

# Wrap Fee Program Brochure

February 17, 2012

## Sitrin Capital Management Wrap Program

Sponsored By

### **SITRIN CAPITAL MANAGEMENT, LLC**

2049 Century Park East, Suite 3640S  
Century City, CA 90067

(424) 777-4400

[www.sitrincapital.com](http://www.sitrincapital.com)

This brochure provides information about the qualifications and business practices of Sitrin Capital Management, LLC (hereinafter "SCM" or the "Firm"). If you have any questions about the contents of this brochure, please contact Efren Bolisay at (424) 777-4400. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state securities authority. Additional information about SCM is available on the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

**Item 2. Material Changes**

In this Item, SCM is required to discuss the material changes which have been made to the Wrap Brochure since SCM's last annual update. As this is the initial version of the Wrap Brochure, there are no material changes to disclose in relation to this Item.

**Item 3. Table of Contents**

Item 1. Cover Page .....	i
Item 2. Material Changes .....	ii
Item 3. Table of Contents .....	iii
Item 4. Services, Fees and Compensation .....	4
Item 5. Account Requirements and Types of Clients .....	7
Item 6. Portfolio Manager Selection and Evaluation .....	8
Item 7. Client Information Provided to Portfolio Managers .....	12
Item 8. Client Contact with Portfolio Managers .....	13
Item 9. Additional Information .....	14

## Item 4. Services, Fees and Compensation

The Sitrin Capital Management Wrap Program (the “Program”) is an investment advisory program sponsored by SCM, a registered investment adviser which has been in business as a registered investment adviser since February 2012.

This Brochure describes the business of SCM as it relates to clients receiving services through the Program. Certain sections also describe the activities of the Firm’s *Supervised Persons*, which refer to any officers, partners, directors (or other person occupying a similar status or performing similar functions), employees, or other persons who provide investment advice on SCM’s behalf and are subject to the Firm’s supervision.

In addition to the Program, the Firm also offers financial planning, consulting and investment management services under different arrangements than those described herein. Information about these services is contained in SCM’s Disclosure Brochure, which appears as Part 2A of the Firm’s Form ADV.

### Description of the Program

---

The Program is offered as a wrap fee program, which provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges. A wrap fee program is considered any arrangement under which clients receive investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions for a specified fee or fees not based upon transactions in their accounts.

Prior to receiving services through the Program, clients are required to enter into a written agreement with SCM setting forth the relevant terms and conditions of the advisory relationship (the “*Agreement*”). Clients must also open a new securities brokerage account and complete a new account agreement with Charles Schwab & Co., Inc. (“*Schwab*”) or another broker-dealer SCM approves under the Program (collectively “*Financial Institutions*”).

At the onset of the Program, clients complete an investor profile describing their individual investment objectives, liquidity and cash flow needs, time horizon and risk tolerance, as well as any other factors pertinent to their specific financial situations. After an analysis of the relevant information, SCM assists its clients in developing an appropriate strategy for managing their assets. Clients’ investment portfolios are generally managed on a discretionary basis by SCM’s investment adviser representatives. SCM generally allocates clients’ assets among the various investment products available under the Program, as described further in Item 6 (below).

---

**Fees for Participation in the Program**

---

Investment management services are offered through the Program on a fee basis, meaning that clients pay a single annualized fee based upon assets under management

SCM provides investment management services for an annual fee based upon a percentage of the market value of the assets in the Program. The annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by SCM on the last day of the previous quarter. The annual fee varies depending on the market value of the assets in the Program and the type of investment management services to be rendered, but generally range up to 2.00%.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is not adjusted or prorated to account for the change in portfolio value. For the initial term of the Program, the fee is calculated on a *pro rata* basis. In the event the *Agreement* is terminated, the fee for the final quarter is prorated through the effective date of the termination and the remaining balance is refunded to the client, as appropriate.

---

**Fee Comparison**

---

A portion of the fees paid to SCM are used to cover the securities brokerage commissions and transactional costs attributed to the management of its clients' portfolios.

Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs. Since SCM will pay any of the fees charged by the *Financial Institutions*, there may be a financial disincentive for the firm to execute transactions.

---

**Fee Discretion**

---

SCM, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and *pro bono* activities.

---

**Fee Debit**

---

The Firm's *Agreement* and the separate agreement with any *Financial Institutions* authorize SCM to debit its clients' accounts for the amount of the Program fee and to directly remit that fee to SCM. Any *Financial Institutions* recommended by SCM have agreed to send statements to clients not less than

quarterly indicating all amounts disbursed from the account, including the amount of Program fees paid directly to SCM.

#### **Account Additions and Withdrawals**

---

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

#### **Other Charges**

---

Clients may incur certain charges imposed by third parties in addition to the Program fee. These additional charges may include charges imposed directly by a mutual fund or exchange-traded fund ("ETF") in the account, as 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.

## **Item 5. Account Requirements and Types of Clients**

### **No Minimum Account Requirements**

---

SCM does not impose a stated minimum fee or minimum portfolio value for participation in the Program.

### **Types of Clients**

---

Services through the Program are offered to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

## Item 6. Portfolio Manager Selection and Evaluation

SCM acts as the sponsor and sole portfolio manager under the Program.

### Portfolio Management

---

SCM manages its clients' investment portfolios on a discretionary basis.

For accounts managed through the Program, SCM primarily allocates assets among individual debt and equity securities, but may also incorporate exchange-traded funds (ETFs) for certain accounts. SCM also provides advice about any type of investment held in clients' portfolios. The Firm also provides advice about any type of legacy position or investment otherwise held in its clients' portfolios.

SCM tailors its advisory services to accommodate the needs of its individual clients and continuously seeks to ensure that its clients' portfolios are managed in a manner consistent with their specific investment profiles. Clients are advised to promptly notify SCM if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if SCM determines, in its sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to the Firm's management efforts.

SCM manages investment portfolios through the Program in substantially the same manner as those it manages outside of the Program. In return for these services, SCM receives a portion of the fees paid for participation in the Program, as described in Item 4.

### Side-By-Side Management

---

SCM does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

### Methods of Analysis and Investment Strategies

---

SCM employs an investment process focused on top-down analysis, closely tracking the S&P 500 index. The firm first identifies and analyzes the current market environment. From there, SCM seeks to identify leading sectors and industries and then seeks out what it believes are the best companies within those industries. SCM predominantly invests in individual equities and fixed income, but may also incorporate ETFs for small accounts to provide diversification.

As part of its evaluation, SCM's evaluations of securities may contain aspects of fundamental, technical and cyclical analysis.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. SCM will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to



determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that SCM will be able to accurately predict such a reoccurrence.

Cyclical analysis is similar to technical analysis in that it involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental analysis of the health of the particular company that SCM is recommending. The risks with cyclical analysis are similar to those of technical analysis.

## **Risks of Loss**

---

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### *Market Risks*

The profitability of a significant portion of SCM'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 SCM will be able to predict those price movements accurately.

### *Exchange Traded Funds (ETFs)*

An investment in an ETF involves risk, including the loss of principal. ETF shareholders are subject to the risks stemming from the individual issuers of the ETF's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as 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 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.

*Management Through Similarly Managed “Model” Accounts*

SCM manages certain accounts through the use of similarly managed “model” portfolios, whereby the Firm allocates all or a portion of its clients’ assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients’ net after tax gains. While the Firm seeks to ensure that clients’ assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client’s individual tax ramifications. Clients should contact SCM if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

**Voting of Client Securities**

---

SCM may accept the authority to vote clients’ securities (i.e., proxies) on their behalves. In these situations, the Firm seeks to cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully-described in the Firm’s Proxy Voting Policies and Procedures, all proxies are voted pursuant to the guidelines established and described in SCM’s Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact SCM to request information about how it voted proxies for that client’s securities or to receive a copy of the Firm’s Proxy Voting Policies and Procedures.

A brief summary of SCM’s Proxy Voting Policies and Procedures is as follows:

- SCM has formed a Proxy Voting Committee which is responsible for monitoring corporate actions, making voting decisions in the best interests of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee generally votes proxies according to the Firm’s then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, SCM devotes an appropriate amount of time and resources to monitor these changes.

- Clients cannot direct SCM's vote on a particular solicitation, but can revoke SCM's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that SCM maintains with persons having an interest in the outcome of certain votes, SCM takes appropriate steps to ensure that its proxy voting decisions are made in the best interests of the Firm's clients and are not the product of such conflict.

**Item 7. Client Information Provided to Portfolio Managers**

In this Item, SCM is required to describe the type and frequency of the information it communicates to the *Independent Managers*, if any, managing its clients' investment portfolios. SCM acts as the sole portfolio manager under the Program and, as such, the Firm has no information to disclose in relation to this Item.

**Item 8. Client Contact with Portfolio Managers**

In this Item, SCM is required to describe any restrictions on clients' ability to contact and consult with the portfolio managers managing their investment portfolios. There are no restrictions on clients' ability to correspond with SCM, which acts as the sole portfolio manager under the Program.

## Item 9. Additional Information

### Disciplinary Information

---

SCM has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management.

### Other Financial Industry Activities and Affiliations

---

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

### Code of Ethics

---

SCM and its associated persons are permitted to buy or sell securities that it also recommends to clients consistent with SCM's policies and procedures.

SCM 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 (the "*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 SCM or any of its associated persons. The *Code of Ethics* also requires that certain of SCM'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 SCM's *Code of Ethics*, none of SCM'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 SCM's clients.

When SCM 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 SCM 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 SCM to request a copy of its *Code of Ethics*.

---

**Account Reviews**

---

SCM monitors its clients' investment portfolios on a continuous and ongoing basis, and conducts regular account reviews at least quarterly. Such reviews are conducted by one of the Firm's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with SCM and to keep SCM informed of any changes thereto. SCM contacts ongoing investment advisory clients at least annually to review its previous services and recommendations, and to discuss the impact resulting from any changes in their financial situation and/or investment objectives.

---

**Account Statements and General Reports**

---

Clients are provided with transaction confirmation notices and regular summary account statements directly from the *Financial Institutions*. Clients in the Program also receive reports from SCM that may include relevant account and/or market-related information, such as an inventory of account holdings and account performance as clients may request from time to time. Clients should compare any supplemental reports they receive from SCM with the account statements they receive from the *Financial Institutions*.

---

**Client Referrals**

---

SCM has arrangements in place whereby the Firm provides compensation to an unaffiliated third-party for referring clients to the Program. In the event a client is introduced to SCM by a solicitor, SCM may pay that solicitor a referral fee in accordance with applicable laws, rules and regulations. All referral fees are paid solely from SCM's Program fee and do not result in any additional charges to the Firm's clients. In these situations, clients are advised of the solicitation relationship with SCM and are provided with the appropriate Wrap Fee Program Brochure and/or Disclosure Brochure prior to or at the time the *Agreement* is executed. Additionally, any third-party solicitors who are not affiliated with SCM also provide clients with a copy of the solicitor's disclosure statement containing the terms and conditions (including compensation) of the solicitation arrangement.

---

**Receipt of Economic Benefit**

---

SCM has arrangements in place whereby the Firm receives an economic benefit from a third-party for providing investment advice to clients participating in the Program. Specifically, *Schwab* may provide the Firm with computer software and related systems support, which allow SCM to better monitor client accounts maintained at *Schwab*. SCM may receive the software and related support without cost because SCM renders investment management services to clients that maintain assets at *Schwab*. The software and related systems support may benefit SCM, but not its clients directly. In fulfilling its duties to its clients, SCM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that SCM's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence SCM's choice of broker-dealer over another that does not furnish similar software, systems support, or services.

The Firm has also received a business loan from *Schwab* that will be used to help with certain of its start-up costs as a consideration for recommending that clients utilize the *Schwab* platform. This presents a conflict of interest for SCM to recommend *Schwab* as the custodian for client assets.

#### Financial Information

---

SCM is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.



## **SITRIN CAPITAL MANAGEMENT, LLC**

*a Registered Investment Adviser*

2049 Century Park East, Suite 3640S  
Century City, CA 90067

(424) 777-4400

[www.sitrincapital.com](http://www.sitrincapital.com)

Prepared by:



**MARKETCOUNSEL®**  
*The Adviser's Advisor®*