

## POM ADV II for 2011

# Uniform Application for Investment Adviser Registration

## Part 2A: Firm Brochure

Date: March 27, 2012

### 1. Cover Page

<b>Name of Investment Adviser:</b>	POM Portfolio Management AG
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<b>Applicant:</b>	POM Portfolio Management AG
<b>SEC File Number:</b>	801-54946

### 2. Material Changes

In the course of 2010, total assets under management (AUM) reduced from ca. USD 75,000,000 to ca. USD 46,000,000.

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## 4. Advisory Business

POM has been in business since the early 1970's, operating under the name of Jürg M. Lattmann AG until 2009. POM exclusively provides investment supervisory services in relation to assets held within insurance contracts (unit linked life insurance).

The principal owner of POM is the Semper Fidelis Group AG, hereafter (SFG). SFG is 100% owned by a private individual; Christoph Mueller, resident in Zürich, Switzerland.

POM provides investment supervisory services in relation to assets held within two forms of unit linked insurance contracts. These are;

1. Deferred Variable Annuities (DVA)
2. Variable Unit Linked (VUL) life insurance

The DVA is a type of a annuity contract that delays payments of income, whether in installments or a lump sum, until the date that the policyholder has elected to receive them. A DVA is thus purchased with a defined maturity or accumulation period. A VUL tends to be whole life or have a long accumulation period, and it may or may not carry a biometric risk component.

Both types of policies are life insurance, the cash value of which is dependent on or linked to the value of the securities underlying or "wrapped" in the policy. In substance a segregated managed account is "wrapped" in an insurance policy, with the insurance structure conferring certain benefits to the investor. POM manages the securities or other investment assets underlying these contracts on a discretionary basis.

POM offers various investment strategies to clients purchasing these contracts, ranging from conservative to aggressive. The policyholder chooses an initial investment strategy and may periodically change the strategy. Once a client chooses a specific investment strategy, the client's assets are allocated according to the investment guidelines of that strategy (Asset Allocation). There is relatively little tailoring of the individual strategies: clients in the same strategy are invested in similar if not identical investments. The client cannot direct specific investments within the policy, he may only select the strategy. The policyholder generally nominates POM as the asset manager of the underlying assets.

To set up the policy, both DVA and VUL, the policyholder transfers money to the insurance company, the insurance company then opens a segregated account with a specific custodian bank.

POM offers 5 portfolio strategies:

1. Money Market
2. Fixed Income
3. Conservative
4. Balanced
5. Dynamic

A Client's accounts are allocated by the clients among these various investment categories. POM does not review an individual account of a client unless specifically requested to; rather, it reviews each category of investments on a monthly basis in order to determine whether the specific investments made for a particular category remain appropriate or need to be altered or replaced. .

POM additionally furnishes advice to clients on matters not involving securities, principally matters relating to life insurance strategies and their uses and benefits. POM does not provide tax advice.

As of 31 December, 2011 POM manages approximately USD 48 million of client assets on a discretionary basis. POM currently manages no assets on a non-discretionary basis.

## 5. Fees and Compensation

POM charges a fee based on a percentage of assets under management. The ongoing management fee for deferred variable annuity portfolios is fixed in percent per calendar year (per annum) of the average value of the assets under management.

Management fees are levied, due and payable in arrears, and are calculated based on the average value of assets under management during the quarter. The average value of assets during the quarter is determined by adding the value of assets on the first and last day of the quarter for which values are available and dividing the total by two: investment amounts ingoing and/or outgoing during the quarter are taken into account pro rata. The fees are calculated quarterly and charged to client's portfolio. Fees are collected pro rata as of the beginning and end of the investment advisory agreement with the client.

Management fees for insurance clients are as follows:

Portfolio	Fee, p.a.
Fixed income	0.3%
Conservative	0.4%
Balanced	0.5%
Dynamic	0.6%
Money Market Fund	0.25%

Management fees for insurance clients are generally fixed and are not negotiable. The average value of the insurance portfolio assets is determined, and the fees are collected as described above.

Management fees for all other clients are 1.0% per annum of the average value of the assets under management.

POM charges no fees in advance. All fees are charged in arrears. Fees are deducted from the client's account and remitted to POM by the custodian.

No fees are charged on assets which are invested in fixed annuities with respect to which POM receives a commission from the issuer. Fixed annuities are largely of historical interest as POM previously offered fixed annuities but no longer does so.

### Insurance company fees and compensation

In addition to the POM Portfolio Management fee, the client is charged a service fee by the insurance company. This fee is approximately 1.1% p.a. The fee is the same for all strategies. The fee is charged in advance to the client account in January or February of the year concerned. This fee includes the 0.4% p.a. custodian bank fee. I.e., the insurance company pays the cost of the custodian bank out of the 1.1% p.a. service fee charged to the client. The effective insurance company service fee is hence approximately 0.7% p.a.

The service fee covers the insurance companies costs and any administrative functions required in a year.

### Custodian Bank Fees and Compensation

As described above, the client is charged an "all-in" fee by the custodian bank. This fee is approximately 0.4% p.a. The fee is the same for all strategies. This fee is paid out of the insurance company's service fee.

The custodian fee covers the custodian's costs and, normally, all of the brokerage transactions required in a year. See the description of brokerage practices in Item 11.

POM clients are usually invested in investment (mutual) funds, according to the respective strategy clients have chosen, and some funds charge an up-front load, or up-front sales commission, which generally varies from 0.5% to 5% depending on the type of investment fund. POM does not receive any commissions on placing investment funds into client portfolios.

POM also receives a brokerage commission from the insurance companies with whom it places variable annuities. This commission varies on a sliding scale to the clients assets under management. The commission may vary from 1% to 5%.

In addition, in connection with investments underlying deferred variable annuities, POM may receive rebates from investment funds or other financial institutions. These generally fall between 0.5 and 1% annually on the average value of the portfolio; rebates on bond funds are generally lower or not made at all. Rebates on other special investments, e.g. alternative investments, are generally higher and can go as high as 1.5%. In addition POM may maintain a service agreement with the custodian bank where a profit surplus is paid to POM. These rebates are treated as part of the management fee to POM and are not passed on to the Client.

The above-described rebates and commissions represent a potential conflict of interest to POM in that it may provide an incentive to recommend investment products based on compensation received, rather than clients' needs. POM has implemented strict guidelines and procedures to address these concerns. These are based on the standards of conduct and disclosure requirements promulgated by the Swiss Financial Market Supervisory Authority (FINMA).

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

POM does not receive any performance based fees. No accounts are managed by the same person on a side-by-side basis.

## **7. Types of Clients**

POM generally provides investment advice to:

- Individuals
- Trusts, estates, or charitable organizations
- Pension and profit sharing plans
- Corporations or business entities other than those listed above

Most POM clients are private individuals. POM does provide investment advice to other entities, these are however a minor part of the business.

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

POM uses the following methods of analysis:

- Charting
- Fundamental
- Technical
- Cyclical

The primary investment analysis methods employed are fundamental and cyclical. These are described as follows.

### **Fundamental analysis**

When examining an investment, POM analyses the financial statements and general health of the investment structure, be this a company, ie., a stock, or a mutual fund. Management and competitive advantages are examined and, in the case of a mutual fund, the markets invested in.

When analyzing a stock, futures contract, or currency using fundamental analysis there are two basic approaches one can use;

1. Top down analysis
2. Bottom up analysis

To clarify:

- Top down analysis starts with global economics, including both international and national economic indicators, such as GDP growth rates, inflation, interest rates, exchange rates, productivity, and energy prices. Analysis is then narrowed down to regional/industry of total sales, price levels, the effects of competing products, foreign competition, and entry or exit from the industry. Only then is the search further narrowed and concluded by selecting the best opportunities in that area.
- Bottom up analysis starts with specific businesses, regardless of their industry/region.

The term "fundamental analysis" is used to distinguish such analysis from other types of investment analysis, such as quantitative analysis and technical analysis. Analysis is performed on historical and present data, but with the goal of making financial forecasts. Objectives include:

- Conduct a company stock or mutual fund valuation and predict its probable price evolution
- Make a projection on its business performance
- Evaluate the management and make internal business decisions
- Estimate credit, market and other risks

## **Cyclical analysis**

Involves analysing industry cycles to determine when and in what industries to invest. Almost all industries exhibit cyclicalities to some extent. The process involves making investment decisions based on the different stages an industry is at during a given point in time.

Under the production and market introduction phases, revenues and earnings are likely to be very low, which makes investments during these phases more speculative in nature. Revenues and earnings are likely to be low because there is little demand for the product, or the product is not completed. Expenses are likely to be very large during these phases as a company or industry spends a lot on marketing and research.

Through the growth phase, revenues and margins are likely to be on the rise due to an increase in demand for a product and the pricing power the firm has due to a small number of competitors. Stock prices are likely to rise during this phase.

During the maturity and stability phase, revenues and margins are likely to decline due to lower sales demand and more competition. Stock prices are likely to decline during these phases.

The type of position taken will depend on firm specific characteristics, as well as where the industry is at in its life cycle. In the case of POM, the underlying investments within a mutual fund will be analysed on this basis.

POM uses various sources of information including:

- Financial information providers
- Financial newspapers and magazines
- Research materials prepared by others
- Annual reports, prospectuses, filings with the Securities and Exchange Commission
- Other

The investment strategies used to implement any investment advice given to clients include:

- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)
- Other

For discretionary managed accounts for private clients, i.e., asset management - POM's investment strategy consists essentially of diversification of investment portfolios among long-term investments, balancing risk, return and growth. This strategy is implemented by the selection by the client, following consultation with POM, of categories of investments (e.g., fixed income securities, blue chip equities, insurance products etc.), depending on the investment objectives of the client. The categories of investments available reflect different degrees of risk, growth, and income desired by the client. After determining with each client how the client desires to allocate his investment portfolio among categories of investments, POM will select specific securities (including mutual funds) which, in POM's view, are appropriate for the categories of investments selected by the client. Thus, the client participates in deciding the overall investment strategy.

POM chooses the specific investments within the categories of investments selected. Clients may change the chosen investment strategy at any time. Clients will usually be invested in essentially the same securities as other clients who have selected the same category or categories of investments. While categories of investments do reflect different risk and growth objectives, all of POM's investment strategies are generally long-term strategies. A specific investment within a category may be sold by POM over the short term if the investment is not performing as expected, but it would be replaced with

another specific investment, which is compatible with the long-term objective of the investment category.

Taking the risks of the individual investment strategies in turn:

Portfolio	Risks
Fixed income:	<p>The portfolio is invested in broadly diversified bond funds denominated in various currencies. Money market funds are occasionally included as well. In order to optimize return, the portfolio contains alternative strategies and conservative real estate. Investments may include government, corporate, municipal and convertible bonds, along with other debt securities such as mortgage backed or asset backed securities.</p> <p>Despite the generally conservative nature of many fixed income investments, such as investment grade quality bond funds and money market funds, and the tendency of fixed income investments to be more predictable than stocks, investors should be aware that bond funds and individual bonds do carry some degree of risk:</p> <ul style="list-style-type: none"> <li>• If interest rates rise, bond prices usually decline. If interest rates decline, bond prices usually increase. This risk exists because new bonds are likely to be issued with higher yields as interest rates increase, making the old or outstanding bonds less attractive. The longer a bond funds maturity, the greater the impact a change in interest rates can have on its price. If you don't hold your bond until maturity you may experience a gain or loss when you sell your bond.</li> <li>• Bonds carry the risk of default, which means that the issuer is unable to make further income and principal payments. Many individual bonds are rated by a third party source such as Moody's or Standard &amp; Poor's to help describe and assess the creditworthiness of the issuer. U.S. Treasury bonds have backing from the U.S. Government and thus theoretically no default risk.</li> <li>• Because a high inflation rate can erode the real value of the income you receive, inflation can jeopardize any fixed income stream on which you may be counting. I.e., if the inflation rate is greater than the yield on the bonds, you will be losing money in real terms.</li> </ul>
Conservative:	<p>The portfolio is invested in safety-oriented bond, money market, real estate and alternative funds. In addition, a limited amount is invested in equity funds. This is a defensive investment strategy which means it uses principles of portfolio allocation and management aimed at minimizing the risk of losing principal. Defensive investors place a high percentage of their investable assets in bonds, cash equivalents, and stocks that are less volatile than average. This strategy is intended as a low risk/low return investment portfolio.</p>
Balanced:	<p>The portfolio is invested in a combination of growth-oriented and safety oriented funds and provides a solid basis for midterm capital growth. The broadly diversified portfolio contains the asset categories equities (according to regions and themes), emerging markets, commodities, precious metals, real estate, private equity, as well as bonds and money market funds.</p> <p>The portfolio allocation process and management principles are aimed at balancing risk and return. Although the balanced investment strategy aims to balance risk and return it does carry more risk than those strategies aiming at capital preservation or current income. In other words, the balanced investment strategy is a somewhat aggressive strategy, and is suitable for those investors with a longer time horizon (generally over five years), and have some risk tolerance.</p>
Dynamic:	<p>The portfolio is invested to a large degree in growth oriented equities aiming for dynamic capital growth. The broadly diversified portfolio contains the asset categories equities (according to regions and themes), emerging markets, commodities, precious metals, real estate, private equity and hedge funds. This portfolio requires a long-term investment horizon and high risk tolerance. The portfolio allocation process and management principles attempt to achieve</p>



	<p>maximum return. The strategy attempts to grow an investment at an above average rate compared to its industry or the overall market, but does in turn usually take on additional risk. Because the aim is capital growth, aggressive investors would place a higher percentage of their assets in equities rather than in safer debt securities. As such, aggressive investors build portfolios that bear a fairly high amount of risk. But before assuming this strategy, an investor should evaluate his or risk tolerance - making sure it's high - and be sure that he or she has quite a few years before needing the invested funds</p>
Money Market Fund:	<p>MMF Individual invests in a broad range of money market instruments, mainly floating rate notes, supplemented by securities with a short residual term to maturity, commercial papers and time deposits.</p> <p>This portfolio is an investment strategy that holds the objective to earn interest for investors. It is composed of generally short-term securities representing high-quality, liquid debt and monetary instruments. A money market fund's purpose is to provide investors with a safe place to invest easily accessible cash-equivalent assets characterized as a low-risk, low-return investment. Because of their relatively low returns, investors, such as those participating in employer sponsored retirement plans, might not want to use money market funds as a long-term investment option. This is the lowest risk class investment.</p>

## General risks for all funds:

All funds are strategy funds and as such will be exposed to all of the risks of the underlying funds and will bear a proportionate share of each underlying fund's operating expenses. The underlying funds, or combination of underlying funds, may not perform as expected. The funds asset allocation among several underlying funds that represent different asset classes and strategies, such as domestic equities, international equities, fixed-income, alternative assets and money market, exposes the funds to the risks of these asset classes. Risks of the international equities asset class include investing in foreign instruments, including currency instruments, which may expose the fund to increased volatility due to the impact of economic, political, social or other developments in the country in question. Such currency risks are integral to investing in these strategies. The POM portfolio funds and the underlying funds are securities which are not deposits or obligations of any bank, are not guaranteed by any bank, are not insured by the FDIC or any other agency and involve investment risks, including possible loss, up to the complete loss, of the principal amount invested. Fees and expenses vary by fund and share class. For more information, see the individual underlying funds prospectus. Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

## 9. Disciplinary Information

In 2009 POM was sued in a Federal District Court in Florida by two of its clients to recover losses incurred by them as a result of investments in Bank Nomura funds, recommended by POM, that were in turn (and unknown to POM) invested in funds managed by Bernard Madoff. Bank Nomura and other parties were sued, as well. The case against POM was dismissed in 2010 on the ground that, under their investment advisory agreements with POM, the plaintiffs were required to file a lawsuit against POM in an appropriate court in Switzerland.

POM has no other legal or disciplinary events material to evaluation of the advisory business or the integrity of management.

## 10. Other Financial Industry Activities and Affiliations

POM presently uses Swiss Life (Liechtenstein) SA as the exclusive insurance company for providing variable or fixed annuity policies for its clients. Swiss Life (Liechtenstein) is a wholly-owned subsidiary of Swiss Life Holding, which is the largest insurance company in Switzerland with assets under management totalling more than CHF 200 billion.

As described in Section 5, above, Swiss Life pays POM a commission on policies sold through POM. The commissions are standard for the industry. Commissions paid are negotiable and often dependent on the size (amount) of the insurance policy. Commissions paid from Swiss Life to POM range from 1% to 5%. There is a potential conflict of interest as POM may have motivation to sell products with high commissions from a provider paying high commissions. This conflict is mitigated in that POM

follows the general rules and standard practices on pricing in the unit linked life insurance industry. Providers in the industry, ie., other insurance companies pay approximately the same commissions.

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

POM and its officers, directors and employees and members of the families of such persons (together, "personnel") may from time to time buy or own securities which are purchased or sold by or for POM's clients. POM believes that, in the case of any such securities, the aggregate holdings of POM and its personnel will generally constitute small holdings relative to the total outstanding amount of the class of securities involved.

POM, as a registered investment adviser, owes an undivided loyalty to its clients. At the same time, POM recognizes the need to give its personnel reasonable freedom with respect to their own investment activities. POM recognizes as well the importance of accommodating these demands in a manner, which acknowledges the possibility of conflict between the two and sets forth standards to assure that the primary duty of loyalty to the client is fulfilled in cases where potential conflicts exist.

Accordingly, POM has in effect a Code of Ethics intended to regulate, among other activities, POM and its personnel's securities transactions in such a manner that POM's primary obligation of loyalty to its clients is preserved. POM's Code of Ethics prohibits its officer, directors and employees, and members of their family, from purchasing or selling any securities without obtaining advance clearance from POM. POM may deny authorization for the transaction if it involves a security which POM is purchasing or considering purchasing for its clients, or if it otherwise breaches POM's duty of loyalty to its clients or creates the appearance of doing so. Generally, POM personnel and their families or prohibited from purchasing or selling any security within five days before or after such a security is being sold or purchased for clients.

Personnel who engage in securities transactions in violation of the Code of Ethics may be required to reverse any trades executed and to forfeit any profits or absorb any losses, and may be subject to other disciplinary action, including fines, dismissal, and reports of securities law violations to the appropriate authorities.

A copy of the Code of Ethics is available on request by any client or prospective client.

Neither POM nor a related person recommend to clients, nor buy or sell for client accounts, securities in which POM or a related person has a material financial interest.

Neither POM nor related persons invest in the same securities (or related securities, e.g., warrants, options or futures) that POM or a related person recommends to clients.

### **Insider Trading policy.**

POM has adopted a Statement of Policy on Material Non-Public Information ("Statement") which implements the Insider Trading and Securities Fraud Enforcement Act of 1988, a law that provides significant sanctions for all abuses of material, non-public information. The Statement applies to each officer, director, and employee of POM, and any natural person who obtains information concerning recommendations made to any of POM's accounts ("Associates") with regard to the purchase or sale of a security. The Statement provides that POM forbids any of its Associates, while in possession of material, non-public information, from trading securities or recommending transactions, either personally or on behalf of others (including any POM client account), or from communicating material, non-public information to others in violation of applicable securities laws.

### **Aggregated trades.**

POM may aggregate purchase or sale orders for several clients, including clients in which POM, its employees and/or principals are among the investors. POM, however, shall not aggregate transactions unless it believes such aggregation will result in the best execution (which shall include best prices) for its clients and is consistent with the terms of the applicable investment advisory agreement. Furthermore, no client will be favored over any other account.

Each account that participates in an aggregated order will participate at the average share price for all transactions of POM in that security on a given business day, with all transaction costs shared on a pro rata basis.



POM will compose, before entering an aggregated order, a written statement (the "Allocation Statement"). If the aggregated order is filled in its entirety, it shall be allocated among the accounts in accordance with the Allocation Statement. If the order is partially filled, it shall be allocated pro rata based on the Allocation Statement. The order may be allocated on a basis different from that specified in the Allocation Statement if explained in writing and approved in writing by POM's Compliance Officer no later than one (1) hour after the opening of the markets on the trading day following the day on which the order is executed. If an aggregated order is partially filled and allocated on a basis different from that specified in the Allocation Statement, no account that is benefited by such different allocation may effect any purchase or sale, for a reasonable period following the execution of the aggregated order, that would result in it receiving or selling more shares than the amount it would have received or sold had the aggregated order been completely filled.

POM's book and records will separately reflect, for each account of a client whose orders are aggregated, the securities held by, and bought and sold for, each account. Funds and securities of clients whose orders are aggregated will be held by one or more banks or broker-dealers, and neither the clients' cash nor their securities will be held collectively for the clients any longer than is necessary to settle the purchase or sale in question on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the bank or broker-dealing having custody of the client's account as soon as practicable following settlement. POM will receive no additional compensation or remuneration of any kind as a result of the aggregation procedure.

## 12. Brokerage Practices

Research and advisory services are used to service all of POM's accounts. POM will not use any procedures to direct client transactions to a particular broker in return for any research or advisory services.

POM does not expect to receive from any brokers any products at all, nor any services or advice, which benefit POM to the exclusion of its clients. However, should POM receive any products, services or advice other than research and advisory services, POM will make a good faith effort to determine the value of such products, services or advice and pay for same with its own funds.

POM does not receive nor use soft dollar benefits to service client accounts. POM does not acquire services, neither research nor other with soft dollars.

POM does not direct client transactions to any particular broker-dealer in return for referrals. POM in fact has only one broker-dealer, this being at the same time the custodian bank.

POM has a duty to obtain best execution for its clients. In that all POM accounts are held with the one bank and that in Switzerland the bank operates also as broker-dealer, Swiss Life require the use of the custodian bank as sole broker dealer. POM and Swiss Life negotiate favourable terms for brokerage on the basis of the volume of assets under management. These terms are more favourable than they would be should POM work with several banks/broker-dealers.

POM does not direct brokerage. POM neither recommends, requests, nor does it require a client direct us to execute transactions through a specified broker-dealer. Given the nature of the unit linked life insurance business, this is not practical in any case.

## 13. Review of Accounts

Clients will receive quarterly reports of the activity and status of their accounts, but may receive interim reports at any time upon request.

Client's accounts are allocated by the clients among various investment categories. Each category is structured and managed essentially identically for all clients who have allocated funds to that category (but may vary according to the reference currency chosen by the client). POM does not, therefore, review an individual account of a client unless specifically requested to, but it reviews each category of investments on a monthly basis as follows:

1. POM reviews the macro split — or fundamental investment allocation — of the investments in an investment category. For example, in the "Emerging Markets" category, POM reviews on a monthly basis the actual markets of the world in which funds in the category are invested —

such as the Pacific Rim market or the Latin American market — and determines whether those markets are still appropriate for the Emerging Markets category. As another example, for the Equity Blue Chips category, POM reviews comparable macro splits, e.g., whether service industry or manufacturing industry or computer industry investments are appropriate for the investment category. In the case of the Fixed Income category, POM reviews whether investments should be long term or short term and the currencies in which fixed income investments should be made. In doing so it considers current interest rate levels, interest rate projections and outlook, inflation prediction and expected currency movements.

2. POM then reviews investments in each investment category on the micro level - whether the individual securities or mutual funds held as investments in each category are appropriate or performing satisfactorily or should be modified. This based on their quality and relative performance and based further on cyclical weighting according to the market environment.

## 14. Client Referrals and Other Compensation

In addition, in connection with investments underlying deferred variable annuities, POM may receive rebates from investment funds or other financial institutions. These generally fall between 0.5 and 1% annually on the average value of the portfolio; rebates on bond funds are generally lower or not made at all; rebates on other special investments, e.g. alternative investments, are generally higher and can go as high as 1.5%. In addition POM may maintain a service agreement with the custodian bank where a profit surplus is paid to POM. POM also receives a brokerage commission from the insurance companies with whom it places variable annuities. These rebates are treated as part of the management fee to POM and are not passed on to the Client.

Adviser compensates unrelated parties for referrals of clients to Adviser. The amount of the referral fee is not to exceed 2/3 of any up-front fee charged by Adviser and 1/2 of the fees earned by Adviser from managing the account.

## 15. Custody

POM itself does not have physical custody of client assets but is treated as having custody because the client authorizes it to withdraw its investment advisory fees from the client's account. Physical custody of client assets is with the custodian bank designated by the insurance company issuing the annuity contract.

Client account statements are at the direction of the insurance company sent quarterly from the custodian bank to the client and clients are urged to review these statements carefully. POM may also send the clients quarterly account statements and, if it does, clients should always carefully compare statements received from POM with those received from the custodian.

## 16. Investment Discretion

POM has discretionary authority to manage securities on behalf of clients, ie., POM receives a discretionary mandate to manage the investment account on the clients behalf from the insurance company. POM purchases without the client's consent specific securities which fall within one or more categories of securities, such as blue chip equities or emerging market equities. Clients may change the overall allocation of their investment funds.

Clients determine, after consultation with POM, the amount of funds which they wish to invest in any category of securities to be bought or sold. The value of securities purchased however cannot exceed the amount of funds which the client has allocated to the particular category.

As stated above, POM receives a power of attorney from the insurance company to manage the assets on behalf of the insurance company. The actual steps that result in POM providing investment advisory services are as follows:

- The client contracts with the insurance carrier – the insurance policy
- The insurance company sets up an account for that policy with the custodian bank
- The client transfers money to the insurance company who transfer the money to the clients account

- In the Investment Advisory Agreement signed with the client, the client authorises POM to manage the clients account
- Legal title to the assets is transferred to the Insurer as part of the terms and conditions of the insurance policy
- The insurer is now the beneficial owner of the assets
- The insurance company have an asset management contract with POM and give POM power of attorney over the assets in the account
- POM manages the assets „wrapped“ in the insurance policy as a discretionary mandate according to guidelines agreed with the client in the chosen investment strategy

## **17. Voting Client Securities**

POM does not vote client securities.

## **18. Financial Information**

POM does not solicit or require the prepayment of fees. All fees and charges are charged quarterly, in arrears.

POM is not aware of any financial condition that would reasonably impair its abilities to meet its contractual commitments to its clients.

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

See the POM ADV II Part 2B: Brochure Supplement for details on the principal POM executive officers and management persons.

POM is engaged in the business of providing investment advice. It does not actively engage in any other business.