
0.100% for the balance

STW's fee for separately managed cash and government accounts is:

0.100%

Exceptions to STW's fee schedules described above may be made for family members and friends of employees and certain accounts for which there is a limited investment universe. STW's fee schedules are not negotiable. Fees are then allocated to each related portfolio pro rata or as instructed by the client.

STW bills clients for fees incurred on a quarterly basis. Certain clients may direct STW to send bills directly to their custodian for payment. These clients may also direct their custodians to pay STW's fees upon receipt of bills without prior approval from the clients. STW will only accept clients that have arranged for the safekeeping of their own assets, in the client's name, with a qualified custodian.

Clients will incur additional fees and expenses in connection with STW's advisory services, including custody charges, transaction costs and fees charged by any short-term investment fund used to invest cash balances. STW effects fixed income trades primarily in the over-the-counter markets through broker-dealers that, acting as principal, may charge markups, markdowns or other charges in connection with such trades, which are included in the price of the security. STW also may use electronic trading systems to execute fixed income trades. These systems may charge commissions (including commission equivalents) for executing fixed income trades. Please see Item 12 of the brochure for a discussion of brokerage practices.

Clients may pay STW's fees in advance or arrears. Clients may terminate STW's services by giving 30 days' written notice or any lesser period agreed to with the client. A client will obtain a refund of pre-paid fees if the advisory contract is terminated before the end of the billing period. Fees paid in advance are refunded by wire or check at the client's

election. The amount of the refunded fees is determined by pro rating the fees amongst the days in the billing period and refunding that portion attributable to the days following the date of termination.

STW serves as an investment adviser and a sub-adviser to investment companies (open-end or closed-end funds registered under the Investment Company Act) (“Advised Funds”). STW’s fee schedule for Advised Funds can be found in their prospectuses.

STW may invest client assets or recommend that clients invest in shares or other interests in Advised Funds that are controlled and directly managed by STW (the “STW Funds”). To the extent that STW invests client assets in an STW Fund, STW will exclude from the total market value of the separate account any assets invested in the STW Fund. Clients will, however, pay their pro rata share of the STW Fund’s fees and expenses, including the STW Fund’s management fee paid to STW. The fee schedule for STW Funds can be found in their prospectus.

ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Not applicable.

ITEM 7 TYPE OF CLIENTS

The types of clients to whom STW provides investment advice include: investment companies (including mutual funds), pension and profit sharing plans, other pooled investment vehicles, charitable organizations (including endowments and foundations), corporations and other businesses (including healthcare), municipal government entities (including public pension plans), nuclear decommissioning trusts, insurance companies, settlements trusts, Native American tribal organizations and high net worth individuals.

For separately managed accounts, STW generally requires a minimum initial client investment of \$30 million which may include multiple accounts that meet the minimum in aggregate. Exceptions are made to STW’s minimum for certain types of accounts and clients and under other circumstances in STW’s sole discretion.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Team Management

Every STW portfolio is team managed by the firm’s portfolio managers, and all trades are subject to STW’s peer review process. The decision to execute any trade is made by consensus of the portfolio management team, whenever possible, but never without the agreement of at least two portfolio managers. The most senior portfolio manager on the trading desk may exercise veto power over any action he believes violates STW’s stated investment style, current investment policy or client investment guidelines. STW has operated under the same Chief Investment Officer, William H. Williams, since the firm’s inception. Edward H. Jewett has been second in command for over 20 years.

Investment Philosophy

STW provides discretionary advice to taxable and tax-exempt clients concerning portfolios of investment-grade fixed income securities. STW's strategies are sub-products of our investment-grade fixed income value management. The difference in our management between portfolios is the application of our value management to a portfolio's specific duration, currency, tax situation and investment guidelines.

STW is strictly value-driven. We operate under the premise that undervalued bonds will outperform overvalued bonds and purchase bonds we believe are undervalued. When, in our view, the bonds become fully priced, we seek to exchange them for better-valued issues. If we don't like a bond or a sector, we avoid it. If we really like a bond or sector we attempt to buy all we can, limited only by guidelines and prudence. We stick to investment-grade fixed income securities with no currency speculation.

We believe that the general level of interest rates cannot be reliably forecast, so we do not invest based on a view of future changes in interest rates. A portfolio's duration is defined by the duration of the specific investment assignment. Duration is a measure of a bond price's sensitivity to a given change in interest rates. Sector allocation and individual security decisions are made independent of sector and security weightings in the benchmark. Our goal is to select the portfolio we think has the best investment value without reference to the benchmark.

Central to our philosophy is that major imbalances in the relationships among individual bonds or sectors are caused by the ebb and flow of supply and demand/fear and greed. We see these as far more powerful factors than changes in fundamentals of investment-grade bonds. They are the causes of the market anomalies we attempt to capture.

With respect to taxable management, we provide custom management for separately managed accounts with tax considerations. In general, our primary objective is to maximize after-tax total return over the long term at the specified target duration. Tactically shifting allocation among tax-exempt municipals, taxable credits and Treasuries is characteristic of our tax-aware value management. At times, the need to avoid capital gains and losses limits the application of these tactics.

Methods of Analysis

Security Selection

Security selection is made based on a cooperative team effort. It is a two-pronged approach integrating common sense and analytics.

The relative attractiveness of particular securities within the investment-grade universe is assessed based on:

- Historical Relationships to Other Bonds
- Spread Relative to Apparent Fundamentals
- Technical Factors: Supply and Demand/Fear and Greed

Securities selected must be contributing members of an effective portfolio due to a number of factors including:

- Guideline Compliance
- Interest Rate Duration and Spread Duration
- Sector Exposures
- Yield Curve Positioning
- Yield

The relative importance of these and other factors changes with changes in the markets and the interest rate duration of the portfolio.

Securities that meet individual valuation considerations and fit the desired portfolio structure requirements receive special scrutiny by portfolio managers performing fundamental research analysis. Those securities not passing this screen are rejected in favor of alternatives.

Research Process

Our credit research process is portfolio-manager-based. There is no separate analyst team to filter information that the portfolio managers need. We believe this promotes full accountability for credit decisions.

STW's research process focuses on areas of the market that appear to us to offer the best opportunities. We use relative value analysis to concentrate portfolios in what we view as the most undervalued securities within the most undervalued sectors. As a start, we reference historical relationships. Then we take a look at supply and demand/fear and greed factors driving price and yield anomalies. Credit analysis of the sector as a whole and of its individual component bonds helps determine whether a sector is under pressure for good reason or is truly undervalued.

STW's research process can be divided into two separate but related components: sector allocation, which looks at broad sectors, and fundamental credit analysis.

Sector Allocation

The team considers the broad sectors within the investment-grade universe. Through a combination of historical relationships and current market factors, we look for those sectors that appear undervalued. Then, the team looks at supply and demand/fear and greed, all factors driving price and yield anomalies. Finally, analysis of the sector as a whole and the specific factors driving it helps determine whether a sector is under pressure for good reason or is truly undervalued. Our daily interaction with the market is helpful in judging the factors that contribute to price changes in those areas of the market where we have an interest.

Credit Research

Our credit research is primarily defensive. Our research process as it relates to corporate bonds is centered on identifying the best risk-reward opportunities available within the universe of securities permitted by client investment objectives and guidelines as well as our core investment-grade credit philosophy. The credit research portion of our security selection process focuses on the evaluation of two primary risk elements: business risk and financial risk. The details of our analysis and the weighting of the factors considered will differ depending on the specific issuer under review.

Other factors may influence our security selection decision, including event risk, liquidity risk (as it relates to our ability to readily transact in the bond under consideration), country risk (depending on the location of the firm's operating facilities or end markets), and headline risk. We view headline risk as both a long-term opportunity and a short-term risk. Through the application of common sense, we attempt to avoid issues we believe are the most vulnerable to specific market concerns in the short and intermediate term. We filter these sectors and securities from immediate investment. We consider them late fear cycle investments.

Tax-exempt bond selection is fundamentally different from the selection of taxable credits. Fear and greed factors do affect spreads among individual bonds. There is however a constant background of technical supply and demand factors that may affect tax-exempt municipal bond valuations to a greater extent. Credit analysis of most investment-grade governmental purpose bonds is important but in some cases is of limited value. In assessing the true credit-worthiness of most public purpose municipal bonds, it is important to remember that the quasi-sovereign nature of many of these municipal issuers allows them to increase taxes and curtail services in order to keep the lights on and the coupons current. Relationships such as specialty state bonds versus national names, revenues versus general obligation bonds and highest-rated versus lesser-rated bonds all present opportunities. STW considers these factors in selecting bonds.

Sources of Information

The main sources of information used by STW include:

- Fundamental and market analysis data providers
- Corporate rating services
- Proprietary models and risk tools
- Quantitative analytic tools
- Annual reports, prospectuses and filings with the Securities and Exchange Commission

Investment Strategies

The investment strategies used to implement the investment advice given to clients include: long-term purchases (securities held at least a year), short-term purchases (securities sold within a year) and trading (securities sold within 30 days).

Permitted Investments

Fixed income securities in which STW may invest include, but are not limited to, securities issued or guaranteed by the U.S. Government and its agencies; government-sponsored enterprise securities; corporate bonds; commercial paper; commercial and residential mortgage-backed securities (including “to be announced” transactions); asset-backed securities; municipal securities; sovereign debt and debt securities issued by supranational organizations.

Shares of registered funds, such as the STW Funds, will be considered fixed income securities so long as the fund has adopted a policy to invest, under normal circumstances, at least 80% of the value of its assets in fixed income securities and/or cash equivalents that meet the rating restrictions set out below or similar issuer creditworthiness standards.

STW may also invest in cash or cash equivalents. Securities typically must be rated in one of the highest four broad rating categories (i.e., AAA, AA, A, BBB) by at least one of the major rating agencies (i.e., S&P, Moody’s or Fitch) or determined by STW to be of similar quality at the time of purchase. In general, STW limits the percentage of an account invested in the securities of any one issuer.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. Risk is inherent in all investing. Investing in the bond market is subject to certain risks. There can be no assurance that any strategy will meet its investment objective. The value of an investment, as well as the amount of return received on an investment, may fluctuate significantly. The principal risks of investing which could adversely affect an account’s value, yield and total return are:

Market Risk: The risk that the value of securities owned in an account may go up or down, sometimes rapidly or unpredictably, due to factors, real or perceived, affecting securities markets. Market values of fixed income securities may be affected by changes in interest rates, the credit quality of issuers, and general market and economic conditions. Lower-quality fixed income securities and long-term fixed income securities may suffer larger price changes.

Interest Rate Risk: The risk that prices of bonds will increase as interest rates fall and decrease as interest rates rise. Interest rate risk is generally lower for short-term investments and higher for long-term investments. Duration is a common measure of interest rate risk. Duration measures a bond’s expected life on a present value basis, taking into account the bond’s yield, interest payments, and final maturity. An account with a longer average duration will be more sensitive to interest rate changes than an account with a shorter average duration.

Prepayment or Call Risk: The risk that during a period of falling interest rates, an issuer may redeem a security by repaying it early. This may reduce an account’s income if the proceeds from the prepayment are reinvested at lower interest rates.

Credit Risk: The risk that the issuer of a security will be unable to make payments of interest and principal when due. Changes in an issuer's credit rating or investors' perception of an issuer's creditworthiness may also affect the value of an investment in an issuer.

Inflation Risk: Inflation risk is the risk that the value of assets or income from an investment will be worth less in the future as inflation decreases the value of money.

Deflation Risk: Deflation risk is the risk that prices throughout the economy decline over time, which may have an adverse effect on the market valuation of companies, their assets and revenues, and the valuation of real estate. In addition, deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the portfolio.

Income Risk: The income earned from an account may decline because of falling market interest rates. Also, if a portfolio invests in inverse floating rate securities, whose income payments vary inversely with changes in short-term market rates, the portfolio's income may decrease if short-term interest rates rise.

Issuer Risk: The risk that the value of a security of a particular issuer may decline for reasons directly related to the issuer such as financial leverage or a reduced demand for the issuer's goods and/or services.

Selection Risk: The risk that the sectors and/or individual securities held in an account will underperform the markets, the benchmark or other funds with similar investment objectives and strategies. Within the investment-grade universe, accounts managed by STW may differ substantially from the benchmarks against which they are managed, including with respect to the number and type of issuers and issues held and sector allocation.

Liquidity Risk: The risk that certain securities may be difficult to sell at an advantageous time and/or price, particularly during times of market turmoil.

State-Specific Risk: For taxable portfolios, the risk that by concentrating investments in a particular state's municipal bonds, the portfolio may be affected significantly by economic, regulatory or political developments affecting the ability of the state issuers to pay interest and/or principal.

Market Disruption Risk: Certain events have a disruptive effect on the securities markets, such as terrorist attacks (including the terrorist attacks in the U.S. on September 11, 2001), war and other geopolitical events. The effects of similar events in the future on the U.S. economy cannot be predicted. Lower-rated securities and securities of smaller issuers tend to be more volatile than higher-rated securities and securities of larger issuers, so that these events and any actions resulting from them may have a greater impact on the prices and volatility of lower-rated securities and securities of smaller issuers than on higher-rated securities and securities of larger issuers.

Portfolio Turnover

An account pays transaction costs when securities are bought and sold (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transactions costs and may result in higher taxes when investing in a taxable account. These costs affect an account’s performance. Portfolio turnover is highly dependent on market conditions. STW’s investment process does at times involve frequent trading in securities.

ITEM 9 DISCIPLINARY INFORMATION

There are no legal or disciplinary events that STW believes are material to a client’s or prospective client’s evaluation of STW’s advisory business or the integrity of STW’s management.

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

STW has two wholly owned subsidiaries, STW Fixed Interest Management Ltd., a Bermuda exempted company, and STW International Ltd., a Cayman exempted company. STW’s subsidiaries have no separate employees or independent operations from STW Fixed Income Management LLC. These entities have entered into investment management agreements with certain clients based outside of the United States. STW Fixed Income Management LLC performs all services under these agreements and receives as fee revenue, approximately 95% of the asset management fee charged by the subsidiaries. No additional fees are assessed. STW’s subsidiaries are deemed to be persons associated with STW and therefore are not separately registered with the SEC.

Certain management persons of STW may have a material relationship with STW Funds, in that these management persons may be significant shareholders of an STW Fund. Please see Item 11 for a description of these relationships and how STW addresses the potential conflicts of interest they present.

ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

STW has adopted a Code of Ethics pursuant to the requirements of Rule 204A-1 under the Investment Advisers Act of 1940 and Rule 17j-1 under the Investment Company Act of 1940. The Code of Ethics is based on the principle that all supervised persons owe a fiduciary duty to STW’s clients to conduct their affairs, including their personal securities transactions, in such a manner as to: (i) avoid serving their own personal interests ahead of clients’ interests; (ii) avoid taking advantage of their position; and (iii) mitigate conflicts of interest.

Under the Code of Ethics, STW’s access persons must disclose all personal holdings in securities covered by the Code of Ethics and all securities accounts no later than 10 days after becoming an access person and on an annual basis as of December 31. Every access person is required to submit a report no later than 30 days after the end of each calendar quarter describing each personal transaction in securities covered by the Code of Ethics and each securities account opened during the quarter. The Chief Compliance Officer

submits her own personal securities reports to another designated officer who fulfills the duties of the Chief Compliance Officer with respect to these reports.

Access persons may not directly or indirectly obtain beneficial ownership of or sell (i) any securities in a Private Placement or Initial Public Offering, (ii) a security issued by an Advised Fund or Private Fund for which STW serves as an investment adviser or subadviser, and (iii) any Covered Security that is a bond (other than Gilts), a security convertible into a bond, an exchange traded note or subordinated bank debt, including bank trust preferred stock, in each case, without the prior written approval of the Chief Compliance Officer (or her designee). For the avoidance of doubt, american depositary receipts and exchange traded funds do not require pre-approval unless they fall under (i) or (ii) above. If approval is granted for a purchase, the purchase must be executed within 24 hours after receiving approval. After this 24-hour period lapses, a separate written approval must be obtained from the Chief Compliance Officer prior to executing the purchase.

The Chief Compliance Officer oversees compliance with STW's Code of Ethics. STW will provide a copy of our code of ethics to any client or prospective client upon request.

Outside Business Activity

STW's employees may, with prior approval of the Chief Compliance Officer, engage in for profit business activities, such as being an owner of a business or serving as an employee, director, trustee, officer or in another capacity with an organization. Employees may also be involved with non-profit organizations as an officer or director, or in another official capacity, following notice to the Chief Compliance Officer.

Participation or Interest in Client Transactions and Personal Trading

STW or a related person may invest in the same securities (or related securities) that STW or a related person recommends to clients, and STW or a related person may buy or sell securities for client accounts, at or about the same time as STW or a related person buys or sells the same security for STW's own account (or the related person's own account), in both cases subject to STW's Code of Ethics.

STW manages proprietary accounts, including accounts on behalf of STW's owner, William H. Williams. For this purpose, an account will be treated as proprietary if STW or its controlling persons own 25% or more of the account or, in the case of an entity, the entity that is STW's client. Proprietary trading involves potential conflicts of interest between STW and its clients including the possibility of preferential allocation of investment opportunities. STW treats proprietary accounts in the same manner as any other client account when allocating trades. This means that proprietary accounts may participate with other accounts in aggregated trades or may otherwise buy or sell securities at or about the same time as STW buys or sells the same securities for other client accounts. Proprietary accounts may also receive non-pro rata allocations in compliance with STW's Trade Allocation and Aggregation.

Initially and from time to time, STW and its employees of STW may invest in an STW Fund (the "Affiliated Shareholders"). These investments may from time to time represent all or a significant percentage of the STW Fund's assets and may give rise to potential conflicts of interest. STW has established policies and procedures to address those

conflicts. For example, STW seeks to ensure that the purchase and sale of securities among all accounts it manages, including the STW Funds, are fairly and equitably allocated. In addition, STW requires Affiliated Shareholders to pre-clear all personal transactions in STW Fund shares through STW's compliance department. Moreover, STW requires that shares held by Affiliated Shareholders be voted in the same proportion as the vote of all other shareholders.

It is STW's policy that no single account may be systematically favored over another in the allocation of trades. Similarly, accounts are to be treated in a non-preferential manner, such that allocations are not based upon the identity of the client, portfolio performance, fee structure or other similar factors. Performance dispersion results for all accounts are reviewed on a monthly basis by a member of the compliance department, who documents any unusual dispersion and discusses any issues with the Chief Compliance Officer.

Side-By-Side Management of Accounts

STW may serve as an investment adviser or sub-adviser to separate accounts, proprietary accounts, Advised Funds and funds that are privately offered and excluded from registration and regulation under the Investment Company Act ("Private Funds"). STW is a fiduciary to each client, and all of its clients must be treated fairly and equitably over time and no client may be given preferential treatment in connection with investment opportunities.

Side-by-side management of different types of accounts involves potential conflicts of interest that arise when two or more accounts invest in the same securities or pursue a similar strategy. Proprietary trading also involves potential conflicts of interest between STW and its clients. Potential conflicts of interest related to side-by-side management include favorable treatment of an account, preferential allocation of investment opportunities and conflicting trades.

In managing different types of accounts, STW strives to do the following:

- Allocate trades and investment opportunities among client portfolios in a fair and equitable manner over time and in compliance with all applicable regulations.
- Document and make available to the portfolio management team each account's investment objectives and guidelines.
- Make investment decisions based solely on appropriateness and client suitability.
- Prohibit the acceptance of performance based fees from clients.
- Prohibit the compensation of portfolio managers based on the performance of any specific account.

In managing Private Funds and Advised Funds that are subject to the same investment strategy, STW will generally allocate investment opportunities to each fund based on their relative total capital, subject to legal requirements, appropriate minimum investment amounts that may be established, custom investment guidelines and other considerations.

Performance dispersion results for all accounts are reviewed on a monthly basis by a member of the compliance department who documents any unusual dispersion and discusses any issues with the Chief Compliance Officer.

Please see “Trade Allocation and Aggregation” under Item 12 of the brochure for additional information.

Investment of Client Assets in STW Funds

STW, where appropriate and in accordance with applicable laws, may purchase on behalf of, or recommend to its separate account clients that they purchase, shares of STW Funds. STW has a potential conflict when allocating the assets of a separate account to an STW Fund because of STW’s receipt of management fees from the STW Fund. To mitigate this conflict, STW does not charge separate account fees on the portion of a client’s account invested in STW Funds. Nevertheless, STW could receive indirect benefits when it recommends or invests client assets in an STW Fund. For instances, as an STW Fund grows larger, STW may be relieved of the need to waive its fund management fees or reimburse expenses in order for the STW Fund to be competitive.

ITEM 12 BROKERAGE PRACTICES

Best Execution

Introduction

STW provides discretionary advice to clients concerning portfolios of investment-grade fixed income instruments. STW effects fixed income trades in the over-the-counter markets through broker-dealers that, acting as principal, charge markups, markdowns or other charges in connection with such trades. Broker-dealers in the over-the-counter markets do not charge commissions. Thus, it is obtaining or selling securities at the best price under the circumstances that defines STW’s objective in seeking best execution.

STW seeks best execution for its clients’ securities transactions by identifying appropriate broker-dealers through which it will effect such transactions. In seeking best execution, STW evaluates, on an ongoing basis, the prices that are available in the broker-dealer markets. Guidelines have been adopted to assist the firm in performing best execution evaluation and to make clear that STW will consider and weigh many factors. The guidelines also explain how the firm selects broker-dealers and semi-annually analyzes and reviews, through the Best Execution Committee (“Committee”), their services. STW believes that careful selection and monitoring of the broker-dealers through which STW executes client transactions are critical to achieving the best results for the firm’s clients.

The following guidelines set forth STW’s view of the best practices for achieving best execution for its clients. They are intended to function as guidelines and may not always be applied to the extent they unnecessarily limit or restrict STW’s ability to achieve its goals.

Considerations for Selecting Broker-Dealers

STW generally considers the following factors, among others, in selecting and approving broker-dealers that may compete for STW’s business:

- Quality of execution—accurate and timely execution, clearance and cooperation in resolving errors and disputes

- Reputation
- Reliability, both historically and as an ongoing matter
- Willingness to execute difficult transactions
- Willingness and ability to commit capital
- Access to underwritten offerings of fixed income securities
- Nature of the security and availability of market makers
- Desired timing of transactions and size of trades
- Confidentiality of trading activity, particularly in less liquid sectors
- Market intelligence and knowledge regarding trading activity
- Ability to settle trades
- A salesperson's knowledge of STW's investment process and value orientation
- A salesperson's ability to harness his or her firm's resources to the benefit of STW's clients
- Research capabilities

When selecting broker-dealers, STW will not consider whether a broker-dealer has (i) sold interests in any Advised Fund or Private Fund for which STW serves as an investment adviser or sub-adviser or (ii) referred its customers to such Advised Fund or Private Fund.

Electronic Trading Platforms

In addition to trading with broker-dealers by phone, STW may use electronic trading systems to execute fixed income trades. These systems charge transaction fees that are included in the price of the security.

Best Execution Committee

The Committee has an ongoing responsibility for reviewing the guidelines and approving broker-dealers for eligibility to trade ("Approved List"). The Committee consists of members of the portfolio management team, settlements department and compliance department and convenes approximately twice each year. At these meetings, the Committee reviews the operation of these guidelines during the prior period. In addition, the Committee reviews the then-current Approved List and determines whether broker-dealers on the Approved List continue to demonstrate the ability and commitment to provide STW clients with best execution, recognizing the changes and trading capabilities of the broker-dealer organizations. New broker-dealers may be added to the Approved List between meetings after appropriate discussion among the Committee members. Such additions are ratified by the Committee at its next scheduled meeting. Finally, the Committee evaluates these guidelines regarding best execution and

determines whether changes or refinements are warranted. Minutes of the Committee meetings are provided to STW's management.

In addition to the activities of the Committee, STW routinely monitors the appropriateness of using broker-dealers on the Approved List through, among other things, publicly available information about broker-dealers, its daily interactions with broker-dealers and its knowledge of and access to industry information about broker-dealers.

Soft Dollars

STW seeks to achieve best execution when executing fixed income transactions for clients in accordance with STW's Best Execution Policy. STW effects fixed income trades in the over-the-counter markets through broker-dealers that, acting as principal, charge markups, markdowns or other charges in connection with such trades. STW may use electronic trading systems, such as TradeWeb, to execute fixed income trades. These systems charge transaction fees that are included in the price of the security.

STW does not participate in "soft dollar" arrangements under which STW "pays up" (in the form of higher markups, markdowns or commissions charged on client fixed income trades) for research in connection with fixed income trades. STW may, however, receive research (including proprietary research) from various broker-dealers through which STW may execute fixed income trades where STW's receipt of the research does not result in additional cost to clients. Research so obtained by STW results in an economic benefit to STW, and STW does not account for the value of this research. STW generally uses the research to assist it in its investment decision-making process, but this research may not be used for each and every account STW manages. Research obtained in connection with transactions effected for a client may not be used in the management of that client's account.

STW may have an incentive to select or recommend a broker-dealer based on STW's interest in receiving the research or other products or services, rather than on STW's client's interest in receiving most favorable execution.

STW does not participate in directed brokerage arrangements.

Trade Allocation and Aggregation

STW seeks to allocate trades and investment opportunities among client portfolios in a fair and equitable manner over time and in compliance with all applicable regulations. The fairness of a given allocation depends on the facts and circumstances involved. The allocation of fixed income securities generally is affected by the unique characteristics of the fixed income markets and the characteristics of individual portfolios. These characteristics generally include:

- Fixed income securities typically trade in large and liquid markets. Consequently, based on STW's assets under management, the availability of a sufficient amount of fixed income securities typically does not limit the ability of accounts to participate in transactions. The inability of an account to participate in individual transactions more typically will be caused by investment guideline, legal, regulatory and other restrictions, the position of the portfolio versus STW's

model portfolio for the relevant strategy, availability of cash, tax considerations (if applicable) and other factors specific to the portfolio.

- Fixed income trades typically are undertaken in combination with other fixed income transactions that are designed to achieve the desired risk characteristics of a portfolio relative to STW's model portfolio for the relevant strategy (e.g., purchasing corporate securities and selling equal duration government securities).
- Due to the relative attractiveness and availability of fixed income securities at different times and the timing of funding of individual portfolios, fixed income portfolios with similar investment objectives inevitably will have different security holdings. Transactions often are undertaken to ensure that these portfolios, despite their different security holdings, have comparable risk characteristics relative to STW's model portfolio for the relevant strategy to the extent possible. This attribute of fixed income portfolios can lead to purchases in one account and sales in other accounts of similar or identical securities.

Best Execution

STW generally aggregates trades only when the portfolio managers believe that such aggregation is consistent with STW's duty to seek best execution and the investment objectives and guidelines of each participating portfolio.

Equitable Treatment

Investments may not be allocated to one portfolio over another based on any of the following considerations:

- With the intent to favor one portfolio at the expense of another similarly situated portfolio
- To generate higher fees paid by one portfolio over another to STW or any affiliate
- To develop or enhance a relationship with a client or prospective client
- To compensate a client for past services or benefits rendered to STW or to induce future services or benefits to be rendered to STW
- To build in a gain or loss for purposes of manufacturing a particular investment performance or to offset a loss because of a trade error made by STW

Allocation Process

Portfolios in the same investment strategy are generally managed in a like manner. The portfolio management team establishes a model portfolio for all portfolios within the same strategy. Each model portfolio represents STW's view of the ideal investment policies and risk characteristics for the applicable strategy that the portfolio management team seeks to replicate across similarly managed portfolios.

In general, with respect to client portfolios in the same strategy, securities purchased or sold will be allocated pro rata based on the assets of each portfolio. Pro rata allocation

generally results in fair and equitable treatment of portfolios over time and portfolios in the same investment strategy being managed consistently with the model portfolio. However, this does not mean that pro rata allocation is appropriate for all trades. It is often the case that various judgmental and other factors as described below support non-pro rata allocation.

Non-pro rata allocation can occur if it is reasonable and does not result in improper or undisclosed advantage or disadvantage to other portfolios and results in fair access over time to trade opportunities for all eligible portfolios. Any exceptions to pro rata allocation must be consistent with the STW's duty to provide its clients with fair and equitable treatment in allocating trades and investment opportunities. Examples of considerations that may provide cause for deviation from the pro rata allocation methodology include, but are not limited to:

- Investment guideline, legal, regulatory or other restrictions
- Existing exposure to the security, issuer, sector, industry, etc.
- Deviation of a portfolio from STW's model portfolio for the applicable strategy (Non-pro rata allocations may be made in an effort to bring portfolios that are furthest away from the characteristics of the model portfolio for that strategy closer to the model portfolio. For example, portfolios with larger cash positions may receive a higher allocation in a particular trade in order to bring these portfolios closer to the model portfolio.)
- Availability of cash
- Funding dates
- Liquidity needs
- Income tax considerations (e.g., allocation of municipal bonds based on state-specific tax considerations)
- Gain/loss recognition considerations (e.g., allocations based on opportunities to avoid and/or to postpone gain realization, harvest tax losses, short- and long-term capital gains considerations)
- Other available investment opportunities
- Minimum lot size
- De minimis position sizes

Fixed income securities may be allocated among portfolios based on the yield, maturity, duration and credit characteristics of a particular security as well as the portfolio duration, sector, benchmark and composition requirements for particular portfolios. In some cases, decisions to allocate securities among portfolios are based on these factors and not dependent on the name of a particular issuer or the individual security. Therefore, although portfolios managed against the same model portfolio generally will have similar compositions, portfolio holdings may vary due to these factors.

In all cases of non-pro rata allocation, the portfolio management team must use reasonable fiduciary judgment in making a non-pro rata allocation that is in the best interest of the affected portfolio.

New Issues and Other Limited Investment Opportunities

All clients will be afforded fair and equitable access to purchases of new issues and other limited investment opportunities. Allocation of these securities will be done in the same manner as other aggregated trades subject to the following conditions:

Generally, a sufficient amount of particular fixed income securities is available for allocation among eligible portfolios based on STW's assets under management. However, if the amount of a particular security available for investment is limited, the security is generally allocated among portfolios for which the investment is most appropriate, in the judgment of the portfolio managers, subject to other appropriate considerations as discussed above.

Please see "Side-By-Side Management of Accounts" under Item 11 of the brochure for additional information

ITEM 13 REVIEW OF ACCOUNTS

STW periodically reviews client accounts as described below.

Investment Risk Controls

The portfolio management team establishes a model portfolio for all portfolios with similar benchmarks and investment objectives. Each model portfolio represents STW's view of the ideal investment policies and risk characteristics for the applicable strategy that the portfolio management team seeks to replicate across similarly managed portfolios. The portfolio management team seeks to meet weekly to review the individual portfolios and to evaluate both the portfolio review process and the model portfolios.

STW's Portfolio Management Information System ("PMIS") provides the portfolio management team with a current view of portfolio holdings and risk characteristics. STW also integrates and augments third party systems with its internally developed applications to measure and describe portfolio risk exposures. PMIS and other systems are used to generate a series of daily portfolio review reports which are reviewed by the portfolio management team. These reports cover investment risk and portfolio compliance controls and include (i) a comparison of the critical risk metrics of each client portfolio to the appropriate model portfolio, (ii) a comparison of portfolio risk characteristics to the benchmark and other portfolios that follow the same strategy and (iii) exceptions related to client investment guidelines and STW's internal investment parameters.

Portfolio Compliance

STW has multilayered procedures in place designed to support compliance with individual client investment guidelines and STW's current investment policy.

Portfolio compliance begins with the portfolio management team. All portfolio managers are required to be familiar with the guidelines, purpose and structure of each client portfolio and to comply with client investment objectives and guidelines at all times. STW requires all portfolio managers to review each portfolio's investment objectives and guidelines and any other material deemed relevant to the management of the applicable portfolio.

The compliance department is also actively involved in monitoring compliance with investment guidelines. The Chief Compliance Officer reviews all investment objectives and guidelines and any other material deemed relevant to the management of the applicable portfolio. STW encourages an open and candid dialogue between the compliance department and the portfolio management team, and they regularly meet to discuss client guidelines.

STW's trade execution process provides fundamental protection against noncompliance. Portfolios are team managed. The decision to make any trade is made by consensus of the portfolio management team, whenever possible, but never without the agreement of at least two portfolio managers. Every trade requires the written approval of two portfolio managers before the trade can be settled. The most senior portfolio manager on the trading desk may exercise veto power over any trade that he believes does not conform to the style requirements, policies or guidelines.

To assist in complying with client investment objectives and guidelines, STW has implemented GuidelineCheck, STW's proprietary guideline compliance and policy adherence software. GuidelineCheck assesses each trade for compliance before the trade is posted to a client account. In addition, the system monitors each portfolio on a current basis for adherence to investment guidelines, as a portfolio may become noncompliant due to cash flows, market movements and rating changes. GuidelineCheck produces on-demand reports that are distributed to the portfolio management team and the compliance department daily. Any exceptions that are determined to be trade errors are treated in accordance with STW's Trade Error Policy.

Client Reporting

STW provides its clients with written monthly and quarterly reports. Monthly reports typically include transactions and holdings information. Quarterly reports typically include portfolio and general market commentary and performance information with a comparison against the portfolios benchmark, if applicable. Custom client reports are generated per the investment management agreement or as requested. The information contained in client reports goes through a detailed audit review process designed to provide clients with complete and accurate information.

Client Meeting and Objectives Review

Portfolio managers and other senior personnel strive to meet individually with each client on an annual or more frequent basis to, among other things, determine whether investment objectives or needs have changed. In addition, STW's portfolio managers are required to be familiar with each client account and be directly available to clients. It is important that clients fully understand how their money is managed.

STW is responsible for communicating to its clients all significant changes in investment outlook, portfolio strategy and allocation of account assets. Client are asked to keep STW informed as to any material changes in their plans, including changes in requirements or restrictions, that affect STW's ability to fulfill its investment management assignment.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

STW and its employees may give or receive gifts and entertainment with service providers, clients, prospective clients and others that do business with STW. STW monitors the exchange of gifts as they are subject to certain limits established by STW.

ITEM 15 CUSTODY

Clients will receive account statements from their qualified custodian and clients should carefully review those statements. Clients also receive account statements from STW, and clients are urged to compare the account statements they receive from the qualified custodian with those they receive from STW.

ITEM 16 INVESTMENT DISCRETION

STW accepts discretionary authority to manage securities accounts on behalf of clients. Clients place limits on STW's authority through client-specific investment advisory agreements and investment objectives and guidelines.

ITEM 17 VOTING CLIENT SECURITIES

Proxy Voting

STW acts as a discretionary investment adviser and sub-adviser for various clients, including clients governed by the Employee Retirement Income Security Act of 1974 ("ERISA") and the Investment Company Act. STW's authority to vote proxies is established through its investment advisory agreements or other written instructions from clients. STW maintains a written record of any authority to vote proxies delegated to STW or reserved by the client.

Rather than delegating proxy voting authority to STW, a client may (1) retain the authority to vote proxies on securities in its account, (2) delegate voting authority to another party or (3) instruct STW to vote proxies according to a policy that differs from that of STW. STW will honor any of these instructions if the client includes the instruction in writing in its investment management agreement or in a written instruction from a person authorized to give such instructions. If a client does not grant STW the authority to vote proxies, STW will forward all proxies or other solicitations received to the client. Clients may contact STW regarding any questions about a particular solicitation.

STW manages investment-grade fixed income securities and is rarely required to vote proxies on behalf of its clients. When STW is required to do so, STW's utmost concern is that all decisions be made solely in the best interest of the client (and for ERISA accounts, plan beneficiaries and participants, in accordance with the letter and spirit of ERISA). STW acts in a prudent and diligent manner intended to enhance the economic value of the assets of the client's account.

After receiving a proxy, STW obtains information relevant to voting the proxy. STW evaluates each proxy and votes in a way that it believes is in the best interest of the client. Prior to voting a proxy, STW attempts to identify any material conflicts of interest that might exist with respect to a given proxy. If a material conflict of interest is identified, STW determines how such conflict of interest should be addressed and fully discloses the conflict of interest to the affected client. If a material conflict of interest cannot be resolved and the client does not wish to independently vote or direct the vote of such proxy, STW will use an independent third party to vote the proxy in the client's best interest.

Clients may obtain information on how their securities were voted or a copy of STW's Proxy Voting Policy by contacting STW's Chief Compliance Officer.

Corporate Actions

Corporate bondholder actions, including tender offers, rights offerings and exchanges, are given the same considerations as proxies. STW does not advise or act on behalf of clients in any legal proceedings, including bankruptcies and class actions, involving securities held or previously held by a client or the issuer of securities.

ITEM 18 FINANCIAL INFORMATION

STW does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance and therefore has not included a balance sheet of its most recent fiscal year. STW is not aware of any financial condition that is reasonably likely to impair its ability meet its contractual commitments to clients, nor has STW been the subject of a bankruptcy petition at any time during the past ten years.

ITEM 19 REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not Applicable

ITEM 20 ADDITIONAL INFORMATION

Trade Errors

STW seeks to take the utmost care in the handling and execution of trades for client accounts. Examples of potential trade errors include trades executed: (i) in excess of the amount each account was intended to trade; (ii) to sell a fixed income security when it should have been purchased (and vice versa); (iii) for the wrong securities; or (iv) that are contrary to client instructions, investment restrictions, limitations or investment policies.

In correcting trade errors, the following principles apply:

- The Chief Compliance Officer is immediately notified of the error.
- Errors are corrected as soon after discovery as is reasonably practical, and in such a manner that the client incurs no loss.
- Losses in client accounts caused by trades executed in error are reversed and the methodology for determining any losses is documented.

- Gains in client accounts caused by trades made in error that are discovered after settlement are generally credited to the affected client's account.
- Trade error logs are completed and maintained.

These principles are intended to provide general guidance. Exceptions may be warranted under certain circumstances.