

Disclosure Brochure

January 30, 2012

AWM Global Advisors

a Registered Investment Adviser

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This brochure provides information about the qualifications and business practices of AWM Global Advisors (hereinafter "AWM"). If you have any questions about the contents of this brochure, please contact Ali Alsari at (619) 225-7600. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about AWM Global Advisors is available on the SEC's website at www.adviserinfo.sec.gov.

AWM Global Advisors is an SEC registered investment adviser. Registration does not imply any level of skill or training.

Item 2. Material Changes

This Item discusses only the material changes that have occurred since AWM's last annual update. Since this is AWM's initial Disclosure Brochure, there are no material changes to report.

Item 3. Table of Contents

Firm Disclosure Brochure

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Supervised Person Brochure Supplements

Item 4. Advisory Business

AWM provides wealth management services. Prior to engaging AWM to provide any investment advisory services, the client is required to enter into one or more written agreements with AWM setting forth the terms and conditions under which AWM renders its services (collectively the “*Agreement*”).

AWM has been in business as an SEC registered investment adviser since November 2011. Ali Alsari is the principal owner of AWM and has over 20 years of experience in the financial services industry, working with clients worldwide in wealth management, capital markets, and private banking. As of January 30, 2012, AWM had \$105,000,000 in assets under management on a discretionary basis.

This Disclosure Brochure describes the business of AWM. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of AWM’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on AWM’s behalf and is subject to AWM’s supervision or control.

Wealth Management Services

AWM provides wealth management services which include a broad range of comprehensive financial planning services, portfolio construction, risk management, as well as the discretionary and/or non-discretionary management of investment portfolios.

AWM primarily allocates clients’ assets among *Independent Managers* (as defined below), mutual funds, exchange-traded funds (“ETFs”), as well as individual debt and equity securities in accordance with the investment objectives of the client. AWM also provides advice about any type of investment held in clients’ portfolios as necessary.

AWM also may provide investment advice to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans or other products that may not be held by the client’s primary custodian. In so doing, AWM either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

AWM tailors its advisory services to the individual needs of clients. AWM consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients’ investment needs. AWM ensures that clients’ investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify AWM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon AWM’s management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in AWM’s sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

Use of Independent Managers

As mentioned above, AWM recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between AWM or the client and the designated *Independent Managers*. AWM renders services to the client relative to the discretionary and/or non-discretionary selection or recommendation of *Independent Managers*. AWM also monitors and reviews the account performance and the client's investment objectives. AWM receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When recommending or selecting an *Independent Manager* for a client, AWM reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that AWM considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The wealth management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, AWM's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by AWM, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to AWM's written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than AWM. In such instances, AWM may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

If AWM refers a client to an *Independent Manager* where AWM's compensation is included in the advisory fee charged by such *Independent Manager* and the client engages the *Independent Manager*, AWM is compensated for its services by receipt of a fee to be paid directly by the *Independent Manager* to AWM in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee is paid solely from the *Independent Manager's* investment management fee, and does not result in any additional charge to the client.

Sponsor and Manager of Wrap Program

AWM is also the sponsor and manager of the Aperture Wealth Management, LLC Wrap Fee Program (the "*Program*"), a wrap fee program. In the event the client participates in the *Program*, AWM provides its

wealth management services and arranges for brokerage transactions under a single annualized fee. Participants in the *Program* may pay a higher aggregate fee than if wealth management and brokerage services are purchased separately. A complete description of the *Program's* terms and conditions (including fees) are contained in the *Program's* wrap fee brochure.

Item 5. Fees and Compensation

Wealth Management Fee

AWM provides wealth management services for an annual fee based upon a percentage of the market value of the assets being managed by AWM. AWM's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. AWM does not, however, receive any portion of these commissions, fees, and costs. AWM's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by AWM on the last day of the previous quarter. The annual fee varies (between 1.50% and 2.00%) depending upon the market value of the assets under management and the type of wealth management services to be rendered.

AWM, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

Fees Charged by Financial Institutions

As further discussed in response to Item 12 (below), AWM generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("*Schwab*") and Pershing, LLC through Pershing Investment Manager Services ("*Pershing*") for wealth management accounts.

AWM may only implement its wealth management recommendations after the client has arranged for and furnished AWM with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Schwab*, *Pershing*, any other broker-dealer recommended by AWM, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers* (as defined below), custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to AWM's fee.

AWM's *Agreement* and the separate agreement with any *Financial Institutions* may authorize AWM or *Independent Managers* to debit the client's account for the amount of AWM's fee and to directly remit that management fee to AWM or the *Independent Managers*. Any *Financial Institutions* recommended by

AWM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to AWM.

Fees for Management During Partial Quarters of Service

For the initial period of wealth management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between AWM and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. AWM's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to AWM's right to terminate an account. Additions may be in cash or securities provided that AWM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to AWM, subject to the usual and customary securities settlement procedures. However, AWM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. AWM may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter that exceed \$100,000, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter.

Item 6. Performance-Based Fees and Side-by-Side Management

AWM does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7. Types of Clients

AWM generally provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. AWM also provides its services to international clients.

Minimum Account Size

As a condition for starting and maintaining a relationship, AWM generally imposes a minimum portfolio size of \$1,000,000. AWM, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. AWM only accepts clients with less than the minimum portfolio size if, in the sole opinion of AWM, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. AWM may aggregate the portfolios of family members to meet the minimum portfolio size.

Additionally, certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than AWM. In such instances, AWM may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Investment Philosophy and Strategies

When providing wealth management services to its clients, AWM strives to understand each client's individual needs, goals, and risk tolerance. AWM strives to avoid conflicts of interest, and seeks to provide the client with the greatest probability for wealth accumulation and/or capital preservation. The firm aims to develop and implement an investment strategy specific to each individual's present financial circumstance and their long-term financial needs. AWM believes that a successful investment adviser never forgets to view the market on both sides of the aisle, in their own eyes as well as their client's. By doing so, AWM pledges not to lose sight of the client's unique desires and needs.

In addition to AWM's specialized investment philosophy, certain fundamental principles are as follows:

- AWM will evaluate each client's unique financial objectives;
- AWM will customize an investment portfolio based around the client's financial objectives and risk tolerance, which AWM believes are equally critical in pursuing long-term success;
- The objective of allocation exposure is directed towards investment opportunities that the firm believes will provide the greatest probability of portfolio growth, preferably outperforming the client's target goal;
- Complete oversight by AWM, in terms of portfolio control and liquidity, are essential in seeking to obtain monetary gain while investing in any financial market;
- Investment selection, in addition to unrealized or realized gains from said investments, is evaluated by AWM on an after-tax and net-of-fees basis.

AWM will consider the tax implications of different types of transactions on a client's portfolio. However, AWM does not provide tax advice or tax management services as part of its advisory services to its clients. Clients should always consult with their tax advisor for any specific tax advice.

AWM's proprietary wealth management process provides plan-led advice which focuses on mitigating downside deviation. Simply stated, when markets falter and decrease in value, AWM's main goal is to minimize the amount of capital the client can lose during such volatile periods. Construction of investment portfolios varies from client to client; AWM takes the client's risk tolerance as well as current market circumstances into great consideration when determining the necessary asset allocation.

For example, lower risk portfolios with higher fixed income allocations are derived from a combination of client-specific objective and subjective inputs, in addition to relevant expectations concerning interest rate fluctuations and economic forecasting. In comparison, higher risk portfolios with higher equity and other alternative allocations are assembled through market-weighted expectations that are adjusted to ensure the client's desired opportunities for investment are not missed, and that market-specific considerations are taken into proper account.

With each individual asset allocation that results from independent risk tolerance analysis, the client can be confident that AWM will strive to promote an investment strategy that is disciplined for long term wealth management, and tax-efficient capital accumulation.

Financial Planning and Investment

Upon establishing an interest in an investment relationship with AWM, the client will meet with one or more of AWM's professional financial advisors. During this meeting, information regarding the client's present financial situation and future financial goals are discussed. These discussions may include, but are not limited to: the profession of the client and any immediate family members, the current and expected success within the client's professional field, origin of the client's wealth, investment experience, any current investments of the client, any expected future cash flows of the client, the client's current tax situation, and any personal goals or unique circumstances the client finds financially relevant to express to AWM. Also, extensive reviews of the client's relevant financial records are necessary to verify the client's current financial standing. These records may include, but are not limited to past brokerage statements, trust and estate documents, tax returns, business receipts, mortgage statements, and all other financial information AWM deems necessary to obtain a complete understanding of the client's financial circumstances.

Preferred Plan

In conjunction to these primary discussions, the client will generally also complete the AWM "Preferred Plan" (the "*Plan*"). The Plan is an essential part in seeking to accurately determine the client's current financial situation and future investment goals. The Plan is aimed at evaluating the client's assets, income, expenses,

- **Assets** – It is imperative that AWM be informed of all assets that are under the ownership of the client, which include, but are not limited to: residential and commercial real estate, businesses, automobiles, outstanding IRAs or 401Ks, unique valuables or collectables, and any other outside investments not previously mentioned which provide the client with considerable wealth.
- **Income** – In establishing the proper investment portfolio, AWM must be made aware of all sources of income that the client expects. The amount of income expected per year from these individual sources and the number of years it can be expected from each source is fundamental in deriving a client's expected cash flow. These factors can have a significant impact on the correct asset allocation for the client.
- **Expenses** – Any current or future expenses must be taken into account and compared directly to expected cash flow when determining the proper asset allocation for a client's portfolio. This can include, but is not limited to: mortgage payments, car payments, funding for children's college education / room and board, expected travel expenses, etc. It is of great importance to AWM that the client is always able to cover their expenses by ensuring that the cash flow derived from income significantly outweighs any expenses they might incur, whether they are planned or not.

- **Planning** – Perhaps the most important section; the Plan is founded upon the specific financial goals the client wishes to reach in the future years ahead. Specific aspects such as desired age of retirement, any pension received after retirement, amount of income needed per year to live comfortably after retirement, amount of income for desired travel, and the like, are taken into account in determining the proper combination of risk tolerance and asset allocation to achieve those financial goals. Also, in the unfortunate circumstance of the client's passing, planning for the surviving immediate family members can be taken into account at the client's discretion.

Once all of the provided information is completely analyzed and free of any financial discrepancies, AWM will document its understanding of the client's present financial situation and commence on the construction of a portfolio with a desirable asset allocation. This allocation will effectively represent the client's risk tolerance, while simultaneously pursuing their desired financial goals.

Portfolio Reviews

It is the objective of AWM to provide the client with quarterly investment reviews between the client and a Financial Advisor. Between these reviews, it is AWM's due diligence to ensure each client's portfolio continues to perform in accordance with the stated goals and objectives.

Portfolio Construction, Asset Allocation and Risk Management, and Methods of Analysis

Portfolio Construction

AWM strives to provide the client with an asset allocation in line with the client's risk tolerance, current and future financial goals. In addition, when constructing the portfolio, both macroeconomic and fundamental factors are researched and analyzed to ensure the greatest probability for investment success, to maximizing the client's potential for wealth accumulation. AWM utilizes a top-down approach, with a strong focus on profit-cycles.

Profit cycle analysis is founded upon the idea that, within the general stock market, there are asset classes, as well as industries, that synchronize with a rise and decline of a "profit cycle." Whether the profit cycle is accelerating or decelerating, certain equities, sectors, and asset classes tend to be in favor. For example, when profit cycles decelerate, AWM believes that certain sectors with defensive characteristics, such as high quality investments bonds and stable earning sectors (e.g. consumer staples, utilities, healthcare, etc.), historically tend to perform better than other cyclical sectors. However, no matter what stage of the profit cycle the market is currently in, theoretically, there will always be industries in which profits are rising, and industries in which profits are falling.

While the profits of companies within these affected industries follow said cyclical patterns, similarly, so do the current and future expected price of their securities. These securities can repeatedly cycle upwards and downwards, as a reflection of the current stage of the business cycle. Well known industries have been identified as having specific business cycles, such as: home-building, automobile manufacturers, retail, healthcare, semi-conductors, oil, as well as numerous others. AWM believes the main feature of

these better-known, cyclical industries is that their stock prices closely follow their profits in terms of similar rising and falling patterns over an extended period of time. However, cyclical patterns do not always predict future performance, and AWM cannot guarantee that historical trends are indicative of current or future business cycles. In light of the above, AWM believes that profit cycle can be broken down into four phases:

- **Boom Phase** – During this stage, profit cycle is accelerating, thus portfolio construction will be tilted towards asset classes or stocks with a bias towards rising momentum assets which tend to be higher in risk when compared to other asset classes. This includes the small cap equity sector, and industries such as oil and semi-conductors.
- **Slow Down Phase** – alternatively, once the profit cycle begins to falter due to any number of macroeconomic factors, the primary investment strategies of this stage call for a shift in focus towards low risk, high quality assets.
- **Recovery Phase** – Upon the initial stages of a market recovering from harsher economic times, the investment focus will be geared toward specific asset classes and equities which have greater potential for future growth. Through a focus on lower quality, high risk momentum assets such as cyclical stocks or high yielding fixed income, the probability of maximizing profits during this stage is greatly increased.
- **Recession Phase** – In order to withstand periods of economic hardship, investment will focus primarily on capital preservation, which is founded upon a portfolio concentrated around on low risk, high quality assets, such as government and treasury bonds.

Asset Allocation and Risk Management

AWM stresses portfolio diversification as a necessary characteristic for successful investing. In order to maximize a client's potential for financial gains, while still abiding by the client's established level of risk tolerance, AWM will initially allocate the client's total assets between "3 buckets of risk" based on the client's stated goals and objectives. The philosophy and purpose of these buckets are:

- **Preservation of Capital** – This first bucket focuses on management of wealth for day-to-day living expenses. In this bucket, minimal risk is assumed, and a conservative allocation, with a heavy concentration in highly-rated, and thus, high-quality, fixed income is used.
- **Enhancing Lifestyle** – This second bucket focuses on further wealth accumulation for the client, and assumes more risk than the Preservation of Capital bucket. By shifting from conservative asset allocations of mostly fixed income to a portfolio which has an allocation that is, for example, half invested in equities and half invested in fixed income, AWM believes the client is exposed to the possibility of acquiring significant gains when markets are profitable. Yet, by not exposing the portfolio solely to the whim of the equity markets and remaining partly in conservative fixed income, the client is able to hedge any losses with profits stemming from gains in bond prices.
- **Aspiration Risk** – This final bucket focuses on the client's financial dreams and aspirations. The opportunistic portion of the portfolio is managed with specific goals and time frames in mind (such as charitable gifting, foundations, and legacy planning). Because this bucket focuses on the long-

term, short/mid-term allocation strategies can be used as the portfolio is designed to prevent potential losses from affecting the client's existing lifestyle.

Portfolio Rebalancing

With AWM's specialization in minimizing downside risk, all investment portfolios are designed to relatively withstand routine market fluctuation to the downside, and maximize the client's purchasing power when markets turn upward. By decreasing the risk of large losses of capital over short periods of time, AWM has the ability to revise the client's portfolio periodically to adjust for any new investment opportunities, or any life-changing circumstances that require a change in objectives or cash flow needs. With respect to rebalancing portfolios in any case, AWM oversees the modification of a client's portfolio from the original asset allocation. It is a main priority of AWM to ensure that the costs of rebalancing any portfolio do not outweigh the benefits, transactional and/or tax related costs considered. In addition, AWM believes that a proper rebalancing should not pose an unnecessary or undesired risk to the portfolio by over or underweighting a specific asset class, unless, in very rare cases, it is the specific wish of the client.

Methods of Analysis

AWM utilizes multiple methods of strategic analysis in developing and crafting its specific investment hypothesis for the present time and future years ahead. In addition to profit cycle analysis, AWM's two other primary methods of analysis are fundamental and technical:

Fundamental analysis involves the fundamental financial condition and competitive position of a company. In other words, it consists of using real data to evaluate a specific security's value. For example, by looking at economic factors, such as interest rates, credit ratings of the bond issuer, and the overall state of the economy, fundamental analysis can more accurately predict a bond's expected future value. In terms of stocks, AWM will analyze the current financial condition, capabilities of executive management, revenue, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine a company's underlying value and potential for future growth. By focusing on and analyzing the fundamental data which is most relevant to each specific market, AWM formulates recommendations that align with the clients' investment strategy. However, fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the overall health and position of a company may be good, market conditions may negatively impact the price of a security.

Technical analysis involves the analysis of past market data rather than the data of a specific company, or the activity of larger, general market indicators. Such analysis is performed by focusing on patterns of volume and price fluctuations for a given security. By involving the use of charts to identify market patterns derived from the analysis of market statistics, AWM can establish correlations that can more accurately identify the timing of the market moving up or down and predict how long trends may last. It does also mean, however, that this relative comparison has little concern for any company's fundamental structure, let alone its actual worth or future production. Through technical analysis, it is assumed that all

the market participants know and consider all of the market factors which can impact the direction of the market. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even though technical analysis attempts to identify repeatable patterns in similar market conditions, due to numerous factors, there is no guarantee that AWM will be able to accurately predict such a reoccurrence in trends.

The main sources of information that AWM uses include, but are not limited to, publicly available sources such as company press releases concerning quarterly data, economic reports released by government agencies, corporate rating services, as well as any internal research techniques or methods created and developed by AWM's own investment professionals and performance analysts.

Third-Party Involvement

It is not uncommon for *Independent Managers* to change their exposure to certain markets given fluctuations in the general market itself. At AWM, advisors and analysts monitor such changes as they affect the current asset allocation of the client's portfolio. When an *Independent Manager's* change in exposure causes the client's portfolio to deviate significantly from the agreed upon asset allocation, it is the policy of AWM to inform the client as soon as possible regarding the client's decision to:

- Remain invested in that *Independent Manager* and, holding all other investments constant, adjust the portfolio's asset allocation accordingly;
- Replace that *Independent Manager* with another Independent Manager, which will return the portfolio's asset allocation to that of the agreed upon original level;
- Remain fully/partially invested in that *Independent Manager*, and alter other investments as deemed necessary by AWM to return the portfolio's asset allocation to that of the agreed upon original level.

When determining the proper use of *Independent Managers*, AWM will consider and evaluate the following factors: investment philosophy, past and present performance record, reputation within the financial industry, the capableness and stability of upper management, reporting services, customer service to both investment professionals and their clients, minimum dollar investment requirement, and the magnitude and schedule of their respective fees. Any information with respect to prospective and current managers, such as investment style, or specific performance numbers, will be obtained by AWM through the *Independent Manager* itself, respected business publications or tracking organizations, or other sources.

Lastly, it is the focus and purpose of AWM to continuously perform research on any emerging opportunities it identifies as possible worthwhile investments. When appropriate, AWM may suggest these opportunities to the client and adjust portfolio asset allocations accordingly.

Risks of Loss

General Risk of Loss

Investing in securities involves a risk of loss that the client should be prepared to bear. Any investments in securities and all other financial investments involve immense risk of volatility arising from numerous factors that are simply out of control of AWM. These changes in economic conditions, which includes interest rates, inflation rates, currency and exchange rates, industry conditions, technological developments, trade relations and imbalances, political and diplomatic events and trends, tax laws, and other macroeconomic factors, can substantially affect the client's portfolio performance in a negative manner. Also, these stated factors may affect the level of volatility of securities prices and the liquidity in the client's portfolio, which could impair profitability through a lack of purchasing power during opportunities for investment. Although it is the mission of AWM to maximize capital preservation even in times of economic hardship, the client must prepare to accept any losses as a result of these unpredictable and uncontrollable factors.

Multiple Manager Risks

AWM will typically use a "manager-of-managers" structure when devising and constructing the correct investment portfolio for the client. As AWM considers the client's level of risk tolerance and stated financial goals, AWM will invest client assets with investment managers (or investment funds) that bring the client's portfolio to a desired level of asset allocation. Once a client's funds are invested in these *Independent Managers*, AWM no longer holds responsibility over the individual securities the funds are invested in, for the *Independent Managers* make their day-to-day and long-term trading decisions independently. It is possible that one or more of these *Independent Managers* may eventually pursue investment positions that are not shared with, or even are the complete opposite of, strategies of the other *Independent Managers* in which the client's funds are also invested within their portfolio. As a result of this tactical shift, a client's portfolio could unfortunately remain stagnant with little to no growth due to profit gains from one *Independent Manager* effectively being cancelled out by the losses of another. To the opposite effect, two or more *Independent Managers* may share extremely similar investment philosophies, resulting in the client's portfolio accumulating large monetary investments in the same or relatively similar instruments at the same time. This could result in the client's portfolio becoming undesirably under-diversified. Also, AWM cannot guarantee that it will always have complete and total access to information regarding the underlying investments made by one or more *Independent Managers*. Therefore, AWM will be less likely to mitigate the associated risks of concentration or exposure to specific markets or investment strategies. Lastly, because past performance is not fully indicative of the probability of future gains, AWM cannot guarantee the unconditional success of any specific investment *Independent Manager* or fund.

Activities of Investment Managers and Investment Funds

All *Independent Managers* and funds recommended by AWM are completely separate from AWM. For that reason, AWM is unable to control the daily operations of said funds or managers, and cannot guarantee that future investment decisions taken by the funds or managers will follow the original expectations of AWM. When investing in *Independent Managers*, AWM is unable to control the daily transactions of the client's funds, and the client may experience losses due to poor risk management or recklessness of said *Independent Manager*. By accepting AWM recommendations in investing with *Independent Managers*, the client assumes these risks.

Equity Risk

Due to volatile prices and market movements which can be highly difficult to predict, investments in equity securities generally hold a higher degree of risk. Any type of movement in the price of a security can either be temporary or last for extended periods at a time. These movements may result from factors that target and affect specific industries or individual companies, and may be highly difficult to predict due to inconsistencies with current market conditions. The client must also understand that current market conditions do not fully indicate the success or failure of a portfolio. For example, even during times of significant growth within the general stock market, the total value of the client's investments may decline if those particular investments within the client's portfolio do not perform well in the market. In addition, AWM cannot guarantee that past performance of individual securities will be indicative of future performance.

Fixed Income Risk

The performance of any investments within the fixed income asset class are derived from numerous factors, such as availability of credit, changes in interest rate, the level of reinvestment, and the probability of prepayment default. Therefore, each of these individual characteristics separately contributes to the potential for large amounts of price volatility within the fixed income market. In addition, prices are incredibly sensitive to any adjustment in the ratings that companies receive from rating agencies, which usually stem from both negative and positive developments which can affect a company's business practices. Generally, securities with longer maturities are more susceptible to changing macroeconomic factors in the long run, making them more sensitive to price changes. Similar to most market factors, any developments in the credit market may be difficult to predict, and have the potential to immediately affect the recommendations of AWM in terms of fixed income investments, as well as the success of any of those which had been previously made. Although a company's fixed income security price can usually be linked to the company's stock price, AWM cannot guarantee that such a correlation will always hold true.

More specifically, the prices of high-yield, non-investment grade bonds are on average known to fluctuate more than what are deemed "reliable," high-quality debt issues. Although these bonds generally offer higher yields than investment grade securities with similar maturities, they involve greater risk, which

includes the possibility of default or bankruptcy. Due to occurrences such as significant changes in economic conditions, increased stock market activity, large purchases or sales by major investors, or unavoidable default, these securities can experience sudden and steep price swings. As these securities are subject to a greater risk of loss of principal and interest than higher-rated securities, they are generally considered to be predominately speculative, due to the fact that the issuer's capacity to pay interest and repay principal is generally less than the issuer of an investment-grade bond.

In such an event of default, the fixed income investment (for both investment grade and non-investment grade bonds) may suffer a minor or total loss in value, which the client must always be prepared to bear.

Mutual Funds

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. These funds may either be open-ended or closed-ended. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV. However, AWM cannot guarantee that, when the fund is trading at a premium or discount, it will always favor the client to trade at that specific price. Also, because U.S. mutual funds generally must distribute all gains to investors, this may include investors that do not have an economic gain from investing in the fund. This could result in negative tax effects on investors, particularly non-U.S. clients.

Exchange Traded Funds ("ETFs")

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Other Funds

In addition to all funds and securities stated above, AWM may also recommend investing in other, unaffiliated funds to the client. These funds, such as U.S. investment trusts, hedge funds, private equity funds, venture capital funds, real estate investment trusts, or other private investment funds, pose a unique risk. Once investing in these funds, AWM no longer assumes control of the specific securities in which the client's funds are invested, as that decision becomes the diligence and responsibility of the outside fund manager. Although past performance and market circumstances do heavily influence the possibility of maximizing profits, AWM cannot guarantee that any outside manager will, in fact, be profitable for the client's portfolio over any given amount of time.

Non-U.S. Investments

In addition to considering all worthwhile domestic funds and securities, AWM may recommend international investments to the client that include, but are not limited to: offshore unit investment trusts, debt, equity, currency, etc. Including the general risks of the domestic market, investing in these types of investments exposes the clients to additional risks such as political instability in foreign nations, currency exchange rate fluctuations, trade balances and imbalances, limitations on the removal of funds or other assets, withholding taxes, and other unforeseen international occurrences. The magnitude of these risks on all related economic policies could greatly affect an international security's value. When deciding to act on recommendations of AWM and invest internationally, the client should be prepared to bear the full capacity of these risks.

Options and Derivative Instruments

Successful investment strategies using options require the rare ability to accurately predict future movements in prices of securities consistently, taking into account expected changes in the future interest rate and other economic factors. AWM may recommend investing in options based upon any type of security, index, currency, or specific securities of a foreign exchange. This recommendation may be made either as a hedge against current and future market indications, or in pursuance of what AWM views as profitable investment opportunities. However, these types of investments can be highly volatile and involve special risks for the client. If a hedge is placed or an option is bought at what results in being an inappropriate time due to AWM's misjudgment in future market conditions, options strategies have the potential of greatly reducing the client's investment performance and portfolio return. The client should be prepared to bear this risk when pursuing any recommended options and hedges.

Management Through Similarly Managed Accounts

For certain clients, AWM may manage portfolios by allocating portfolio assets among various securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, AWM buys, sells, exchanges and/or transfers shares of securities based upon the *investment strategy*.

AWM's management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to AWM's clients may be limited. AWM allocates investment opportunities among its clients on a fair and equitable basis.

Market Risks

The profitability of a significant portion of AWM's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that AWM will be able to predict those price movements accurately.

Item 9. Disciplinary Information

AWM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. AWM does not have any required disclosures to this Item.

Item 10. Other Financial Industry Activities and Affiliations

AWM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. AWM does not have any required disclosures to this Item.

Item 11. Code of Ethics

AWM and persons associated with AWM (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with AWM’s policies and procedures.

AWM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). In accordance with Section 204A of the Investment Advisers Act of 1940 (the “Advisers Act”), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by AWM or any of its associated persons. The *Code of Ethics* also requires that certain of AWM’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in AWM’s *Code of Ethics*, none of AWM’s *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of AWM’s clients.

When AWM is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when AWM is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact AWM to request a copy of its *Code of Ethics*.

Item 12. Brokerage Practices

As discussed above, in Item 5, AWM generally recommends that clients utilize the brokerage and clearing services of *Schwab* and *Pershing*.

Factors which AWM considers in recommending *Schwab*, *Pershing*, or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Schwab* and/or *Pershing* enable AWM to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Schwab* and/or *Pershing* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by AWM's clients comply with AWM's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where AWM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. AWM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

AWM periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct AWM in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and AWM will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by AWM (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, AWM may decline a client's request to direct brokerage if, in AWM's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless AWM decides to purchase or sell the same securities for several clients at approximately the same time. AWM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among AWM's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among AWM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that AWM determines to aggregate client orders for the purchase or sale of securities, including securities in which AWM's *Supervised Persons* may invest, AWM generally does so in accordance with applicable

rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. AWM does not receive any additional compensation or remuneration as a result of the aggregation. In the event that AWM determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, AWM may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist AWM in its investment decision-making process. Such research generally will be used to service all of AWM's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because AWM does not have to produce or pay for the products or services.

Software and Support Provided by Financial Institutions

AWM may receive from *Schwab* and/or *Pershing*, without cost to AWM, computer software and related systems support, which allow AWM to better monitor client accounts maintained at *Schwab* and/or *Pershing*. AWM may receive the software and related support without cost because AWM renders wealth management services to clients that maintain assets at *Schwab* and/or *Pershing*. The software and related systems support may benefit AWM, but not its clients directly. In fulfilling its duties to its clients, AWM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that AWM's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence AWM's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, AWM may receive the following benefits from *Schwab* through its Schwab Institutional division and/or *Pershing* through its Pershing Advisor Solutions division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services each

firm's participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

Item 13. Review of Accounts

For those clients to whom AWM provides wealth management services, AWM monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one of AWM's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with AWM and to keep AWM informed of any changes thereto. AWM contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom AWM provides investment advisory services will also receive a report from AWM that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance at least quarterly. Clients should compare the account statements they receive from their custodian with those they receive from AWM.

Item 14. Client Referrals and Other Compensation

AWM is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, AWM is required to disclose any direct or indirect compensation that it provides for client referrals. AWM does not have any required disclosures to this Item.

Item 15. Custody

AWM's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize AWM through such *Financial Institution* to debit the client's account for the amount of AWM's fee and to directly remit that management fee to AWM in accordance with applicable custody rules.

The *Financial Institutions* recommended by AWM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to AWM. In addition, as discussed in Item 13, AWM also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from AWM.

Item 16. Investment Discretion

AWM may be given the authority to exercise discretion on behalf of clients. AWM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. AWM is given this authority through a power-of-attorney included in the agreement between AWM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). AWM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.

Item 17. Voting Client Securities

AWM is required to disclose if it accepts authority to vote client securities. AWM does not vote client securities on behalf of its clients. Clients generally receive proxies directly from the *Financial Institutions*.

Item 18. Financial Information

The firm is required to disclose whether it solicits the prepayment of more than \$1,200 in fees six months or more in advance. In addition, AWM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. AWM has no disclosures pursuant to this Item.

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