

Item 1 – Cover Page

ADV Part 2 A

CUMBERLAND ADVISORS®

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This brochure provides information about the qualifications and business practices of Cumberland Advisors Inc. (Cumberland Advisors®). If you have any questions about the contents of this brochure, please contact us at 800-257-7013, extension 315. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Cumberland Advisors is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Cumberland Advisors is also available on the SEC’s website at www.adviserinfo.sec.gov. In addition, the SEC’s website provides information about any person affiliated with Cumberland Advisors who are registered, or required to be registered, as investment adviser representatives.

[You need to review this information and acknowledge receipt of this brochure where indicated.]

[If obtaining this brochure electronically, please print a copy and retain it for your future reference.]

ITEM 2 – MATERIAL CHANGES

The following is a summary of material changes which have occurred since March 17, 2011

ITEM 4- ADVISORY BUSINESS

As of 12/31/11, the firm had \$1.9 billion in assets under management. This included fixed-income accounts (municipal bonds and taxable fixed income securities) as well as equity accounts (using exchange-traded funds only).

As of 12/31/11, Cumberland had (i) discretionary assets under management in the amount of \$1,890,751,681 and (ii) nondiscretionary assets under management of \$13,528,806.

ITEM 5 – FEES AND COMPENSATION

The fee schedule for the new Opportunistic Credit Strategy is as follows

\$2,000,000 - \$100,000,000	75 basis points (0.75% of 1%)
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Cumberland Advisors will negotiate the Advisory Fee with respect to accounts in excess of \$100,000,000.

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

OPPORTUNISTIC CREDIT STRATEGY

We construct opportunistic less-than-investment grade corporate credit portfolios for individuals and institutions. These portfolios invest primarily in corporate bonds and bank loans on an active basis throughout the full interest-rate and credit cycles. We actively manage these portfolios by monitoring the global stock, bond and loan markets and hedging these portfolios against interest rate, credit and macroeconomic/systemic risk. We look to exit markets or significantly limit long exposure during periods of

overvaluation and increase exposure during periods of undervaluation. We emphasize and seek long-lasting relationships and continuous dialogues with our clients and their consultants. The specific investment guidelines of each portfolio can be calibrated to meet each investor's goals and risk appetite

There are two primary differences between individual and institutional accounts. First, individual accounts will generally obtain exposure to bank loans through ETFs or stocks such as KFN and TFG1.EU rather than direct investments in individual loans, which are primarily an institutional product. This approach allows smaller individual accounts (i.e. below \$10 million in size) to obtain access to a diversified portfolio with lower cost. Second, institutional accounts may be hedged through instruments such as credit default swaps, short sales on high yield bond and loan indices, and other derivative products that the portfolio manager does not deem appropriate for individual accounts. The hedging performed in individual accounts will primarily take the form of reducing long exposure in bonds and increasing cash and bank loan exposure rather than active hedging, which the portfolio manager believes is more appropriate for institutional clients or only very large individual clients.

Method of Analysis and Investment Strategy

The investment strategy for the Opportunistic Credit Strategy combines Cumberland Advisors' economic research with its actively managed taxable bond strategy and fundamental credit research on specific less-than-investment grade issues. Individual investments are analyzed on a fundamental basis as well as through a proprietary model that measures default risk and other credit attributes on a continuing basis and alerts the portfolio manager to changes in an issuer's credit condition in real time. While the strategy is generally expected to be long-biased, institutional accounts will have the ability to hedge their long positions when deemed appropriate through ETFs, credit default swaps, bond and loan indices, U.S. Treasuries and sovereign debt, volatility indices, or derivatives of all or some of the above. Portfolios generally will not use leverage except with respect to short sales. The strategy is intended to produce attractive risk-adjusted absolute returns while avoiding the large draw downs that many less-than-

investment grade credit strategies periodically produce as a result of failing to hedge their positions or failing to anticipate market sell-offs.

Cumberland Advisors' Opportunistic Credit Universe

To obtain exposure to the securities and financial instruments necessary to obtain the objectives of the strategy, Cumberland's Opportunistic Credit Strategy will invest in the following securities and instruments from time to time on both the long and short side:

- High yield bonds.
- Leveraged bank loans rated less than investment grade.
- Credit default swaps.
- High yield bond and leveraged loan indices.
- ETFs.
- Stocks that provide exposure to high yield bonds or leveraged bank loans such as KFN or TFG1.EU.
- Investment-grade corporate bonds.
- Mortgage-backed securities
- Taxable municipal bonds.
- U.S. Treasury bonds.
- Federal agency debt.
- Index products such as the VIX, CDX, LDX, etc.

Risk of Loss

The investments involved in the Opportunistic Credit Strategy are subject to three primary risks: Interest Rate Risk; Credit Risk; and Macroeconomic/Systemic Risk.

- *Credit risk:* Issuers of bonds and loans rated less-than-investment grade are subject to a greater risk of not being able to service or repay their debt than higher rated, investment grade rated issuers. If they are unable to do so, they may default, which may result in losses to holders of their bonds or loans.

- *Interest rate risk:* All bonds (not loans, which pay interest at floating rates) are subject to the risk that rising inflation will erode their real value or reduce the fair market value of their bonds and therefore cause mark-to-market losses.
- *Macroeconomic/Systemic Risk:* In recent years, less-than-investment grade bonds and loans, like other risk assets, have sold off sharply when the global financial markets have experienced crises. This has resulted in large losses for holders of these securities and financial instruments.

In addition, there are additional risks involved in the Opportunistic Credit Strategy:

- *Liquidity Risk:* Less-than-investment grade bonds and loans may at times be illiquid, rendering them unable to be sold on demand at reasonable prices. It may take several days or in a financial crisis weeks or even months to liquidate a portfolio, depending on market conditions, and liquidation may result in substantial losses in such circumstances.
- *Risks Associated With Bank Loans:* Bank loans may be purchased in the form of participations or assignments, which are contractual rights that are limited in certain respects. Accordingly, the owner of a bank loan may not enjoy the full ownership rights normally associated with the owner of a security such as voting rights.

We seek to mitigate the risk of loss in the following ways:

- We focus on bonds and loans that we have analyzed in depth and believe are unlikely to default.
- We utilize a proprietary model to measure each issuer's financial condition on a real-time basis and move quickly to sell bonds or loans upon any negative change in an issuer's financial condition.
- We hedge each portfolio as we deem necessary against interest rate, credit and macroeconomic risks. We also use cash as a risk management tool when appropriate.
- We limit our holdings of the lowest rated bonds and loans.
- We monitor closely monetary policy that impacts interest rates.
- We monitor global economic and political events that affect macroeconomic/systemic risks.

- With respect to individual accounts we invest in these asset classes in part through ETFs that are more liquid than the underlying bonds and loans.

TAXABLE FIXED-INCOME DURATION-NEUTRAL PORTFOLIO STYLE

We construct taxable bond portfolios for individual clients and institutions. We emphasize highest-quality bonds coupled with active management throughout the full interest-rate cycle. We actively manage bonds by constantly monitoring both bond and stock markets, rebalancing client portfolios as needed in times of fluctuation. We neutralize the duration of a bond portfolio through the use of inverse and leveraged inverse fixed-income exchange-traded funds (ETFs) to reduce the duration or price sensitivity of a bond portfolio to as close to zero as possible. The goal of this style is to eliminate interest-rate risk as much as possible and provide proportional income of the portfolio to the client. We look to exit markets in periods of euphoria and to enter markets in periods of hysteria. We emphasize long-lasting relationships and continuous dialogue among clients, their consultants, tax advisors, accountants, and estate planners.

Method of Analysis and Investment Strategy

The investment decisions for the Taxable Bond Duration Neutral Portfolio Style bring together Cumberland Advisors' investment strategy for the global markets with actively managed taxable bonds. We believe that value is realized by holding bonds for the proper duration in a given interest-rate environment. We think it is unwise to limit opportunities based on narrowly defined bond portfolio parameters. Consequently, Cumberland Advisors has developed expertise in identifying and managing bond portfolios throughout the complete interest-rate cycle while considering credits, relative yields, and durations. Our use of inverse and leveraged inverse bond ETFs is strictly for the purpose of dampening the price volatility of the overall portfolio with a minimal amount of decrease in yield. We continually monitor the duration of the individual bonds in the portfolio and measure the portfolio duration versus the duration of the position held in inverse bond ETFs. The goal is to strip out the income generated by the bonds in the portfolio, and offset price changes of the individual bonds by using a percentage of the inverse ETFs to

match the duration of the bonds held in a client's account. Our objective is to have the position in ETFs offset the gain or loss on the bond portfolio.

Cumberland Advisors Taxable Fixed-Income Duration-Neutral Universe

To accomplish duration exposure objectives in the portfolio, we assess the relative attractiveness of spreads between the following alternatives.

- US Treasury bonds
- Federal agency debt
- Taxable municipal bonds
- Mortgage-backed securities
- Investment-grade corporate bonds
- Inverse and leveraged inverse fixed-income ETFs

Niche bonds, such as taxable municipals, add value to portfolios by providing unique cash-flow characteristics, inefficient pricing opportunities, and high credit quality.

Investment Strategies

Rising-Rate Environments

- Bonds with substantial redemption or call features
- Bonds with higher coupons
- Bonds with shorter durations
- Addition of inverse and leveraged inverse fixed-income ETFs to offset the increase in duration of a bond portfolio

Falling-Rate Environments

- Bonds with deeper discounts
- Bonds with lower premiums
- Bonds with longer maturities
- Non-callable bonds
- Reduce inverse or leveraged inverse bond ETFs to offset the decrease in duration of a bond portfolio due to call features or sinking fund provisions

Risk of Loss

Investing in any securities involves a risk of loss that the investor should be prepared to bear. Bonds have the following known risks:

- *Credit:* Creditworthiness of issuers impacts ability to pay.
- *Default:* Due to poor revenue, management failure, or fraud
- *Interest rate:* Rising inflation erodes real value of the bonds.

Inverse and leveraged inverse bond ETFs have the following known risks:

- *Tracking error:* Due to the structure of these securities, they may not closely track the index as designed.
- *Interest rate:* Rising bond prices may cause a decline in price or principal of the position.

We seek to mitigate the risk of losses by:

- Specializing in high-quality, investment-grade bonds as the investable universe
- Selecting taxable bonds by relative attractiveness to other types of taxable fixed-income securities
- Monitoring the portfolio bond issues to detect potential risks that could indicate a potential for default
- Selling any bonds that we detect may have factors that could impact their value
- Monitoring closely monetary policy that impacts interest rates
- Measuring and recalibrating the portfolio hedge position

TAXABLE FIXED-INCOME TACTICAL PORTFOLIO STYLE

We construct taxable-bond portfolios for individual clients and institutions. We emphasize highest-quality bonds coupled with active management throughout the full interest-rate cycle. We actively manage bonds by constant monitoring both bond and stock markets, rebalancing client portfolios as needed in times of fluctuation. We extend or reduce duration when we see compelling opportunities. Cumberland Advisors employs the use of inverse fixed-income exchange-traded funds (ETFs) to reduce the duration or price sensitivity of a bond portfolio. We look to exit markets in periods of euphoria and to enter markets in periods of hysteria. We emphasize long-lasting relationships and

continuous dialogue among clients, their consultants, tax advisors, accountants, and estate planners.

Method of Analysis and Investment Strategy

The investment decisions for the Taxable Bond Tactical Portfolio Style bring together Cumberland Advisors' investment strategy for the global markets with actively managed taxable bonds. We believe that value is realized by holding bonds for the proper duration in a given interest-rate environment. We think it is unwise to limit opportunities based on narrowly defined bond portfolio parameters. Consequently, Cumberland Advisors has developed expertise in identifying and managing bond portfolios throughout the complete interest-rate cycle while considering credits, relative yields, and durations. Our use of leveraged inverse bond ETFs is strictly for the purpose of dampening the price volatility of the overall portfolio with a minimal amount of decrease in yield. We continually monitor the duration of the individual bonds in the portfolio and measure the portfolio duration versus the duration of the position held in inverse bond ETFs.

Cumberland Advisors Taxable Fixed-Income Tactical Universe

To accomplish duration exposure objectives in the portfolio, we assess the relative attractiveness of spreads between the following alternatives.

- US Treasury bonds
- Federal agency debt
- Taxable municipal bonds
- Mortgage-backed securities
- Investment-grade corporate bonds
- Inverse and leveraged inverse fixed-income ETFs

Niche bonds, such as taxable municipals, add value to portfolios by providing unique cash-flow characteristics, inefficient pricing opportunities, and high credit quality.

Investment Strategies

Rising-Rate Environments

- Bonds with substantial redemption or call features
- Bonds with higher coupons
- Bonds with shorter durations
- Addition of inverse and leveraged inverse fixed-income ETFs

Falling-Rate Environments

- Bonds with deeper discounts
- Bonds with lower premiums
- Bonds with longer maturities
- Non-callable bonds
- Reduce or eliminate inverse or leveraged inverse bond ETFs

Risk of Loss

Investing in any securities involves a risk of loss that the investor should be prepared to bear. Bonds have the following known risks:

- *Credit*: Creditworthiness of issuers impacts ability to pay.
- *Default*: Due to poor revenue, management failure, or fraud
- *Interest rate*: Rising inflation erodes real value of the bonds.

Inverse and leveraged inverse bond ETFs have the following known risks:

- *Tracking error*: Due to the structure of these securities, they may not closely track the index as designed.
- *Interest rate*: Rising bond prices may cause a decline in price or principal of the position.

We seek to mitigate the risk of losses by:

- Specializing in high-quality, investment-grade bonds as the investable universe
- Selecting taxable bonds by relative attractiveness to other types of taxable fixed-income securities
- Monitoring the portfolio bond issues to detect potential risks that could indicate a potential for default

- Selling any bonds that we detect may have factors that could impact their value
- Monitoring closely monetary policy that impacts interest rates
- Measuring and recalibrating the portfolio hedge position

TAX-FREE MUNICIPAL HEDGE STYLE

Traditionally, high-grade, tax-free municipal bonds have yielded less than U.S. Treasury bonds, due to the existence of the federal income tax. At times of high marginal tax rates, the ratio of tax-exempt yields to US Treasury yields tend to be low. At times of lower marginal tax rates, the ratio tends to be higher. Many factors can affect these ratios. When yields on tax-free bonds have risen above US Treasury yields, it has usually been for a short period of time and usually reflected either legislative efforts to change the tax structure or periods of unusually heavy supply of tax-free municipal bonds.

The goal is to provide a better-than-money-market return in a fully hedged (duration-offset position). Absolute returns can be higher when yield spreads narrow (when municipal yields fall faster than Treasury yields or go up less than Treasury yields).

Absolute returns can be lower when the opposite occurs (when Treasury yields are falling faster than municipal bond yields or are going up slower than municipal bond yields).

Method of Analysis and Investment Strategy

The investment decisions for the Tax-Free Municipal Bond Portfolio Style bring together Cumberland Advisors' investment strategy for the global markets with actively managed municipal bonds.

We employ a strategy that uses municipal bonds combined with inverse Treasury ETFs such as PST and TBT. These two inverse ETFs strive to give two times (2x) the inverse performance of the Barclays 7-10 year US Treasury index and the Barclay's 20+ year US Treasury index. By employing the inverse Treasury ETFs the overall duration risk of an account is reduced. The opportunities come when municipal bond yields narrow compared to US Treasury yields.

Risks of Loss

Investing in any securities involves a risk of loss that the investor should be prepared to bear. Bonds have the following known risks:

- *Credit*: Creditworthiness of issuers impacts ability to pay.
- *Default*: Due to poor revenue, management failure, or fraud
- *Interest rate*: Rising inflation erodes real value of the bonds.

These ETFs, when purchased as LONG securities in the portfolio, are expected to give the INVERSE return times two of the respective US Treasury indices. PST and TBT entail certain risks, including inverse correlation, leverage, market price variance, and short-sale risks.

The risk is when municipal bond yields widen relative to US Treasury yields. In a portfolio where inverse treasuries are purchased to offset the overall duration on an account, in theory the account is protected from a parallel shift up in interest rates. However, when Treasury yields move lower than municipal bond yields, the strategy can perform poorly, as the inverse treasury ETFs will lose value more quickly than the municipal bonds gain value. These risks can increase volatility and decrease performance.

We look to mitigate the risk of losses by measuring the relative cheapness/richness of municipal bonds and finding periods when municipal securities are trading cheap on a relative basis to US Treasuries. We use ongoing analyses of the US Treasury and municipal bond markets to ascertain points that will provide value and limit downside risk.

Additionally we aim to mitigate risk by:

- Specializing in high-quality, investment-grade bonds as the investable universe
- Emphasizing revenue-based bonds as well as general-obligation credits
- Monitoring the portfolio bond issues to detect potential risks that could indicate a potential for default
- Selling any bonds that we detect may have factors that could impact their value
- Studying closely monetary policy that impacts interest rates

Again, the goal is to provide a better-than-money-market return in a fully hedged (duration-offset position). Absolute returns can be higher when yield spreads narrow (when municipal yields fall faster than Treasury yields or go up less than Treasury yields). Absolute returns can be lower when the opposite occurs, (when Treasury yields are falling faster than municipal bond yields or are going up slower than municipal bond yields).

TAX-FREE MUNICIPAL TACTICAL HEDGE STYLE

A tactical hedge strategy is similar to the above except that the amount of inverse Treasuries bought to offset interest-rate risk may be less or more than 100%, depending on the strategy of the portfolio manager. For example, if the portfolio manager believes that a temporary underperformance or outperformance of one of the two markets is going to occur, the amount of inverse Treasuries to be bought or sold may be adjusted to less than fully hedged, fully hedged, or over hedged. Most of the time, the tactical hedge will have less than 100% hedge and more in municipal bonds.

ITEM 10 – OTHER FINANCIAL ACTIVITIES AND AFFILIATIONS

Michael Lewitt, Vice President and Portfolio Manager with Cumberland Advisors, is an attorney and member in good standing of the New York State bar.

Mr. Lewitt is the editor and author of *The Credit Strategist*, a newsletter that covers economics, politics and the financial markets

All opinions and investment recommendations expressed by Michael E. Lewitt in *The Credit Strategist* as well as on Twitter under the Twitter name @credstrategist are solely the opinions of Mr. Lewitt and do not reflect the opinions of Cumberland Advisors or its affiliates or employees, managing directors, owners or principals.

In the past, we have offered or delivered information about our qualifications and business practices to our clients on at least an annual basis. Under the new SEC rules, we

will provide clients with a summary of any material changes to this and subsequent brochures within 120 days of the end of our fiscal year. We will also provide ongoing disclosure about material changes, as necessary.

Clients and prospective clients may obtain a copy of the entire brochure, free of charge, by contacting Therese M. Pantalione, Managing Director and Compliance Officer, at 800-257-7013 ext. 315; or by visiting our website www.cumber.com.

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ITEM 4 – ADVISORY BUSINESS

Cumberland Advisors is a registered investment advisory firm headquartered in Sarasota, FL (with a branch office in Vineland, NJ). Originally founded in 1973, the firm has clients in approximately 49 states, the District of Columbia, and several foreign countries. [The firm has a wealth-preservation bias and conservative investment orientation to manage risks as well as returns.]

The firm is wholly owned by senior management employees, with David R. Kotok being the principal shareholder.

As of 12/31/11, the firm had assets under management of \$1.9 billion. This included fixed income accounts (municipal bond and taxable fixed-income securities) as well as equity accounts (using exchange-traded funds only). Our clients include high net worth individuals, institutions, public and corporate retirement plans, corporations, foundations and government entities (direct clients as well as managed money through financial advisors). Except for the Opportunistic Credit Strategy, our stated minimum account size is \$500,000, with account sizes that range up to multi-digit millions. The minimum account size for the Opportunistic Credit Strategy is \$2,000,000.

Cumberland has numerous investment styles to meet individual client needs. Please see Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss, for information on these styles.

Our portfolio management emphasizes long-lasting relationships. Cumberland tailors its advisory services to individual clients' needs and objectives by having continuous personalized discussions among clients, their consultants, tax advisors, and the assigned portfolio management contact at Cumberland. Clients may impose cash restrictions and asset allocation restrictions.

Cumberland Advisors also provides financial advisory and consulting services to state and local governments and furnishes advice with respect to investments on a non-

managed, non-discretionary basis. This advice is provided through consulting agreements with state and local governmental units for special-purpose funds, including reserves or pension funds. Consulting services are usually provided to individuals or institutions where investment advice is provided to the client and acted upon by the client, rather than at the discretion of Cumberland. The largest single fund currently was approximately \$1.5 billion as of 12/31/2011.

In addition, Cumberland is registered with the Municipal Securities Rulemaking Board (MSRB) as a Municipal Advisor and assists state and local governments with interest-rate forecasting, financial market analysis, and issuance of debt financing, arbitrage rebate calculations, economic analysis, negotiations of private activity financing, structuring Urban Enterprise Zone loans, economic structuring of landfill escrows, and other special services of this nature.

Cumberland participates in various WRAP fee programs sponsored by unaffiliated firms. Cumberland receives a portion of the WRAP fee that is charged by the sponsor. WRAP accounts are managed in the same manner as our direct managed accounts and in accordance with each individual client's needs and objectives.

As of 12/31/11, Cumberland had (i) discretionary assets under management in the amount of \$1,890,751,681 and (ii) nondiscretionary assets under management of \$13,528,806. Total assets under management as of 12/31/11 were \$1,904,280,487.

ITEM 5 – FEES AND COMPENSATION

A. Advisory Fees and Compensation

Investment Advisory Fees

Cumberland Advisors charges an advisory fee (the “Advisory Fee”) to its direct investment advisory clients, in accordance with the fee schedule set forth below.

1. All styles except the Opportunistic Credit Strategy

Account Size	Advisory Fee
Under \$500,000	100 basis points (1.00%)
\$500,001 - \$5,000,000	50 basis points (.50 of 1%)
\$5,000,001 - \$10,000,000	45 basis points (.45 of 1%)
\$10,000,001 - \$15,000,000	40 basis points (.40 of 1%)
\$15,000,001 - \$20,000,000	35 basis points (.35 of 1%)
\$20,000,001 - \$50,000,000	30 basis points (.30 of 1%)
\$50,000,001 - \$100,000,000	25 basis points (.25 of 1%)

2. Opportunistic Credit Strategy

\$2,000,000-\$100,000,000 75 basis points (.75 of 1%)

3. Cumberland Advisors will negotiate the Advisory Fee with respect to accounts in excess of \$100,000,000.

Cumberland reserves the right to waive the minimum account size or impose a higher minimum account size for certain investment strategies. There may be a minimum fee of \$2,500 on both managed and non-managed accounts. The management fee is not based on capital appreciation or performance of any type.

Investment advisory services to WRAP fee program clients are provided under the same fee schedule (or in some cases a slightly lower fee schedule) as the fee schedule for non-WRAP (Direct) accounts.

401(k) Retirement Plan Product Fees

Fees for the 401(k) product that Cumberland manages are based on the choices used in the 401(k) plan, pursuant to which the client would pay to Cumberland an advisory fee of 35 basis points. The client would also pay additional fees to the third-party administrator, record keeper, and custodian.

Consulting Services Fees

Consulting Services fees are usually based on the following hourly rates (time is billed in quarter-hour increments). However, the Consulting Services fees may be based on a fixed negotiated fee. Certain consulting services are also available to qualified end users through soft dollar agreements between the end user and their brokerage firm.

Managing Director Consultation	\$600/hour plus out of pocket expenses or Per diem \$4000
Computer Programming, operation and running time	\$200/hour
Clerical and Administrative staff	\$100/hour

B. Payment of Fees:

Investment advisory clients are typically billed in advance for advisory fees on a quarterly basis in the first month of each quarter. Accounts billed in arrears are an exception, and determined by custodian rules. Generally, new accounts that are opened during the quarter are billed when released for trading and additional deposits during the quarter generate interim invoices. Accounts that are closed during the quarter generate interim credit invoices or refunds. [Set forth below is additional detail related to Cumberland's quarterly billing process]:

Quarterly bills for existing accounts

There are three types of accounts for billing purposes:

1. Direct-bill accounts – Our Accounting Department. uses the fee calculated by the APX program, based on the market value on the last day of the prior quarter.
2. WRAP accounts – Custodian bills for us and generates a fee report for our use.
3. WRAP accounts – Cumberland Advisors generates the custodian billing (e.g., Morgan Stanley Smith Barney, Wells Fargo Securities)*

* Accounts are invoiced by Cumberland Advisors, based on the market value on the last day of the prior quarter. The accounting department prepares a fee schedule that is uploaded via the internet to the custodian. Notifications are not mailed to the client by Cumberland Advisors.

The Accounting Department will generate paper invoices or notifications for direct-bill accounts and mail them to the client on the same day the invoice is generated. Based on billing instructions for each, custodians will be notified of amounts owed by fax, email, or uploaded online. Fees will be posted to APX and/or Accpac (current accounting software), and copies of all invoices will be stored in Imaging.

Debit reports are generated in APX for WRAP accounts, by custodian. Notifications are generated and copies of all notices are stored in Imaging. Notifications on WRAP accounts are not mailed to clients. Fees are posted to Accpac when custodian reports/confirmations are received. In cases where the custodian reports are not received in a timely manner, Cumberland Advisors will estimate the amount to be received, based on prior-quarter ending market value, and will post the estimate to Accpac until the actual fee report is received, at which time the accounts will be adjusted in Accpac. There is no posting required in APX by the Accounting Department for WRAP accounts. A copy of all debit reports will be stored in Imaging.

New accounts opened during the billing period

When notice is received by email from the New Accounts Department that a new account has been released to trade, the accounting department will determine if it is a direct-bill account, a WRAP account that Cumberland generates an invoice for (e.g., Morgan Stanley Smith Barney, Wells Fargo Securities), or a WRAP account on which the custodian bills.

If it is a direct-bill account the accounting department will generate a prorated invoice in APX. The custodian will be notified of the fee amount to be paid, and the client will be mailed a notification invoice the same day.

If it is a WRAP account that Cumberland generates an invoice for, the accounting department will generate a prorated invoice in APX.

New accounts will not be invoiced in the last month of the quarter for any amounts less than \$200.00, for direct-bill accounts or WRAP accounts for which Cumberland generates an invoice. Invoices or notifications generated will be posted in APX and Accpac and a copy will be stored in Imaging.

Accounts that are billed directly will receive an invoice. The invoice will be posted in APX and Accpac, and a copy of the invoice will be stored in Imaging. Terms are net 30 days on all direct-bill invoices. There is no provision to charge late fees or finance charges for accounts over 30 days.

WRAP accounts for which the custodian creates the charges will not be billed or posted until custodian fee reports are received. WRAP accounts that open in the current quarter may not be charged until the following quarter, depending on custodian rules. Any debit reports received or generated for WRAP accounts will be stored in Imaging.

Additional deposits to an account during the billing quarter

There will be no additional fees charged in the quarter in which a deposit is made to an existing account, unless the deposit is used to fund the initial account opening and unless the fee amount for the remainder of the quarter is greater than \$200. If it is determined that an interim invoice is required, the invoice will be generated manually and will be posted in APX and Accpac and a copy of the invoice will be stored in Imaging.

WRAP accounts for which the custodian generates the charges will not be billed or posted unless a custodian fee report is received, as determined by custodian rules.

Withdrawals to an account during the billing quarter

There will be no credits issued in the quarter in which a withdrawal is made to an existing account, unless the fee amount for the remainder of the quarter is greater than \$200. If it is determined that a credit is required, a credit invoice will be generated manually and will be applied against any outstanding balance in the client account and will be posted to APX and Accpac. If there is no outstanding balance remaining, the fee amount will be refunded to the client and posted in Accpac only.

Accounts that close during the billing quarter

When notice is received by email from the Operations Department that an account is closing, the accounting department will manually calculate a prorated interim credit. Closed accounts will not be credited or refunded in the last month of any quarter, for any amounts less than \$200. Interim credits will be posted in APX and Accpac and a copy of the credit invoice will be stored in Imaging.

Accounts that are paid in full but have an outstanding credit balance will be refunded with a Cumberland Advisors check through accounts payable within 45 days of closing.

C. Additional Fees and Expenses

In addition to the Advisory Fees paid to Cumberland Advisors, investment advisory clients will sign separate agreements with a custodian and pay a fee for their custodial services to that custodian. These fees may include an account set-up fee, an annual basic fee, and early closure fee, in addition to the basic quarterly fee charged by the custodian.

Cumberland normally suggests that our direct clients use either State Street Bank and Trust or U.S. Bank to custody their assets. Clients should be aware that Cumberland Advisors has agreements with both State Street Bank and Trust and U.S. Bank to perform certain custodial administrative services for Cumberland Advisors accounts held at these banks. Cumberland is paid a fee of 2 ½ basis points quarterly, based on the total assets of Cumberland Advisors accounts held at each bank.

Additional fees and expenses that may be charged to investment advisory clients include the following:

- Clients investing in Equity/ETF securities will pay a commission per share to the broker executing these trades. See Item 12, Brokerage Practices.
- Clients investing in bond accounts may be charged a “mark-up” or “mark-down” fee to the broker executing the fixed-income securities trade.

In connection with the 401(k) product we manage, clients may also be charged third-party administrator, record keeper and custodian fees in connection with their investments.

D. Termination

Investment advisory clients are typically billed in advance for fees incurred on a quarterly basis in the first month of each quarter. The client may terminate the investment contract with Cumberland Advisors at any time, by a telephone call followed by a written notice.

In the event of termination by the client, and upon written request from the client, prepaid fees for the current quarter will be refunded on a prorated basis.

ITEM 6 – PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGMENT

Cumberland does not charge its clients performance based fees. (i.e. fees based on a share of capital gains or capital appreciation of the assets of a client).

Side by Side Management – Not Applicable.

ITEM 7 – TYPES OF CLIENTS

Our clients include high net worth individuals, institutions, public and corporate retirement plans, corporations, foundations and government entities (direct clients as well as managed money through financial advisors).

Generally, Cumberland requires a minimum account size of \$500,000, except in the case of the Opportunistic Credit strategy, in which the minimum is \$2,000,000. However, Cumberland reserves the right to waive the minimum account or to impose a higher minimum.

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

Firm Philosophy, Method of Analysis, and Investment Strategies

Cumberland Advisors seeks capital preservation as its overriding investment priority. We manage risk as well as return. We strive to offset the erosion of financial assets by inflation, and to realize appreciation so that the real value of assets is maintained. We construct portfolios of bonds, stocks, or both. Investing in securities involves a risk of loss that clients should be prepared to bear.

Cumberland's portfolio managers work as a team to develop investment strategies. Each client works primarily with one investment adviser or portfolio manager.

Cumberland Advisors' portfolios reflect our clients' varying needs. Some clients are families with assets to be conserved and enhanced. Some are institutions seeking prudent supervision for retirement, endowment, or cash management. The objectives range from growth-oriented total return to current income.

We offer our investment management service to individuals and institutions either directly or through certain financial institutions and advisors (WRAP accounts). We focus on preservation and prudent growth of client money. We have multiple portfolio strategies to help do this.

All of our portfolio styles are in separately managed accounts only. This means that Cumberland Advisors does not manage a pooled investment vehicle where clients own “part” of the invested whole. Rather, our main strategies (known as portfolio styles) use individual bonds and investment funds to construct individual accounts based on specific objectives.

Our main portfolio styles are:

- Tax-Free Municipal Bonds
- Taxable Bonds
- Market-Based Exchange-Traded Funds (ETFs)
(US, International, Emerging Markets)
- Global Multi-Asset Class ETFs
- 401(k) Retirement (mainly using indexed-based mutual funds within 401(k) plans)

Core Concepts

Since its founding in 1973, Cumberland Advisors' investment strategy has been based upon the following critical economic concepts:

- *The value of stocks and bonds is linked to interest rates.*
- *The nominal interest rate has three parts: a "real" interest rate, an expectation of inflation, and a risk premium.*
- *Opportunities in the markets are present at all times, especially in the midst of euphoria or hysteria.*

Fixed-Income Risks:

Investing in any securities involves a risk of loss that the investor should be prepared to bear. Bonds have the following known risks:

- *Credit:* Creditworthiness of issuers impacts ability to pay.
- *Default:* Due to poor revenue, management failure, or fraud
- *Interest rate:* Rising inflation erodes real value of the bonds.

Notes:

1. *High Investment-Grade Bias:* We specialize in seeking highest-quality, investment-grade bonds for individual client accounts. The client owns specific bonds, chosen to satisfy the client account's specific requirements, usually with revenue-generating and general-obligation (GO) properties. We employ our own proprietary rating system and analysts to determine suitability of bonds for our conservative portfolios.
2. *Active Bond Management:* We actively manage the individual portfolios through the entire business cycle, lengthening or shortening durations, maturities, and features based on our market outlook. We do not construct laddered portfolios.

Exchange-Traded Fund Risks:

Investing in equity securities involves a risk of loss that the investor should be prepared to bear. We use exchange-traded funds (ETFs) exclusively for our separately managed accounts equity practice. Relative to mutual funds, ETFs are more transparent, trade efficiently throughout the day on stock exchanges, have better tax scenarios, give pure market access to global markets and asset classes, and are significantly less expensive on the whole. ETFs have the following risks:

- *Transaction costs:* Can erase or erode gains. Need monitoring.
- *Lack of liquidity:* New or non-supported funds can raise bid/ask spread costs and impede quick exits.
- *Fund closure:* ETF sponsor can close fund (inconvenient).

- *Trading intricacy:* Due to market exchange mechanism, trading can be more complex.
- *Rebalancing:* Due to the rebalancing strategy used for ETF strategies, positions may be sold or closed in the very short-term (within 30 days). Also, the same security may be bought for some accounts, while being sold for others. This may result in increased commissions for some clients. This rebalancing strategy does not take into consideration any tax implications that may result from this type of trading

Cash Management in Accounts

We use cash as a strategic asset in tactically managing equity portfolios. As market uncertainty increases, we will raise cash levels by degrees in the accounts. A 30-50% cash level is an extreme position, signifying that we are significantly cautious about current market prospects. We are unlikely to raise cash levels beyond 50%, even in our most cautious market view. Most cash positions range from fully invested (0% cash) to 25% cash.

TAX-FREE MUNICIPAL BOND PORTFOLIO STYLE (TOTAL RETURN)

Description

We construct tax-free municipal bond portfolios for individual clients based on each investor's specific requirements. The service caters to clients who benefit from the tax-free nature of municipal bonds. We emphasize quality, investment-grade bonds coupled with active management through the full interest-rate cycle. Bonds that have revenue streams against them (such as water, utility, sewer, toll-road) are preferred. Due to the large size of our tax-free municipal bond practice, we can purchase large bond lot sizes at aggressive prices and pass the advantage through to the individual accounts.

Method of Analysis and Investment Strategy

The investment decisions for the Tax-Free Municipal Bond Portfolio Style bring together Cumberland Advisors' investment strategy for the global markets with actively managed municipal bonds.

- Individual client account objectives govern investment procedures.
- Portfolios are managed over the full interest-rate cycle, taking advantage of opportunities in market fluctuations.
- We take an active approach to maturities and duration while managing market changes as well as shifts in credit values.
- Trading frequency in each account varies widely based on market outlook. A properly constructed account may not need daily or monthly adjustments, but maturity and market changes may prompt trading.
- We seek to employ the account funds in suitable bonds at most times. Cash that is not employed does not generate value for the client.

Our Advantages

Large Dealer Network – Cumberland is covered by almost 100 different municipal bond dealers. This allows us access to the best in new-issue and secondary bond activity.

Market Inefficiencies – Municipals are an over-the-counter market. There is not a central exchange, and there are over a million different municipal securities opportunities on both the buy and sell sides.

“Under The Hood” Credit Monitoring – Cumberland looks beyond the simple published rating and/or bond insurance. We look at underlying credits to minimize credit risk to investors, using our own proprietary ratings.

Customized Investing – When structuring for clients in “hard-to-find” bond states or providing a specified income stream, Cumberland can build portfolios to match individual needs.

Active Fixed-Income Investment Process:

1. Forecast interest rates
 - a. Global context

2. Macroeconomic conditions
 - a. Consider inflation / real interest rates
 - b. Consider political and legislative environment
 - c. Gauge tax-free bond market supply
 - d. Gauge tax-free bond market demand
3. Analyze national and state-specific tax-exempt markets
4. Select bonds
5. Seek high-quality credit
6. Structure appropriate to rate forecast
 - a. Discount/premium
 - b. Current coupon
 - c. Call features
 - d. Put features

Risk of Loss

Investing in any securities involves a risk of loss that the investor should be prepared to bear. Bonds have the following known risks:

- *Credit*: Creditworthiness of issuers impacts ability to pay.
- *Default*: Due to poor revenue, management failure, or fraud
- *Interest rate*: Rising inflation erodes real value of the bonds.

We seek to mitigate the risk of losses by:

- Specializing in high-quality, investment-grade bonds as the investable universe
- Emphasizing revenue-based bonds as well as general-obligation credits
- Monitoring the portfolio bond issues to detect potential risks that could indicate a potential for default
- Selling any bonds that we detect may have factors that could impact their value
- Studying closely monetary policy that impacts interest rates

TAX-FREE MUNICIPAL HEDGE STYLE

Traditionally, high-grade, tax-free municipal bonds have yielded less than U.S. Treasury bonds, due to the existence of the federal income tax. At times of high marginal tax rates, the ratio of tax-exempt yields to US Treasury yields tend to be low. At times of lower marginal tax rates, the ratio tends to be higher. Many factors can affect these ratios. When yields on tax-free bonds have risen above US Treasury yields, it has usually been for a short period of time and usually reflected either legislative efforts to change the tax structure or periods of unusually heavy supply of tax-free municipal bonds.

The goal is to provide a better-than-money-market return in a fully hedged (duration-offset position). Absolute returns can be higher when yield spreads narrow (when municipal yields fall faster than Treasury yields or go up less than Treasury yields).

Absolute returns can be lower when the opposite occurs (when Treasury yields are falling faster than municipal bond yields or are going up slower than municipal bond yields).

Method of Analysis and Investment Strategy

The investment decisions for the Tax-Free Municipal Bond Portfolio Style bring together Cumberland Advisors' investment strategy for the global markets with actively managed municipal bonds.

We employ a strategy that uses municipal bonds combined with inverse Treasury ETFs such as PST and TBT. These two inverse ETFs strive to give two times (2x) the inverse performance of the Barclays 7-10 year US Treasury index and the Barclay's 20+ year US Treasury index. By employing the inverse Treasury ETFs the overall duration risk of an account is reduced. The opportunities come when municipal bond yields narrow compared to US Treasury yields.

Risks of Loss

Investing in any securities involves a risk of loss that the investor should be prepared to bear. Bonds have the following known risks:

- *Credit:* Creditworthiness of issuers impacts ability to pay.
- *Default:* Due to poor revenue, management failure, or fraud
- *Interest rate:* Rising inflation erodes real value of the bonds.

These ETFs, when purchased as LONG securities in the portfolio, are expected to give the INVERSE return times two of the respective US Treasury indices. PST and TBT entail certain risks, including inverse correlation, leverage, market price variance, and short-sale risks.

The risk is when municipal bond yields widen relative to US Treasury yields. In a portfolio where inverse treasuries are purchased to offset the overall duration on an account, in theory the account is protected from a parallel shift up in interest rates. However, when Treasury yields move lower than municipal bond yields, the strategy can perform poorly, as the inverse treasury ETFs will lose value more quickly than the municipal bonds gain value. These risks can increase volatility and decrease performance.

We look to mitigate the risk of losses by measuring the relative cheapness/richness of municipal bonds and finding periods when municipal securities are trading cheap on a relative basis to US Treasuries. We use ongoing analyses of the US Treasury and municipal bond markets to ascertain points that will provide value and limit downside risk.

Additionally we aim to mitigate risk by:

- Specializing in high-quality, investment-grade bonds as the investable universe
- Emphasizing revenue-based bonds as well as general-obligation credits
- Monitoring the portfolio bond issues to detect potential risks that could indicate a potential for default
- Selling any bonds that we detect may have factors that could impact their value
- Studying closely monetary policy that impacts interest rates

Again, the goal is to provide a better-than-money-market return in a fully hedged (duration-offset position). Absolute returns can be higher when yield spreads narrow (when municipal yields fall faster than Treasury yields or go up less than Treasury yields). Absolute returns can be lower when the opposite occurs, (when Treasury yields are falling faster than municipal bond yields or are going up slower than municipal bond yields).

TAX-FREE MUNICIPAL TACTICAL HEDGE STYLE

A tactical hedge strategy is similar to the above except that the amount of inverse Treasuries bought to offset interest-rate risk may be less or more than 100%, depending on the strategy of the portfolio manager. For example, if the portfolio manager believes that a temporary underperformance or outperformance of one of the two markets is going to occur, the amount of inverse Treasuries to be bought or sold may be adjusted to less than fully hedged, fully hedged, or over hedged. Most of the time, the tactical hedge will have less than 100% hedge and more in municipal bonds.

TAXABLE FIXED-INCOME PORTFOLIO STYLE

We construct taxable bond portfolios for individual clients and institutions. We emphasize highest-quality bonds coupled with active management throughout the full interest-rate cycle. We actively manage bonds by constant monitoring both bond and stock markets, rebalancing client portfolios as needed in times of fluctuation. We extend or reduce duration when we see compelling opportunities. We look to exit markets in periods of euphoria and to enter markets in periods of hysteria. We emphasize long-lasting relationships and continuous dialogue among clients, their consultants, tax advisors, accountants, and estate planners.

Method of Analysis and Investment Strategy

The investment decisions for the Taxable Bond Portfolio Style bring together Cumberland Advisors' investment strategy for the global markets with actively managed taxable bonds. We believe that value is realized by holding bonds for the proper duration in a given interest-rate environment. We think it is unwise to limit opportunities based on narrowly defined bond portfolio parameters. Consequently, Cumberland Advisors has developed expertise in identifying and managing bond portfolios throughout the complete interest-rate cycle while considering credits, relative yields, and durations.

Cumberland Advisors Taxable Fixed-Income Universe

To accomplish duration exposure objectives in the portfolio, we assess the relative attractiveness of spreads between the following alternatives.

- U.S. Treasury bonds
- Federal agency debt
- Taxable municipal bonds
- Mortgage-backed securities
- Investment-grade corporate bonds

Niche bonds, such as taxable municipals, add value to portfolios by providing unique cash-flow characteristics, inefficient pricing opportunities, and high credit quality.

Investment Strategies

Rising-Rate Environments

- Bonds with substantial redemption or call features
- Bonds with higher coupons
- Bonds with shorter durations

Falling-Rate Environments

- Bonds with deeper discounts
- Bonds with lower premiums
- Bonds with longer maturities
- Non-callable bonds

Risk of Loss

Investing in any securities involves a risk of loss that the investor should be prepared to bear. Bonds have the following known risks:

- *Credit:* Creditworthiness of issuers impacts ability to pay.
- *Default:* Due to poor revenue, management failure, or fraud
- *Interest rate:* Rising inflation erodes real value of the bonds.

We seek to mitigate the risk of losses by:

- Specializing in high-quality, investment-grade bonds as the investable universe
- Selecting taxable bonds by relative attractiveness to other types of taxable fixed-income securities
- Monitoring the portfolio bond issues to detect potential risks that could indicate a potential for default
- Selling any bonds that we detect may have factors that could impact their value
- Monitoring closely monetary policy that impacts interest rates

TAXABLE FIXED-INCOME DURATION-NEUTRAL PORTFOLIO STYLE

We construct taxable bond portfolios for individual clients and institutions. We emphasize highest-quality bonds coupled with active management throughout the full interest-rate cycle. We actively manage bonds by constantly monitoring both bond and stock markets, rebalancing client portfolios as needed in times of fluctuation. We neutralize the duration of a bond portfolio through the use of inverse and leveraged inverse fixed-income exchange-traded funds (ETFs) to reduce the duration or price sensitivity of a bond portfolio to as close to zero as possible. The goal of this style is to eliminate interest-rate risk as much as possible and provide proportional income of the portfolio to the client. We look to exit markets in periods of euphoria and to enter markets in periods of hysteria. We emphasize long-lasting relationships and continuous dialogue among clients, their consultants, tax advisors, accountants, and estate planners.

Method of Analysis and Investment Strategy

The investment decisions for the Taxable Bond Duration Neutral Portfolio Style bring together Cumberland Advisors' investment strategy for the global markets with actively managed taxable bonds. We believe that value is realized by holding bonds for the proper duration in a given interest-rate environment. We think it is unwise to limit opportunities based on narrowly defined bond portfolio parameters. Consequently, Cumberland Advisors has developed expertise in identifying and managing bond portfolios throughout the complete interest-rate cycle while considering credits, relative yields, and durations.

Our use of inverse and leveraged inverse bond ETFs is strictly for the purpose of dampening the price volatility of the overall portfolio with a minimal amount of decrease in yield. We continually monitor the duration of the individual bonds in the portfolio and measure the portfolio duration versus the duration of the position held in inverse bond ETFs. The goal is to strip out the income generated by the bonds in the portfolio, and offset price changes of the individual bonds by using a percentage of the inverse ETFs to match the duration of the bonds held in a client's account. Our objective is to have the position in ETFs offset the gain or loss on the bond portfolio.

Cumberland Advisors Taxable Fixed-Income Duration-Neutral Universe

To accomplish duration exposure objectives in the portfolio, we assess the relative attractiveness of spreads between the following alternatives.

- US Treasury bonds
- Federal agency debt
- Taxable municipal bonds
- Mortgage-backed securities
- Investment-grade corporate bonds
- Inverse and leveraged inverse fixed-income ETFs

Niche bonds, such as taxable municipals, add value to portfolios by providing unique cash-flow characteristics, inefficient pricing opportunities, and high credit quality.

Investment Strategies

Rising-Rate Environments

- Bonds with substantial redemption or call features
- Bonds with higher coupons
- Bonds with shorter durations
- Addition of inverse and leveraged inverse fixed-income ETFs to offset the increase in duration of a bond portfolio

Falling-Rate Environments

- Bonds with deeper discounts

- Bonds with lower premiums
- Bonds with longer maturities
- Non-callable bonds
- Reduce inverse or leveraged inverse bond ETFs to offset the decrease in duration of a bond portfolio due to call features or sinking fund provisions

Risk of Loss

Investing in any securities involves a risk of loss that the investor should be prepared to bear. Bonds have the following known risks:

- *Credit:* Creditworthiness of issuers impacts ability to pay.
- *Default:* Due to poor revenue, management failure, or fraud
- *Interest rate:* Rising inflation erodes real value of the bonds.

Inverse and leveraged inverse bond ETFs have the following known risks:

- *Tracking error:* Due to the structure of these securities, they may not closely track the index as designed.
- *Interest rate:* Rising bond prices may cause a decline in price or principal of the position.

We seek to mitigate the risk of losses by:

- Specializing in high-quality, investment-grade bonds as the investable universe
- Selecting taxable bonds by relative attractiveness to other types of taxable fixed-income securities
- Monitoring the portfolio bond issues to detect potential risks that could indicate a potential for default
- Selling any bonds that we detect may have factors that could impact their value
- Monitoring closely monetary policy that impacts interest rates
- Measuring and recalibrating the portfolio hedge position

TAXABLE FIXED-INCOME TACTICAL PORTFOLIO STYLE

We construct taxable-bond portfolios for individual clients and institutions. We emphasize highest-quality bonds coupled with active management throughout the full

interest-rate cycle. We actively manage bonds by constant monitoring both bond and stock markets, rebalancing client portfolios as needed in times of fluctuation. We extend or reduce duration when we see compelling opportunities. Cumberland Advisors employs the use of inverse fixed-income exchange-traded funds (ETFs) to reduce the duration or price sensitivity of a bond portfolio. We look to exit markets in periods of euphoria and to enter markets in periods of hysteria. We emphasize long-lasting relationships and continuous dialogue among clients, their consultants, tax advisors, accountants, and estate planners.

Method of Analysis and Investment Strategy

The investment decisions for the Taxable Bond Tactical Portfolio Style bring together Cumberland Advisors' investment strategy for the global markets with actively managed taxable bonds. We believe that value is realized by holding bonds for the proper duration in a given interest-rate environment. We think it is unwise to limit opportunities based on narrowly defined bond portfolio parameters. Consequently, Cumberland Advisors has developed expertise in identifying and managing bond portfolios throughout the complete interest-rate cycle while considering credits, relative yields, and durations. Our use of leveraged inverse bond ETFs is strictly for the purpose of dampening the price volatility of the overall portfolio with a minimal amount of decrease in yield. We continually monitor the duration of the individual bonds in the portfolio and measure the portfolio duration versus the duration of the position held in inverse bond ETFs.

Cumberland Advisors Taxable Fixed-Income Tactical Universe

To accomplish duration exposure objectives in the portfolio, we assess the relative attractiveness of spreads between the following alternatives.

- US Treasury bonds
- Federal agency debt
- Taxable municipal bonds
- Mortgage-backed securities
- Investment-grade corporate bonds
- Inverse and leveraged inverse fixed-income ETFs

Niche bonds, such as taxable municipals, add value to portfolios by providing unique cash-flow characteristics, inefficient pricing opportunities, and high credit quality.

Investment Strategies

Rising-Rate Environments

- Bonds with substantial redemption or call features
- Bonds with higher coupons
- Bonds with shorter durations
- Addition of inverse and leveraged inverse fixed-income ETFs

Falling-Rate Environments

- Bonds with deeper discounts
- Bonds with lower premiums
- Bonds with longer maturities
- Non-callable bonds
- Reduce or eliminate inverse or leveraged inverse bond ETFs

Risk of Loss

Investing in any securities involves a risk of loss that the investor should be prepared to bear. Bonds have the following known risks:

- *Credit*: Creditworthiness of issuers impacts ability to pay.
- *Default*: Due to poor revenue, management failure, or fraud
- *Interest rate*: Rising inflation erodes real value of the bonds.

Inverse and leveraged inverse bond ETFs have the following known risks:

- *Tracking error*: Due to the structure of these securities, they may not closely track the index as designed.
- *Interest rate*: Rising bond prices may cause a decline in price or principal of the position.

We seek to mitigate the risk of losses by:

- Specializing in high-quality, investment-grade bonds as the investable universe

- Selecting taxable bonds by relative attractiveness to other types of taxable fixed-income securities
- Monitoring the portfolio bond issues to detect potential risks that could indicate a potential for default
- Selling any bonds that we detect may have factors that could impact their value
- Monitoring closely monetary policy that impacts interest rates
- Measuring and recalibrating the portfolio hedge position

OPPORTUNISTIC CREDIT STRATEGY

We construct opportunistic less-than-investment grade corporate credit portfolios for individuals and institutions. These portfolios invest primarily in corporate bonds and bank loans on an active basis throughout the full interest-rate and credit cycles. We actively manage these portfolios by monitoring the global stock, bond and loan markets and hedging these portfolios against interest rate, credit and macroeconomic/systemic risk. We look to exit markets or significantly limit long exposure during periods of overvaluation and increase exposure during periods of undervaluation. We emphasize and seek long-lasting relationships and continuous dialogues with our clients and their consultants. The specific investment guidelines of each portfolio can be calibrated to meet each investor's goals and risk appetite

There are two primary differences between individual and institutional accounts. First, individual accounts will generally obtain exposure to bank loans through ETFs or stocks such as KFN and TFG1.EU rather than direct investments in individual loans, which are primarily an institutional product. This approach allows smaller individual accounts (i.e. below \$10 million in size) to obtain access to a diversified portfolio with lower cost. Second, institutional accounts may be hedged through instruments such as credit default swaps, short sales on high yield bond and loan indices, and other derivative products that the portfolio manager does not deem appropriate for individual accounts. The hedging performed in individual accounts will primarily take the form of reducing long exposure in bonds and increasing cash and bank loan exposure rather than active

hedging, which the portfolio manager believes is more appropriate for institutional clients or only very large individual clients.

Method of Analysis and Investment Strategy

The investment strategy for the Opportunistic Credit Strategy combines Cumberland Advisors' economic research with its actively managed taxable bond strategy and fundamental credit research on specific less-than-investment grade issues. Individual investments are analyzed on a fundamental basis as well as through a proprietary model that measures default risk and other credit attributes on a continuing basis and alerts the portfolio manager to changes in an issuer's credit condition in real time. While the strategy is generally expected to be long-biased, institutional accounts will have the ability to hedge their long positions when deemed appropriate through ETFs, credit default swaps, bond and loan indices, U.S. Treasuries and sovereign debt, volatility indices, or derivatives of all or some of the above. Portfolios generally will not use leverage except with respect to short sales. The strategy is intended to produce attractive risk-adjusted absolute returns while avoiding the large draw downs that many less-than-investment grade credit strategies periodically produce as a result of failing to hedge their positions or failing to anticipate market sell-offs.

Cumberland Advisors' Opportunistic Credit Universe

To obtain exposure to the securities and financial instruments necessary to obtain the objectives of the strategy, Cumberland's Opportunistic Credit Strategy will invest in the following securities and instruments from time to time on both the long and short side:

- High yield bonds.
- Leveraged bank loans rated less than investment grade.
- Credit default swaps.
- High yield bond and leveraged loan indices.
- ETFs.
- Stocks that provide exposure to high yield bonds or leveraged bank loans such as KFN or TFG1.EU.
- Investment-grade corporate bonds.

- Mortgage-backed securities
- Taxable municipal bonds.
- U.S. Treasury bonds.
- Federal agency debt.
- Index products such as the VIX, CDX, LDX, etc.

Risk of Loss

The investments involved in the Opportunistic Credit Strategy are subject to three primary risks: Interest Rate Risk; Credit Risk; and Macroeconomic/Systemic Risk.

- *Credit risk:* Issuers of bonds and loans rated less-than-investment grade are subject to a greater risk of not being able to service or repay their debt than higher rated, investment grade rated issuers. If they are unable to do so, they may default, which may result in losses to holders of their bonds or loans.
- *Interest rate risk:* All bonds (not loans, which pay interest at floating rates) are subject to the risk that rising inflation will erode their real value or reduce the fair market value of their bonds and therefore cause mark-to-market losses.
- *Macroeconomic/Systemic Risk:* In recent years, less-than-investment grade bonds and loans, like other risk assets, have sold off sharply when the global financial markets have experienced crises. This has resulted in large losses for holders of these securities and financial instruments.

In addition, there are additional risks involved in the Opportunistic Credit Strategy:

- *Liquidity Risk:* Less-than-investment grade bonds and loans may at times be illiquid, rendering them unable to be sold on demand at reasonable prices. It may take several days or in a financial crisis weeks or even months to liquidate a portfolio, depending on market conditions, and liquidation may result in substantial losses in such circumstances.
- *Risks Associated With Bank Loans:* Bank loans may be purchased in the form of participations or assignments, which are contractual rights that are limited in certain respects. Accordingly, the owner of a bank loan may not enjoy the full

ownership rights normally associated with the owner of a security such as voting rights.

We seek to mitigate the risk of loss in the following ways:

- We focus on bonds and loans that we have analyzed in depth and believe are unlikely to default.
- We utilize a proprietary model to measure each issuer's financial condition on a real-time basis and move quickly to sell bonds or loans upon any negative change in an issuer's financial condition.
- We hedge each portfolio as we deem necessary against interest rate, credit and macroeconomic risks. We also use cash as a risk management tool when appropriate.
- We limit our holdings of the lowest rated bonds and loans.
- We monitor closely monetary policy that impacts interest rates.
- We monitor global economic and political events that affect macroeconomic/systemic risks.
- With respect to individual accounts we invest in these asset classes in part through ETFs that are more liquid than the underlying bonds and loans.

MARKET-BASED EXCHANGE TRADED FUNDS (U.S., INTERNATIONAL, EMERGING MARKET)

Description

Cumberland Advisors has a wealth-preservation orientation to balance risks as well as returns. The market-based equity portfolio styles offer clients and institutions one single investment account that holds multiple exchange-traded funds (ETFs) and provides highly diversified regional investment options. Broader market diversification provides market exposure as well as risk reduction, decreasing risk that any individual stock may carry in a portfolio.

Method of Analysis and Investment Strategies

The firm takes a top-down macroeconomic perspective to assess relative attractiveness among markets, sectors, regions, and asset classes. Exchange-traded funds (ETFs) allow for the implementation of Cumberland's macroeconomic and sector-specific judgments through a single investment vehicle. Multiple ETFs can then be tactically adjusted as Cumberland evaluates current market opportunities and risks.

Cumberland Advisors' Equities Management Philosophy:

- *Risk management* is as important as return management.
- *Asset-allocation* techniques help stabilize returns and reduce risk.
- *Macroeconomic factors* and fundamentals drive asset-class returns.
- *Portfolio managers* add value by size, sector, subsector, style, region, and country choices, and NOT through individual stock picking.
- ETFs are the most flexible, efficient, and low-cost implementation method.

Crafting the Portfolios

Managed ETFs blend active management of passive investments in a core and satellite approach. Broad-based, diversified ETFs form the core, while country, region, sector, subsector, and style ETFs form the satellites. This strategy provides extensive diversification, low cost, and tax efficiency. It also controls strategic sector, style, industry, country, and region exposure, with no "style drift." ETFs are chosen based on liquidity, sponsor support, and cost. The core positions usually consist of 3-8 broad-based diversified ETFs, while the satellite positions usually consist of 10-25 country, region, sector, subsector and/or style ETFs.

Examples of Exchange-Traded Funds by Category	
Size (Market Cap.)	Large-cap, Mid-cap, Small-cap funds
Sector (Industry)	Finance, Technology, Health Care
Sub-sector (Industry)	Semiconductors, Drugs, Homebuilders
Style	Growth, Value
Multi-Country	Advanced Economies, Euro Zone, Emerging Markets
Country	U.S., Germany, U.K., Japan, China, Chile, etc.

Managing the Portfolio

Cumberland's investment team continually monitors and analyzes economic and financial-market developments, together with the performance of assets in the portfolio. Model weights and ETF selections are made for core and satellite positions, and then tactically adjusted and rebalanced to each account based on strategy changes and market developments.

Exchange-Traded Fund Portfolio Risks

Investing in equity securities involves a risk of loss that the investor should be prepared to bear. We use exchange-traded funds (ETFs) exclusively for our separately managed accounts equity practice. Relative to mutual funds, ETFs are more transparent, trade efficiently throughout the day on stock exchanges, have better tax scenarios, give pure market access to global markets and asset classes, and are significantly less expensive on the whole. ETFs have the following risks:

- *Transaction costs:* Can erase or erode gains. Need monitoring.
- *Lack of liquidity:* New or non-supported funds can raise bid/ask spread costs and impede quick exits.
- *Fund closure:* ETF sponsor can close fund (inconvenient).
- *Trading intricacy:* Due to market exchange mechanism, trading can be more complex.

- *Rebalancing:* Due to the rebalancing strategy used for ETF strategies, positions may be sold or closed in the very short-term (within 30 days). Also, the same security may be bought for some accounts, while being sold for others. This may result in increased commissions for some clients. This rebalancing strategy does not take into consideration any tax implications that may result from this type of trading

Cash Management in Accounts

We use cash as a strategic asset in tactically managing equity portfolios. As market uncertainty increases, we will raise cash levels by degrees in the accounts. A 30-50% cash level is an extreme position, signifying that we are significantly cautious about current market prospects. We are unlikely to raise cash levels beyond 25%, even in our most cautious market view. Most cash positions range from fully invested (0% cash) to 25% cash.

GLOBAL MULTI-ASSET CLASS (GLOBAL MAC) ETF PORTFOLIO STYLE

Description

Cumberland Advisors has a wealth-preservation orientation to balance risks as well as returns. The Global Multi-Asset Class Portfolio Style provides one single investment account that holds globally diversified assets, continually adjusted to take advantage where markets are most promising. Globally diversified exchange-traded funds (ETFs) allow both market exposure and risk reduction. Global MAC is an aggressive, diversified, comprehensive portfolio style.

Method of Analysis and Investment Strategies

The firm adopts a top-down macroeconomic perspective to assess relative attractiveness among markets, sectors, regions, and asset classes. Exchange-traded funds (ETFs) allow for the implementation of Cumberland's macroeconomic and sector-specific judgments through a single investment vehicle. Multiple ETFs can then be tactically adjusted as Cumberland evaluates current market opportunities and risks.

Cumberland Advisors' Equities Management Philosophy:

- *Risk management* is as important as return management.
- *Asset-allocation* techniques help stabilize returns and reduce risk.
- *Macroeconomic factors* and fundamentals drive asset-class returns.
- *Portfolio managers* add value by size, sector, subsector, style, region, and country choices and NOT through individual stock picking.
- ETFs are the most flexible, efficient, low-cost implementation method.

Crafting the Portfolios

Managed ETFs blend active management of passive investments (ETFs) in a core and satellite approach. Broad-based, diversified ETFs form the core (usually 6-10 positions), while country, region, sector, subsector, and style ETFs form the satellites (usually 30-45 positions). This strategy provides extensive global diversification, low cost, and tax efficiency. It also controls strategic country and region exposure where the opportunities exist. ETFs are chosen based on liquidity, sponsor support, and cost.

Examples of Global Multi-Asset Class ETFs by Category	
U.S. Equities	U.S. Aggregate, style, sector, industry
International Equity	Intl. Aggregate, regional, country, style, sector
Fixed-Income	U.S. and International
Real Estate	U.S. and International
Currencies	Dollar, Euro, Yen, Pound, etc.
Commodities	Gold, Silver, Palladium, Oil, etc.

Managing the Portfolio

Cumberland's investment team continually monitors and analyzes economic and financial market developments, together with the performance of assets in the portfolio. Model weights and ETF selections are made for core and satellite positions, and then tactically adjusted and rebalanced to each account, based on strategy changes and market developments.

Exchange-Traded Fund Portfolio Risks

Investing in equity securities involves a risk of loss that the investor should be prepared to bear. We use exchange-traded funds (ETFs) exclusively for our separately managed accounts equity practice. Relative to mutual funds, ETFs are more transparent, trade efficiently throughout the day on stock exchanges, have better tax scenarios, give pure market access to global markets and asset classes, and are significantly less expensive on the whole. ETFs have the following known risks:

- *Transaction costs:* Can erase or erode gains and therefore need monitoring.
- *Lack of liquidity:* New or non-supported funds can raise bid/ask spread costs and impede quick exits.
- *Fund closure:* ETF sponsor can close fund (inconvenient).
- *Trading intricacy:* Due to market exchange mechanism, trading can be more complex.
- *Rebalancing:* Due to the rebalancing strategy used for ETF strategies, positions may be sold or closed in the very short-term (within 30 days). Also, the same security may be bought for some accounts, while being sold for others. This may result in increased commissions for some clients. This rebalancing strategy does not take into consideration any tax implications that may result from this type of trading

Cash Management in Accounts

We use cash as a strategic asset in tactically managing equity portfolios. As market uncertainty increases, we will raise cash levels by degrees in the accounts. A 30-50% cash level is an extreme position, signifying that we are significantly cautious about the current market prospects. We are unlikely to raise cash levels beyond 50%, even in our most cautious market view. Most cash positions range from fully invested (0% cash) to 25% cash.

For smaller accounts, there is a CORE strategy using basically broad based ETFs, available for US ETF and Global Multi Asset Class styles.

CUMBERLAND'S RETIREMENT PLAN SOLUTIONS

Description

Cumberland Advisors offers advisory services for defined-contribution retirement plans as well as pension plan management. The offering is constructed to reduce overall fees and to enhance the quality of options available to each participant. We select and monitor the mutual funds and exchange-traded funds in the plan, including Target Date or other specialty balanced options. Participants have the option of choosing model portfolios managed by Cumberland Advisors using a strategic allocation and rebalancing methodology (DEFENSIVE, CONSERVATIVE, MODERATE, AGGRESSIVE). Other management options for active portfolio management are also available.

Cumberland's Retirement Plan Solutions Management Philosophy:

- *Macroeconomic factors* and fundamentals drive asset-class returns.
- *Active mutual funds* do NOT add value in a sustainable way.
- *Index-based mutual funds* are most suitable for smaller-balance retirement accounts due to split-share capabilities and lower cost per share.
- *Exchange traded funds* could be utilized if they were more advantageous than the best index based mutual fund available in a particular asset class.
- *Asset-allocation* techniques help stabilize returns and reduce risk.
- *Portfolio managers* add value by fund selection, allocation, and adjustments based on market conditions.

Method of Analysis and Investment Strategies

Cumberland takes a top-down macroeconomic perspective to assess relative attractiveness among bonds, U.S. markets, and International markets on a percentage basis. That assessment is then applied by using primarily the indexed-based mutual funds available in the plan. Adjustments in the balance between assets will favor longer time periods between adjustments, based on market trends.

Managing the Portfolio

Cumberland's investment team continually monitors and analyzes economic and financial market developments, together with the performance of assets in the portfolio. Retirement Advisory Services accounts will employ the Buy/Hold/Rebalance approach to diversified investing. Rebalancing of accounts occurs when strategic allocations have changed due to market movement. As such, general market risks do apply even though individual security risk is largely minimized using the diversified investment instruments

Cumberland's Retirement Plan Solutions Portfolio Risks

Investing in equity securities involves a risk of loss that the investor should be prepared to bear. Poor performance in a retirement account will mean fewer funds available for living in retirement. Active management by a portfolio manager also opens the possibility that the manager will underperform the benchmarks.

Cash Management in Accounts

We use cash as a strategic asset in managing equity portfolios. As market uncertainty increases, we will raise cash levels by degrees in the portfolios, which will then apply to every account subscribed to that portfolio. A 30-50% cash level is an extreme position, signifying that we are significantly cautious about the current market prospects. We are unlikely to raise cash levels beyond 50%, even in our most cautious market view. Most cash positions range from fully invested (0% cash) to 25% cash.

ITEM 9 – DISCIPLINARY INFORMATION

There is no disciplinary information to report.

ITEM 10 – OTHER FINANCIAL ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status

Neither Cumberland nor any of its management persons is registered, or have an application to register, as a broker-dealer or a registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration Status

Neither Cumberland nor any of its management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.

C. Material Relationships or Arrangements with Related Parties which are Industry Participants

Michael Lewitt, Vice President and Portfolio Manager with Cumberland Advisors, is an attorney and member in good standing of the New York State bar.

Neither Cumberland nor any of its management persons has any relationship or arrangement that is material to its advisory business or to its clients with any related person who is a broker-dealer, municipal securities dealer, or government securities dealer or broker; investment company or other pooled investment vehicle (including a mutual fund, close-end investment company, unit investment trust, private investment company or “hedge fund” and offshore fund; other investment adviser or financial planner; futures commission merchant, commodity pool operator, or commodity trading adviser; banking or thrift institution; accountant or accounting firm; lawyer or law firm (other than Michael Lewitt); insurance company or agency; pension consultant; real estate broker or dealer; or sponsor or syndicator of limited partnerships.

D. Material Conflicts of Interest Relating to Other Investment Advisers

Cumberland does not recommend or select other investment advisers for its clients.

E. Miscellaneous

Mr. Lewitt is the editor and author of *The Credit Strategist*, a newsletter that covers economics, politics and the financial markets

All opinions and investment recommendations expressed by Michael E. Lewitt in *The Credit Strategist* as well as on Twitter under the Twitter name @credstrategist are solely the opinions of Mr. Lewitt and do not reflect the opinions of Cumberland Advisors or its affiliates or employees, managing directors, owners or principals.

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

Code of Ethics

Cumberland Advisors has adopted a Code of Ethics that covers personal securities transactions by its employees and associated persons. The Code of Ethics also describes Cumberland's standards of business conduct, compliance with federal securities laws, and Cumberland's fiduciary duty to its clients.

A copy of our Code of Ethics is available, free of charge, to any client or prospective client upon request by calling 800-257-7013, extension 315.

While Cumberland believes that the individual investment activities of its employees and associated persons should be encouraged, it seeks to avoid conflicts of interest (or even the appearance of conflicts) surrounding the advisory services it provides to its clients and the personal investments of its employees and associated persons. Pursuant to the Code of Ethics, certain restrictions apply to the investment activities of persons associated with Cumberland. In general, in any situation where the potential for a conflict exists, transactions for clients must take precedence over personal transactions of such employees or associated persons. Should any situation arise which is not specifically governed by this Code of Ethics, this general intent shall govern the resolution of the matter.

Both employees of Cumberland and the firm's proprietary account may invest in the same securities as those in clients' managed accounts. This may present a conflict of interest, in that Cumberland or its employees may obtain a better execution on a trade than a managed client. In order to address this potential conflict, Cumberland has the following rules in effect.

1. All employees must request and receive approval prior to any trading being done in their personal securities accounts.
2. There is a blackout period for Cumberland's proprietary accounts or employee accounts, prohibiting these accounts from trading on the day before and the day of trading in the same securities as those being traded in managed accounts. Employees can receive permission to trade these securities the day following the completion of managed trading. Copies of employee trade confirms and monthly statements are copied to Cumberland's Compliance Department for trading review.
3. Employee and Cumberland proprietary account fixed-income trades may be included with or traded on the same day as fixed-income trades in the same securities that are traded for managed accounts. If a fixed-income trade order is not completely filled, the employee and/or Cumberland proprietary account will be the first order dropped out of the allocation procedure.
4. There is no blackout period or prior approval needed when employee or Cumberland proprietary accounts trade mutual funds.

ITEM 12 – BROKERAGE PRACTICES

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

When choosing a broker to execute a trade for a client's account, Cumberland seeks to obtain the best execution for the client while taking the following into consideration: the price at which the trade will be executed, cost of effecting the transaction, the ease and speed of execution, the reliability of the broker through past experience, and the ability to work a large order without negatively affecting the market. In the case of fixed-income securities, we may also consider whether the broker provides Cumberland with

liquidity and competitive pricing on smaller lots of bonds, as well as who is the lead manager on a new issue.

1. Research and other Soft Dollar Benefits. Subject to its general policy of seeking execution at reasonably competitive rates, and unless instructed by a client to use a particular broker dealer(s), Cumberland may execute transactions through broker-dealers that provide Cumberland Advisors with research and other services designed to assist in the furnishing of investment advice to its clients' accounts. A portion of the commission paid by the client is used by the broker to pay for these services provided to Cumberland.
 - a. When client brokerage commissions are used to obtain research or other products or services, Cumberland receives a benefit, because we do not have to pay for these services directly.
 - b. This could provide an incentive for Cumberland to select a broker-dealer based on our interest in receiving the research or other products or services, rather than on the best interest of our client in receiving the most favorable execution.
 - c. Commissions (or markups or markdowns) charged by brokers providing soft-dollar services may be higher than those charged by brokers not providing these services.
 - d. Soft dollar services are used to benefit all of our client accounts. Services are not allocated proportionately to the soft dollar credits each account generates.
 - e. Cumberland currently has soft-dollar arrangements with LEK Securities, Pulse Trading, and Strategas Securities LLC.

Cumberland has an agreement with Pulse Trading and LEK Securities in which trades are executed at 4 cents per share, and 3 cents of that is accrued to provide research services to Cumberland. There is no specific agreement with Strategas. Strategas does provide proprietary research to Cumberland and Cumberland does execute trades through Strategas.

During fiscal year 2011, the following services were provided by LEK Securities through soft dollars: Bloomberg research and pricing data; Ned Davis economic research reports; BCA Research reports on equity markets, global and European investment strategies, and U.S. bond strategies; Action Economics, economic and market research reports and updates; The Bond Buyer, fixed-income market and interest-rate forecasts research; Global Insights, global economic and financial forecasts; Benderly Economics, statistical analysis of the economy and financial markets; ETF Index Universe, product and market developments related to index funds, ETFs, index derivatives, and investment strategies; Moody's, fixed-income and interest-rate research; S&P Ratings Direct, fixed-income ratings and market changes; The Gartman Letter, daily commentary on global capital markets; Capital Economics, economic analysis and forecasts, OECD statistics, selected statistics from OECD countries; Haver Analytics, macro strategy and economic research and statistics. During fiscal year 2011, Pulse Trading provided the following services: Robert Brusca-FAO Opinions, research on the economy, global trends, and political changes, Action Economics and the Gartman Letter.

While there are no soft-dollar agreements in place with the following brokers, we have executed trades through these brokers and received proprietary economic and fixed-income market research material from them during fiscal year 2011: MSSB, Goldman Sachs, Citibank, Barclays, Morgan Keegan, BMO, Merrill Lynch, JP Morgan, Piper Jaffrey, and Loop.

- f. The majority of our equity trades in fiscal 2011 were done through LEK securities. Since LEK has provided electronic connectivity with our order management system, we are able to enter orders with direct access to the market. Orders are executed quickly and efficiently. In some cases, where entering a large order all at once would negatively affect the market, we have the ability to work larger orders in pieces in an efficient manner.

2. Brokerage for client referrals – not applicable
3. Directed brokerage – In some cases, a client may be allowed to direct trades to a particular broker. This is determined on a case by case basis. When a client directs Cumberland to use a specific broker for executing a securities transaction, Cumberland may be unable to achieve the most favorable execution of the client's transaction. For example, we may not be able to aggregate trades with other accounts, which could result in higher transaction costs to the client.

B. Order Aggregation

When executing client transactions, where the accounts involved are held at the same custodian, trades may be bunched (or aggregated) with other clients' trades. This increases the average size of orders to brokers and can result in a better execution. Small odd-lot-sized trades can result in a negative price difference to the client. Accounts held at different custodians cannot be bunched together.

ITEM 13 – REVIEW OF ACCOUNTS

A. Frequency and Nature of Review of Client Accounts or Financial Plans

All accounts are reviewed quarterly by the investment adviser representative with staff assistance or client service representative assigned to such accounts. Such representative may also be the portfolio manager assigned to such account. Such representatives typically review the account to confirm that the account is invested according to its investment policy. Accounts are also reviewed on a random basis by the Compliance Department to confirm that the account is invested properly.

B. Factors Prompting Review of Client Accounts Other than a Periodic Review

Client accounts are also reviewed on a non-periodic basis, specifically when investments with respect to such accounts are being bought or sold. In addition,

clients may request a review of their accounts by the portfolio manager assigned to their account at any time. Accounts are also reviewed on a random basis by Cumberland's Compliance Department to determine/confirm whether accounts are invested properly.

C. Content and Frequency of Account Reports to Clients

Clients receive from Cumberland written quarterly and annual reports regarding their accounts. These reports include the previous and current market value of the account and the performance of such accounts for the period in question. In addition, the reports list the assets that comprise the account and their respective market values. Clients may also request additional reports from Cumberland including confirms, gain and loss reports, and customized reports.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefit for Providing Services to Clients

Cumberland has a client who has their broker pay Cumberland for Cumberland's services provided to the client. Cumberland has no affiliation with and does not trade through said broker.

B. Compensation to Non-Supervised Persons for Client Referrals

Cumberland has agreements in place with various solicitors who receive a percentage of the annual investment Advisory Fee charged to clients on accounts that were introduced to Cumberland by such solicitor. The fee paid to these solicitors is deducted from the Advisory Fee received by Cumberland from its clients, and therefore, is part of and not additional to the Advisory Fee charged to Cumberland's clients. This arrangement remains in place for the life of the account as long as the solicitor agreement remains in effect.

ITEM 15 – CUSTODY

Cumberland will send an invoice to State Street Bank, U.S. Bank and Mellon Bank for investment advisory fees. The banks will then debit the accounts and forward the funds to Cumberland. If a client has designated one of these banks as the custodian for their account, the client will receive monthly statements from the bank. Clients should carefully review these statements. They should also compare these statements with the quarterly reports received from Cumberland Advisors.

Clients sign a separate custodial services agreement with a qualified custodian of their choice. Cumberland normally suggests that our direct clients use either State Street Bank and Trust or U.S. Bank when selecting a custodian. (Please see Item 12B regarding Order Aggregation). Clients should be aware that Cumberland Advisors has agreements with both State Street Bank and Trust and U.S. Bank to perform certain custodial administrative services for Cumberland Advisors accounts held at these banks. Cumberland is paid a fee of 2 ½ basis points quarterly, based on the total assets of Cumberland Advisors accounts held at each bank.

ITEM 16 – DISCRETION

When opening an account, Cumberland requires that each client sign a limited power of attorney that gives Cumberland discretion over the management of the account, subject to the investment parameters designated by the client and Cumberland to meet the client's investment objectives. In addition, clients may impose certain restrictions on their accounts such as cash restrictions, maturity restrictions, and in some cases, asset-allocation restrictions.

ITEM 17 – VOTING CLIENT SECURITIES

Cumberland Advisors shall vote proxies related to all managed securities. The authority to vote proxies is established in the client's Client Services Agreement or comparable documents. In accordance with our fiduciary duties and SEC Rule 206(4)-6, we have adopted policies and procedures that we believe are reasonably designed to ensure that proxies are voted in the best interests of our clients.

Proxies are normally reviewed and voted upon by the portfolio manager responsible for the particular account. Should a conflict of interest arise between Cumberland Advisors and the client's best interest, the proxy will be reviewed and voted upon by the Proxy Voting Committee, which consists of three portfolio managers and the Cumberland's Compliance Officer.

Clients may obtain information on how a proxy on a security held in their account was voted and/or a copy of our proxy voting policy and procedures by calling 800-257-7013, extension 315.

ITEM 18 – FINANCIAL INFORMATION

- A. Cumberland does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.
- B. There are no financial conditions that are reasonably likely to impair Cumberland's contractual commitments to clients.
- C. Cumberland has never been the subject of a bankruptcy petition.

CUMBERLAND ADVISORS®

ADV PART 2 B

Revised 08/01/12

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CUMBERLAND ADVISORS®
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ITEM 1 – COVER PAGE – CEO, CIO and US Exchange Traded Funds Portfolio Mgr.

A. 1. **DAVID R. KOTOK**, 2 N. Tamiami Trail, Suite 303, Sarasota, FL 34236, 800-257-7013, extension 320.

2. Cumberland Advisors, 2 N. Tamiami Trail, Suite 303, Sarasota, FL 34236

3. Supplement dated 3/21/2012

B. This brochure supplement provides information about David R. Kotok that supplements the Cumberland Advisors brochure. You should have received a copy of that brochure. Please contact Therese M. Pantalione, 800-257-7013, extension 315 if you did not receive Cumberland's brochure or if you have any questions about the contents of this supplement.

Additional information about David R. Kotok is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 – Educational Background and Business Experience

David R. Kotok co-founded Cumberland Advisors in 1973 and has been its Chief Investment Officer since inception. He holds a B.S. in Economics from The Wharton School of the University of Pennsylvania, an M.S. in Organizational Dynamics from The School of Arts and Sciences at the University of Pennsylvania, and a Masters in Philosophy from the University of Pennsylvania. Date of Birth 3/3/1943.

ITEM 3 – Disciplinary Information

There is no disciplinary information to report on this person.

ITEM 4 – Other Business Activities

Mr. Kotok's articles and financial market commentary have appeared in *The New York Times*, *The Wall Street Journal*, *Barron's*, and other publications. He is a frequent guest on financial

television including Bloomberg Television, CNBC, and Fox. He also contributes to radio networks such as NPR and media organizations like Bloomberg Radio among others.

Mr. Kotok currently serves as a Director and Program Chairman of the Global Interdependence Center (GIC) (www.interdependence.org), whose mission is to encourage the expansion of global dialogue and free trade in order to improve cooperation and understanding among nation states, with the goal of reducing international conflicts and improving worldwide living standards. Mr. Kotok chairs its Central Banking Series, and organized a five continent dialogue held in Philadelphia, Paris, Zambia (Livingstone), Hanoi, Singapore, Prague, Capetown, Shanghai, Hong Kong, Rome, Milan, Tallinn and Santiago, Chile. He has received the Global Citizen Award from GIC for his efforts.

Mr. Kotok is a member of the National Business Economics Issues Council (NBEIC), the National Association for Business Economics (NABE), serves on the Research Advisory Board of BCA Research, and is also a member of the Philadelphia Council for Business Economics (PCBE).

ITEM 5 - Additional Compensation

No one who is not a client provides an economic benefit to David R. Kotok for providing advisory services.

ITEM 6 – Supervision

The person responsible for supervising Mr. Kotok is Therese M. Pantalione, Managing Dir./Compliance Officer. She can be reached at 800-257-7013, extension 315. As the Compliance officer Mrs. Pantalione reviews and monitors individual accounts to ensure that they meet the investment objective of the particular client. She also reviews marketing literature and e-mail sent to and from clients. Each of the supervised persons is bound by Cumberland's Code of Ethics, which, among other things, sets forth certain policies and procedures aimed at preventing abusive practices by Cumberland's supervised persons. In addition, each of the supervised persons has received a copy of and reviewed Cumberland's Investment Adviser Compliance Manual, which was reasonably designed to prevent any violation of the Advisers

Act or the rules that the SEC has adopted thereunder. Cumberland believes that the Code of Ethics and the Compliance Manual are useful tools for monitoring the advice that its supervised persons give to its clients.

CUMBERLAND ADVISORS®
ADV PART 2 B

ITEM 1 – COVER PAGE – Managing Dir. And Tax-Free Fixed Income Portfolio Mgr.

- A.
1. **JOHN R. MOUSSEAU**, CFA¹, 614 Landis Ave., Vineland, NJ 08360; 800-257-7013, extension 307.
 2. Cumberland Advisors, 2 N Tamiami Trail, Suite 303, Sarasota, FL 34236
 3. Supplement dated 3/21/2012
- B. This brochure supplement provides information about John R. Mousseau that supplements the Cumberland Advisors brochure. You should have received a copy of that brochure. Please contact Therese M. Pantalione, 800-257-7013, extension 315, if you did not receive Cumberland's brochure or if you have any questions about the contents of this supplement.

Additional information about John R. Mousseau is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 – Educational Background and Business Experience

Mr. Mousseau joined Cumberland in 2000 and is responsible for Municipal Bond investments. From 1993 to 2000 John was Portfolio Manager and Director of Municipal Bond Investments for Lord Abnett & Company. Prior to that, he served as First Vice President and Director of Municipal Portfolio Analysis for Shearson Lehman Brothers and a predecessor firm, E.F. Hutton, from 1981 to 1993. Mr. Mousseau holds an A.B. degree in economics from Georgetown University and an M.A. degree in economics from Brown University. His date of birth is 9/18/1956.

¹ The **Chartered Financial Analyst** (CFA) designation is an international [professional certification](#) offered by the [CFA Institute](#) (formerly AIMR) to [financial analysts](#) who complete a series of three [examinations](#). To become a **CFA Charterholder** candidates must pass each of three six-hour exams, possess a bachelor's degree from an accredited institution (or have equivalent education or work experience) and have 48 months of qualified, professional work experience. CFA charterholders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct.

ITEM 3 – Disciplinary Information

There is no disciplinary information to report on this person.

ITEM 4 – Other Business Activities

A holder of the Chartered Financial Analyst designation, he is a member of the Philadelphia Chapter of Business Economists and also a member of the New York Society of Securities Analysts where he serves on the Society's High Net Worth Investors Committee. Mr. Mousseau is a member and past chairman of the Municipal Bond Buyers Conference and a member of the National Federation of Municipal Analysts. In addition, he has served as an instructor at the New York Institute of Finance and Bond Market Association. Mr. Mousseau is a board member for the local YMCA and Rotary Club in Maplewood NJ.

ITEM 5 - Additional Compensation

No one who is not a client provides an economic benefit to John Mousseau for providing advisory services.

ITEM 6 – Supervision

The person responsible for supervising Mr. Mousseau is David R. Kotok, CEO. He can be reached at 800-257-7013, extension 320. The Compliance officer reviews and monitors individual accounts to ensure that they meet the investment objective of the particular client. She also reviews marketing literature and e-mail sent to and from clients. She then reports to the CEO. Each of the supervised persons is bound by Cumberland's Code of Ethics, which among other things, sets forth certain policies and procedures aimed at preventing abusive practices by Cumberland's supervised persons. In addition, each of the supervised person has received a copy of and reviewed Cumberland's Investment Adviser Compliance Manual, which was reasonably designed to prevent any violation of the Advisers Act or the rules that the SEC has adopted there under. Cumberland believes that the Code of Ethics and the Compliance Manual are useful tools for monitoring the advice that its supervised person gives to its clients.

CUMBERLAND ADVISORS®
ADV PART 2 B

ITEM 1 – COVER PAGE – Managing Dir. And Taxable Fixed Income Portfolio Mgr.

- A.
1. **PETER DEMIRALI**, 614 Landis Ave., Vineland, NJ 08360; 800-257-7013, extension 322.
 2. Cumberland Advisors, 2 N. Tamiami Trail, Suite 303, Sarasota, FL 34236
 3. Supplement dated 3/21/2012
- B. This brochure supplement provides information about Peter Demirali that supplements the Cumberland Advisors brochure. You should have received a copy of that brochure. Please contact Therese M. Pantalione, 800-257-7013, extension 315 if you did not receive Cumberland's brochure or if you have any questions about the contents of this supplement.

Additional information about Peter Demirali is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 – Educational Background and Business Experience

Mr. Demirali joined Cumberland Advisors in 2002 as portfolio manager for Cumberland Advisors Taxable Bond style. Prior to that, Peter was a Senior Portfolio Manager at Smith Barney Asset Management from 1990 to 1999. In that position, he initiated a corporate bond component for taxable fixed income portfolios. From 1999 to 2002, he was a partner in Anval, Inc., a commercial real estate brokerage company where he successfully developed new territories and clients for his firm. He traded zero coupon bonds at Yamaichi International, a Japanese securities dealer from 1987 to 1989. Peter began his career at Chemical Bank from 1983 to 1987. At Chemical, he traded short and intermediate zero coupon bonds and Treasuries. Mr. Demirali holds a B.S. in business administration from Georgetown University. His date of birth is 1/30/1960.

ITEM 3 – Disciplinary Information

There is no disciplinary information to report on this person.

ITEM 4 – Other Business Activities

Mr. Demirali's comments and analysis have appeared in Bloomberg Business News, Barrons, The Wall Street Journal, and The Bond Buyer. He has appeared on CNBC, Fox Business News as well as Bloomberg Television.

ITEM 5 - Additional Compensation

No one who is not a client provides an economic benefit to Peter Demirali for providing advisory services.

ITEM 6 – Supervision

The person responsible for supervising Mr. Demirali is David R. Kotok, CEO. He can be reached at 800-257-7013, extension 320. The Compliance officer, reviews and monitors individual accounts to ensure that they meet the investment objective of the particular client. She also reviews marketing literature and e-mail sent to and from clients. She then reports to the CEO. Each of the supervised persons is bound by Cumberland's Code of Ethics, which, among other things, sets forth certain policies and procedures aimed at preventing abusive practices by Cumberland's supervised persons. In addition, each of the supervised persons has received a copy of and reviewed Cumberland's Investment Adviser Compliance Manual, which was reasonably designed to prevent any violation of the Advisers Act or the rules that the SEC has adopted thereunder. Cumberland believes that the Code of Ethics and the Compliance Manual are useful tools for monitoring the advice that its supervised persons give to its clients.

CUMBERLAND ADVISORS®
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ITEM 1 – COVER PAGE – Vice President, Chief Global Economist, International and Emerging Markets ETFs Portfolio Mgr.

- A.
1. **WILLIAM (BILL) WITHERELL** 614 Landis Ave., Vineland, NJ 08360; 800-257-7013, extension 338.
 2. Cumberland Advisors, 2 N. Tamiami Trail, Suite 303, Sarasota, FL 34236
 3. Supplement dated 3/21/2012
- B. This brochure supplement provides information about William Witherell that supplements the Cumberland Advisors brochure. You should have received a copy of that brochure. Please contact Therese M. Pantalione, 800-257-7013, extension 315 if you did not receive Cumberland's brochure or if you have any questions about the contents of this supplement.

Additional information about William Witherell is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 – Educational Background and Business Experience

Bill Witherell joined Cumberland Advisors as Chief Global Economist in November 2005 and became a Portfolio Manager in December 2005. Dr. Witherell is a graduate of Colby College and holds an M.A. and a Ph.D. in Economics from Princeton University. Dr. Witherell began his career as a business economist with Exxon and Esso Eastern (1967-73), where he held positions in the economics, treasury and corporate planning functions. He moved to the international economic and financial relations field in 1973 with positions first in the U.S. Department of State and then in the Department of the Treasury (1974-77) as Director of the Office of Financial Resources and Energy Finance. His date of birth is 3/29/1941.

ITEM 3 – Disciplinary Information

There is no disciplinary information to report on this person.

ITEM 4 – Other Business Activities

Dr. Witherell is a Senior Consultant for Finance and Corporate Governance to the Organization for Economic Cooperation and Development (OECD). From 1989 through September 2005 he was OECD's Director for Financial and Enterprise Affairs. He joined the Secretariat of the OECD in Paris, France, in 1977.

He is a past Chairman of the International Roundtable of the National Association for Business Economics, a member of the Boston Economic Club and the Westborough MA Rotary.

ITEM 5 - Additional Compensation

No one who is not a client provides an economic benefit to William Witherell for providing advisory services.

ITEM 6 – Supervision

The person responsible for supervising Dr. Witherell is David R. Kotok, CEO. He can be reached at 800-257-7013, extension 320. The Compliance officer, reviews and monitors individual accounts to ensure that they meet the investment objective of the particular client. She also reviews marketing literature and e-mail sent to and from clients. She then reports to the CEO. Each of the supervised persons is bound by Cumberland's Code of Ethics, which, among other things, sets forth certain policies and procedures aimed at preventing abusive practices by Cumberland's supervised persons. In addition, each of the supervised persons has received a copy of and reviewed Cumberland's Investment Adviser Compliance Manual, which was reasonably designed to prevent any violation of the Advisers Act or the rules that the SEC has adopted thereunder. Cumberland believes that the Code of Ethics and the Compliance Manual are useful tools for monitoring the advice that its supervised persons give to its clients.

CUMBERLAND ADVISORS®
ADV PART 2 B

**ITEM 1 – COVER PAGE – Sr. Vice President, Cumberland’s Retirement Plans
Solutions, Portfolio Mgr**

- A. 1. **MICHAEL D. MCNIVEN**, 614 Landis Ave., Vineland, NJ 08360; 800-257-7013, extension 316.
2. Cumberland Advisors, 2 N. Tamiami Trail, Suite 303, Sarasota, FL 34236
3. Supplement dated 3/21/2012
- B. This brochure supplement provides information about Michael D. McNiven that supplements the Cumberland Advisors brochure. You should have received a copy of that brochure. Please contact Therese M. Pantalione, 800-257-7013, extension 315 if you did not receive Cumberland’s brochure or if you have any questions about the contents of this supplement.
- Additional information about Michael D. McNiven is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 – Educational Background and Business Experience

Michael McNiven joined Cumberland Advisors in April 2009 as Vice President and Investment Advisor Representative and became Senior Vice-President & Portfolio Manager in January 2011. He also advises the firm in market outreach initiatives that explain and communicate Cumberland’s services, philosophy, and market outlook to individuals, financial advisors, and institutions.

Dr. McNiven is a graduate of Brigham Young University in Provo, Utah. He received a B.A. in communication studies and an M.A. in mass communication. He received his Ph.D. in mass communication from the University of Georgia in Athens, Georgia. He began his career at the *Financial Times* in New York working in market research, business development, and advertising sales. Dr. McNiven was a professor at Rowan University prior to joining Cumberland Advisors, and has also taught and assisted at the University of Georgia, Utah Valley University, and Brigham Young University. His date of birth is 8/15/1973.

ITEM 3 – Disciplinary Information

There is no disciplinary information to report on this person.

ITEM 4 – Other Business Activities

Dr. McNiven is not involved in any other business activities.

ITEM 5 - Additional Compensation

No one who is not a client provides an economic benefit to Michael McNiven for providing advisory services.

ITEM 6 – Supervision

The person responsible for supervising Dr. McNiven is David R. Kotok, CEO. He can be reached at 800-257-7013, extension 320. The Compliance officer, reviews and monitors individual accounts to ensure that they meet the investment objective of the particular client. She also reviews marketing literature and e-mail sent to and from clients. She then reports to the CEO. Each of the supervised persons is bound by Cumberland's Code of Ethics, which, among other things, sets forth certain policies and procedures aimed at preventing abusive practices by Cumberland's supervised persons. In addition, each of the supervised persons has received a copy of and reviewed Cumberland's Investment Adviser Compliance Manual, which was reasonably designed to prevent any violation of the Advisers Act or the rules that the SEC has adopted thereunder. Cumberland believes that the Code of Ethics and the Compliance Manual are useful tools for monitoring the advice that its supervised persons give to its clients.

CUMBERLAND ADVISORS®
ADV PART 2 B

ITEM 1 – COVER PAGE – Vice President, Portfolio Manager, Opportunistic Credit Strategy

- A. 1. **MICHAEL E. LEWITT** 2 N. Tamiami Trail, Suite 303, Sarasota Fl. 34236; 800-257-7013 extension 323
2. Cumberland Advisors, 2 N. Tamiami Trail, Suite 303, Sarasota, FL 34236
3. Supplement dated 3/21/2012
- B. This brochure supplement provides information about Michael E. Lewitt that supplements the Cumberland Advisors brochure. You should have received a copy of that brochure. Please contact Therese M. Pantalione, 800-257-7013, extension 315 if you did not receive Cumberland's brochure or if you have any questions about the contents of this supplement.

Additional information about Michael E. Lewitt is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 – Educational Background and Business Experience

Mr. Lewitt joined Cumberland Advisors in January 2012 as a Vice President and the Portfolio Manager for the Opportunistic Debt Strategy. Mr. Lewitt has spent the last 25 years in the securities industry and the last 20 years in the investment business. Mr. Lewitt co-founded Harch Capital Management, LLC ("HCM") in 1991, where he was involved in the management of separate accounts, hedge funds, collateralized debt obligations and mutual funds focused on the less-than-investment grade debt markets for U.S. and non-U.S. clients that included LACERA (Los Angeles County Retirement Association), Texas Teachers Retirement System, Investec Bank (UK), Goldman Sachs Asset Management, JPMorgan Chase Asset Management, Highbridge Capital Management, Investcorp, Onex Corporation and Omega Advisers, Inc. Among the funds that Mr. Lewitt has managed was the HCM High Yield Opportunity Fund, L.P., which was among the highest ranked fixed income funds during the 1994-2000 period; HCM Hegemony Fund, a dedicated short-selling fixed income fund that significantly outperformed its benchmark during the 2004-07 period; Harch CLO I Limited, which produced

an annualized return of 15.46% from March 2000-March 2005; and Harch CLO II Limited and Harch CLO III Limited. Mr. Lewitt was also responsible for compliance at HCM from 1991-October 2010. Since 2001, Mr. Lewitt has edited and authored *The Credit Strategist* (formerly known as *The HCM Market Letter*), a newsletter that covers economics, politics and the financial markets and that is widely read around the world. Mr. Lewitt is recognized as having been one of the few investors and strategists to forecast the financial crisis of 2008 as well as the credit crisis of 2001-2002. Mr. Lewitt also serves as a regular financial columnist for the Spanish newspaper *El Mundo* and has written for *The New York Times*, *The New Republic*, *Trusts & Estates* and other publications.

In May 2010, Mr. Lewitt published The Death of Capital: How Creative Policy Can Restore Stability (John Wiley & Sons), which was included in the curriculum in economics and history courses at the University of Michigan and Brandeis University during the 2010-2011 academic year. The Spanish edition of the book, La muerte del capital, was published in June 2011 by the Spanish publishing house *La esfera de los libros*. Mr. Lewitt is also a frequent media commentator on the financial markets. Mr. Lewitt is a graduate of Brown University (Magna Cum Laude; Honors in Comparative Literature and History); was a PhD Candidate in Comparative Literature at Yale University; and is a graduate of New York University Law School (J.D.; LLM in Taxation). His date of birth is 8/25/57.

TEM 3 – Disciplinary Information

There is no disciplinary information to report on this person.

ITEM 4 – Other Business Activities

Mr. Lewitt is the editor and author of *The Credit Strategist*, a newsletter that covers economics, politics and the financial markets

All opinions and investment recommendations expressed by Michael E. Lewitt in *The Credit Strategist* as well as on Twitter under the Twitter name @credstrategist are solely the opinions of Mr. Lewitt and do not reflect the opinions of Cumberland Advisors or its affiliates or employees, managing directors, owners or principals.

Mr. Lewitt is an attorney and a member in good standing of the New York State Bar.

ITEM 5 - Additional Compensation

Other than compensation received from *The Credit Strategist*, no one who is not a client provides an economic benefit to Michael Lewitt for providing advisory services.

ITEM 6 – Supervision

The person responsible for supervising Mr. Lewitt is Peter Demirali. He can be reached at 800-257-7013, extension 322. The Compliance Officer reviews and monitors individual accounts to ensure that they meet the investment objective of the particular client. She also reviews marketing literature and e-mail sent to and from clients. She then reports to the CEO. Each of the supervised persons is bound by Cumberland's Code of Ethics, which, among other things, sets forth certain policies and procedures aimed at preventing abusive practices by Cumberland's supervised persons. In addition, each of the supervised persons has received a copy of and reviewed Cumberland's Investment Adviser Compliance Manual, which was reasonably designed to prevent any violation of the Advisers Act or the rules that the SEC has adopted thereunder. Cumberland believes that the Code of Ethics and the Compliance Manual are useful tools for monitoring the advice that its supervised persons give to its clients.

ITEM 1 – COVER PAGE – Assistant Portfolio Manager, Tax-Free Municipal Fixed-Income Portfolio.

A. 1. **MICHAEL COMES**, 2 N. Tamiami Trail, Suite 303, Sarasota, FL 34236, 800-257-7013, ext. 313

2. Cumberland Advisors, 2 N. Tamiami Trail, Suite 303, Sarasota, FL 34236

3. Supplement dated 3/21/2012

B. This brochure supplement provides information about Michael Comes that supplements the Cumberland Advisors brochure. You should have received a copy of that brochure. Please contact Therese M. Pantalione, 800-257-7013, extension 315 if you did not receive Cumberland's brochure or if you have any questions about the contents of this supplement.

Additional information about Michael Comes is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 – Educational Background and Business Experience

Michael Comes joined Cumberland in 2008 as a Research Associate for the tax-exempt bond portfolio. He became an assistant portfolio manager on the tax-exempt municipal fixed-income portfolios in 2012. He holds a B.A. in Economics from Dickinson Collage and is currently pursuing the Chartered Financial Analyst designation. His date of birth is 10/18/85.

ITEM 3 – Disciplinary Information

There is no disciplinary information to report on this person.

ITEM 4 – Other Business Activities

Mr. Comes is not involved in any other business activities.

ITEM 5 - Additional Compensation

No one who is not a client provides an economic benefit to Mr. Comes for providing advisory services.

ITEM 6 – Supervision

The person responsible for supervising Mr. Comes is John Mousseau. He can be reached at 800-257-7013, extension 307. The Compliance officer, reviews and monitors individual accounts to ensure that they meet the investment objective of the particular client. She also reviews marketing literature and e-mail sent to and from clients. She then reports to the CEO. Each of the supervised persons is bound by Cumberland's Code of Ethics, which, among other things, sets forth certain policies and procedures aimed at preventing abusive practices by Cumberland's supervised persons. In addition, each of the supervised persons has received a copy of and reviewed Cumberland's Investment Adviser Compliance Manual, which was reasonably designed to prevent any violation of the Advisers Act or the rules that the SEC has adopted thereunder. Cumberland believes that the Code of Ethics and the Compliance Manual are useful tools for monitoring the advice that its supervised persons give to its clients.

ITEM 1 – COVER PAGE –Managing Director, Chief Global Economist, IA Representative

- A. 1. **ROBERT EISENBEIS**, 2 N. Tamiami Trail, Suite 303, Sarasota, FL 34236, 800-257-7013, ext. 311
2. Cumberland Advisors, 2 N. Tamiami Trail, Suite 303, Sarasota, FL 34236
3. Supplement dated 3/21/2012
- B. This brochure supplement provides information about Robert Eisenbeis that supplements the Cumberland Advisors brochure. You should have received a copy of that brochure. Please contact Therese M. Pantalione, 800-257-7013, extension 315 if you did not receive Cumberland's brochure or if you have any questions about the contents of this supplement.

Additional information about Michael Comes is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 – Educational Background and Business Experience

Dr. Robert A. Eisenbeis joined the firm in 2007 and serves as Cumberland Advisors' Chief Monetary Economist. In this capacity, he advises Cumberland's asset managers on developments in US financial markets, the domestic economy and their implications for investment and trading strategies.

Dr. Eisenbeis was formerly Executive Vice-President and Director of Research at the Federal Reserve Bank of Atlanta until 2007. Prior to joining the Atlanta Fed in May 1996, Dr. Eisenbeis was the Wachovia Professor of Banking at the Kenan-Flagler School of Business at the University of North Carolina at Chapel Hill. Previously, he was Senior Deputy Director in the Division of Research and Statistics at the Board of Governors of the Federal Reserve System and served as Assistant Director of Research and Chief of the Financial and Economic Research Section at the FDIC.

He holds a Ph.D. and M.S. degree from the University of Wisconsin and a B.S. degree from Brown University. His date of birth is 4/7/41.

TEM 3 – Disciplinary Information

There is no disciplinary information to report on this person.

ITEM 4 – Other Business Activities

Dr. Eisenbeis's research has focused on monetary policy and issues pertaining to credit scoring, banking, and finance. His more than 100 articles have appeared in such leading publications as the Journal of Finance; the Journal of Financial Services Research; the Journal of Money, Credit, and Banking; the Journal of Banking and Finance; Banking Law Journal; and the Journal of Regulatory Economics. His work has also appeared in several Federal Reserve Bank publications, as well as the Journal of Retail Banking Services and other trade journals. Dr. Eisenbeis has coauthored five books on banking and statistics and contributed chapters to other books and was the executive editor of the Journal of Financial Services Research. He presently serves on the editorial boards of several scholarly journals. Current research has focused on the development of methods for evaluating the forecasting performance of economic forecasters, which is being used by USA Today and the Wall Street Journal, and on the implications for financial stability of the regulatory framework being implemented in the European Union. In 2004 he was named a Fellow by the National Association for Business Economics. He is also a Fellow of the Wharton Financial Institutions Center, a member of the Shadow Financial Regulatory Committee and the Financial Economists Roundtable, and serves as a director of CredAbility. Most recently he has appeared frequently on CNBC's and Bloomberg TV and radio commenting on current economic policy developments.

ITEM 5 - Additional Compensation

No one who is not a client provides an economic benefit to Mr. Eisenbeis for providing advisory services.

ITEM 6 – Supervision

The person responsible for supervising Mr. Eisenbeis is David Kotok. He can be reached at 800-257-7013, extension 320. The Compliance officer reviews and monitors individual accounts to ensure that they meet the investment objective of the particular client. She also reviews marketing literature and e-mail sent to and from clients. She then reports to the CEO. Each of the supervised persons is bound by Cumberland's Code of Ethics, which, among other things, sets forth certain policies and procedures aimed at preventing abusive practices by Cumberland's supervised persons. In addition, each of the supervised persons has received a copy of and reviewed Cumberland's Investment Adviser Compliance Manual, which was reasonably designed to prevent any violation of the Advisers Act or the rules that the SEC has adopted thereunder. Cumberland believes that the Code of Ethics and the Compliance Manual are useful tools for monitoring the advice that its supervised persons give to its clients.

