



Strategic Income Management, LLC

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September 1, 2013

This Brochure provides information about the qualifications and business practices of Strategic Income Management, LLC (“SiM” or “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (206) 971-3773 or [ClientRelations@sim-llc.com](mailto:ClientRelations@sim-llc.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Strategic Income Management, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about Strategic Income Management, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**Item 2 - Material changes to this Brochure since the last published version  
(dated March 15, 2013)**

We have made changes to several sections of the Brochure. The material changes are described below.

1. Item 5– The first paragraph of this Section was modified to clarify that all of our advisory fees are computed based upon the average value of the account over the prior period.

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We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Our Brochure may be requested by contacting Timothy Black at (206) 529-3247 or [tblack@sim-llc.com](mailto:tblack@sim-llc.com). Our Brochure is also available on our website [www.sim-llc.com](http://www.sim-llc.com), also free of charge.

Additional information about Strategic Income Management, LLC is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with us who are registered, or are required to be registered, as investment adviser representatives of Strategic Income Management, LLC.

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## **Item 4 – Advisory Business**

SiM provides investment advisory services to individuals and to institutional clients (such as Mutual Funds and Unit Investment Trusts). We began operations on October 1, 2010. Although our firm is new, our principals have many years of experience in the investment management industry. Our two principal owners are Randall Yoakum II and Gary Pokrzywinski.

Mr. Yoakum is the Chief Executive Officer and Dynamic Allocation Asset Allocation Portfolio Manager for SiM. He has over 25 years of experience in the investment management business, focused primarily on equity and asset allocation markets. Prior to co-founding SiM, Mr. Yoakum was the Chief Investment Strategist and Chairman of the Asset Allocation Team for Edge Asset Management, an affiliate of Principal Global Investors. Mr. Yoakum developed, implemented, and articulated the Asset Allocation Strategies. He was with Edge and its predecessor from 1987 to 1994 and rejoined the company in 1999. His investment management experience dates back to 1984. Mr. Yoakum has earned the right to use the Chartered Financial Analyst designation, is a member of the CFA Society of Seattle, and has a B.B.A. from Pacific Lutheran University and an M.B.A. from Arizona State University.

Mr. Pokrzywinski is the Chief Investment Officer and High Yield Portfolio Manager for SiM. He has over 25 years of experience in the fixed income financial markets. He managed the Principal High Yield Mutual Fund from its inception in April 1998 to May 2009. Prior to co-founding SiM, he was the CIO and a High Yield Portfolio Manager for Edge Asset Management (and its predecessor), an affiliate of Principal Financial Group. He worked for Edge and its predecessor from 1992 to 2009. Prior, Mr. Pokrzywinski was an investment officer/portfolio manager for Firststar Investment Services Co. He received a bachelor's degree in Finance and Management Information Systems from the University of Wisconsin - Milwaukee. Mr. Pokrzywinski earned the right to use the Chartered Financial Analyst designation in 1989 and is a member of the CFA Society of Seattle.

In addition to Mr. Yoakum and Mr. Pokrzywinski, SiM employs four other investment professionals and a Chief Compliance Officer. Six of SiM's seven employees have earned the right to use the Chartered Financial Analyst designation. Employees managing investment accounts will generally have significant (7-10) years investment (or related) experience and/or an advanced degree (MBA preferred and/or a CFA designation).

**Types of advisory services we offer.** SiM manages accounts for individuals and institutions on a discretionary basis which means that SiM makes the decisions on which securities to buy or sell for SiM's clients' accounts.

**Individual Accounts.** All of our individual client accounts are invested in one or more of SiM's three asset allocation model strategies: Dynamic Allocation Diversified Income, Dynamic Allocation Balanced Income, and/or Dynamic Allocation Equity Income. Currently SiM's advisory services for

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individual accounts are limited to asset allocation strategies. SiM determines, in consultation with each client, which asset allocation strategy, or combination of strategies, is appropriate for a client's account based upon the investment goals and risk tolerance of each client. Clients may impose reasonable restrictions on investing in certain securities or types of securities. If such restrictions are imposed, SiM will endeavor to purchase similar acceptable securities for a client's portfolio to maintain appropriate asset allocation levels.

SiM constantly monitors the Dynamic Allocation strategies and will periodically rebalance the portfolios to maintain the appropriate asset allocation for each strategy. An individual client's account performance may vary slightly from the performance of other clients following the same strategy, and from the model portfolio, depending upon when the account was opened, other timing differences, and differences in cash balances among accounts.

**Institutional Accounts.** In addition to the individual accounts SiM manages, we also act as investment manager for two asset allocation mutual funds: SiM Dynamic Allocation Diversified Income Fund and SiM Dynamic Allocation Equity Income Fund (together the "DA Funds"), and a high yield mutual fund offered through American Beacon (The SiM American Beacon High Yield Opportunities Fund), and the high yield portion of the Cornerstone Advisors Income Opportunities Fund (the American Beacon Fund and the Cornerstone Fund will be referred to as the "High Yield Funds"). In the past, we have also acted as investment consultant to a Unit Investment Trust Series (UIT) offered through First Trust. These UITs are now closed to new investors.

The DA Funds incorporate our Dynamic Allocation Investment Strategy and Process (see Item 8), and the High Yield Funds incorporate the high yield strategy of our high yield investment team, run by Gary Pokrzywinski. We expect that, over time, SiM will continue to add institutional advisory clients which may include additional UITs and mutual funds. Some of these investment vehicles may utilize the asset allocation models also followed by our current mutual funds and/or individual accounts.

As of June 30, 2013 SiM was managing \$14.30 million in individual accounts, and \$542.11 million for mutual fund clients. All of these accounts are discretionary.

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## Item 5 – Fees and Compensation

SiM charges annual management fees that are computed and paid in arrears either monthly (institutional clients) or quarterly (individual clients) based upon the average account value for the prior quarter or month, as the case may be. SiM's fee rates vary on a portfolio-by-portfolio basis depending upon the size of the account and whether the account is an individual account or an institutional account.

**Individual Clients.** For its individual accounts SiM charges advisory fees according to the following standard fee schedule:

First \$1million - 1.00%

Next \$1 million - 0.85%

Next \$3 million - 0.75%

Next \$5 million - 0.60%

Over \$10 million - 0.50%

No fees are charged on cash only accounts, or other special situations where SiM is not actively managing a specific account. All fees are subject to negotiation.

The specific manner in which fees are charged by SiM is established in a client's written agreement with SiM. SiM bills its fees in arrears on a quarterly basis. Management fees are prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Unless otherwise instructed by the client, clients authorize the account custodian to debit fees from client accounts and remit the fees to SiM.

Currently SiM uses the Schwab Institutional Platform for its individual account custodian. Please refer to Item 12 – Individual Account Custody for information about the Schwab platform.

Except for commissions associated with portfolio rebalancing (see below), SiM's fees are in addition to other charges clients may incur in connection with their accounts that are imposed by custodians, brokers, and other third parties such as custodial fees, securities brokerage commissions, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes customarily associated with brokerage accounts and securities transactions. SiM's asset allocation strategies may invest in mutual funds, Exchange Traded Funds (ETFs), and Real Estate Investment Trusts (REITs), as well as individual securities like stocks and bonds. Mutual funds, ETFs and REITs also charge internal management fees, which are disclosed in the prospectus for that fund. The internal management fees associated with these funds are in addition to the management fee charged by SiM. All of the charges, fees and commissions described in this paragraph are exclusive of and in addition to SiM's fee. SiM is not

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affiliated with any broker or agent and SiM does not receive any portion of the commissions, fees, and costs described above.

Generally, all of SiM's individual clients are responsible for paying brokerage commissions associated with their accounts, which are in addition to SiM's advisory fee. One exception to this rule is that SiM will reduce its advisory fees by the amount of commissions incurred by clients in connection with periodic rebalancing of portfolios initiated by SiM to maintain appropriate asset allocation levels in client accounts. SiM instituted this policy to offset perceived inequalities among client accounts resulting from the way Schwab charges commissions, and the policy is subject to change in the future should Schwab change its commission policies.

**Institutional Clients.** SiM also acts as investment manager to several investment funds registered under the Investment Company Act of 1940, as amended (the "Registered Funds"). Pursuant to individual agreements with the Registered Funds, SiM manages the assets of each Registered Fund in accordance with its investment objectives and policies. Each of these agreements and its annual fees are individually negotiated. Current fee schedules for the Registered Funds are as follows:

**First Trust Asset Allocation Series Trusts** - .20% on assets deposited within 90 days - Consulting Fee

**DA Funds:** SiM Dynamic Allocation Diversified Income Fund and SiM Dynamic Allocation Equity Income Fund

.75% investment management fee. SiM has contractually agreed to waive a portion or all of its management fees and/or pay Fund expenses in order to limit the Net Annual Fund Operating Expenses (the "Expense Cap"), all as more further described in the prospectus for the applicable fund. The Expense Cap will remain in effect through at least August 28, 2014, and may be terminated only by the mutual fund's Board of Trustees. SiM may request recoupment of previously waived fees and paid expenses from the Fund for three years from the date they were waived or paid, subject to the Expense Cap.

**American Beacon SiM High Yield Opportunities Fund**

.45% on the first \$250 million of net assets

.40% on the next \$250 million of net assets

.35% on the next \$500 million of net assets

.30% over \$1 billion of net assets

**Multi Manager Funds**

Some mutual funds use several different managers to manage different strategies within the same fund. This is the case with the Cornerstone Advisors Income Opportunities Fund, where SiM is one of several managers for the fund. In multi manager funds, fees are negotiated with each separate adviser and will vary depending upon the size of the fund, and the investment strategies pursued.

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SiM expects its fees in multi manager fund situations to range between .50%-.75% on the portion of the assets it manages in a multi manager fund.

Investment advisory agreements with Registered Funds are subject to annual renewal by the respective Registered Funds' board of directors in accordance with the requirements under the Investment Company Act of 1940. For more information concerning the investment advisory fees for the Registered Funds, please consult the respective fund families' prospectus and statement of additional information. Links to these funds and their prospectuses can be found on our website [www.SiM-llc.com](http://www.SiM-llc.com).

Item 12 further describes the factors that SiM considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).



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## **Item 6 – Performance-Based Fees and Side-By-Side Management**

SiM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

SiM provides investment management services to the Registered Funds. Some of these Registered Funds may follow similar investment strategies as those followed by individual clients of SiM, or other Registered Fund clients of SiM. SiM does not believe that its management of similar strategies for both individual and institutional accounts presents a conflict of interest. Purchases and sales of the same securities for these accounts may be aggregated and allocated among multiple accounts in accordance with SiM's aggregation and allocation policies which are designed to provide consistent and fair treatment for all of SiM's clients. Please refer to Items 11 and 12 for a more detailed discussion of SiM's allocation and aggregation policies and procedures.

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## **Item 7 – Types of Clients**

SiM currently provides portfolio management services to individuals, foundations and certain institutional clients, such as Unit Investment Trusts and Mutual Funds. In the future, we may also provide portfolio management services to corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, endowments, municipalities, and other U.S. and international institutions.

The minimum account size for individual clients is \$250,000 for all strategies. The minimums may be waived or reduced by SiM in its sole discretion.

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

SiM focuses its investment management for all accounts in two areas; Dynamic Allocation Asset Allocation, and High Yield fixed income. SiM has separate management teams for each of these strategies, although the teams collaborate on investment philosophy and strategy where appropriate. Each of our investment strategies carries its own types of investment risks (described in more detail below). Following is a summary of our two strategies:

### **SiM Dynamic Allocation Investment Strategy and Process**

SiM's asset allocation team designed, developed, refines, and implements a disciplined and methodical investment strategy and process referred to as Dynamic Allocation (DA). This asset allocation strategy follows a three-step investment process which is geared towards maximizing return at specific levels of risk based on both a long-term strategic and near-term tactical focus – each supported by extensive fundamental-based portfolio modeling. This process draws upon the team's experience of investing in a wide range of equity and fixed income securities during various market cycles – both cyclical and secular, with the clear objective of providing superior risk-adjusted returns for clients. DA's desired portfolio exposures to various asset classes, investment styles, capitalizations, sectors, industries, credit quality, maturities, and various investment characteristics are achieved through investing primarily in numerous and diverse ETF, and REIT holdings.

DA's investment strategy and process is based on the following key value-add steps: (1) Risk Management - Dynamic allocation of ingredients aimed at efficiently maximizing return given risk positioning; (2) Risk positioning - Opportunistic risk positioning/re-positioning driven by SiM proprietary Economic and Investment Outlook; (3) Portfolio Positioning - Opportunistic class/style/sector/industry positioning/re-positioning driven by SiM proprietary Economic and Investment Outlook.

Specifically, extensive research into risk and asset classes forms the basis for strategic decisions about each DA portfolio's long-term asset allocation policies and positioning. This research involves analyzing historical and projected risk, return, and correlation between any and all potential asset classes to be utilized by the specific DA portfolio. The results of this research form the foundation for portfolio construction aimed at maximizing potential returns at their assigned risk level.

Next, a near-term proprietary Economic and Investment Outlook leads to a fundamental assessment of how much risk each DA Portfolio should take. Dedicated in-house proprietary research regarding dozens of global and domestic market forces shape the SiM asset allocation team's outlook for the economy, capital markets, potential investment themes, and DA Portfolio positioning. In turn, this rational, disciplined, and fundamental-based view of investment conditions determines the SiM asset allocation team's near-term tactical decisions about each DA portfolio's precise asset class, style, sector, industry, and investment characteristics allocations.

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The DA team refines its tactical decisions by examining hundreds of possible portfolio compositions of available ETF holdings – analyzing and attributing every individual underlying security within each ETF investment. Compositions of equity styles, sizes, sectors, industries, countries, and capitalizations, as well as bond ratings, maturity structures, sectors and countries are analyzed. In sum, the SiM DA team continually and actively monitors and reallocates the Portfolios to take advantage of challenging international and domestic economic and market conditions.

### **High Yield Portfolio Management Philosophy**

Our High Yield team's base philosophy has a long-term focus and is centered around those secular trends and themes that we have identified as important for certain industries and companies. These trends and themes are structural, multi-year in nature and are always at the forefront in constructing the portfolio. This approach keeps us grounded and is used to capture long term value while avoiding many of the short term manias and panics that afflict the market. Included in these secular trends and themes is a bottom up approach that focuses on analyzing a company as if we were sole owners of that company.

Understanding the industry is critical. All too often portfolio managers, analysts and Wall Street focus on the minor attributes of a company and gloss over the industry. Generally applying common sense basic principles of Economics 101, and anticipating supply/demand industry swings can add meaningfully to the understanding and ultimate performance of an investment.

We use a defined process to evaluate out-of-favor sectors. We understand why the industry/sector is out of favor, whether it is viable long term and what is needed to correct the situation. Once we discern early signs of a cleansing process we take advantage of the nervousness in the market. Typically it is the better, not the cheapest, company in the out of favor area that offers highly attractive risk/reward value. Importantly, the volatility of the market creates these opportunities continually.

At times we use non-traditional high yield investments and invest across the entire capital structure of a company. Depending on where we are in the business cycle, we have taken advantage of convertible bonds, emerging markets, bank loans, preferred stocks, REITs, other income equity securities and investment grade debt.

We believe by concentrating on secular trends and themes and by clearly understanding industry characteristics we are able to provide a structurally sound portfolio over a complete market cycle. Within the cycle, the market continually provides opportunities to exploit out-of-favor sectors and to capture relative value opportunities, both across the capital structure and through alternative investments.

**Investment Risks.** Each of our strategies, DA asset allocation and High Yield, entail risk of loss associated with investing in securities that clients should be prepared to bear. Some of these risks are inherent in any investment strategy, while others are more specific to a particular strategy.

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Below we have summarized some of the general and specific risks that you should consider when deciding to invest in one of SiM's strategies.

**General Risks.** The various securities utilized by SiM in both its asset allocation and high yield strategies may include domestic and international stocks, REITs, ETFs and mutual funds, in addition to various fixed income products. The prices of the common or preferred stocks, other securities or commodities, including securities held by mutual funds and ETFs, may decline (and the fund price may in turn decline) in response to certain events taking place around the world, including but not limited to; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; governmental or governmental agency responses to economic conditions; and currency, interest rate and commodity price fluctuations.

Fixed income securities, and mutual funds and ETF shares invested in fixed income securities, are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. The return of principal for bond holdings is not guaranteed.

Certain securities utilized by SiM may be international securities or certain funds utilized by SiM may contain international securities. Investing outside the United States involves additional risks, such as currency fluctuations, political instability, periods of illiquidity and price volatility, as more fully described in the respective fund's prospectus. These risks may be greater with investments in developing countries.

**Specific Asset Allocation Risks.** SiM currently manages two asset allocation mutual funds and individual accounts following similar strategies. The risks associated with our asset allocation strategies are detailed in the prospectus for the DA Funds which may be obtained at <http://www.sim-funds.com/documents.html>.

Below we have summarized some of the risks that exist in asset allocation strategies in general and specifically those that use other funds and ETFs as important portfolio components, as SiM does. More detailed information can be found at <http://www.sim-funds.com/documents.html>.

*Asset Allocation Risk.* The selection of the underlying ETFs, mutual funds and REITs (together called Underlying Funds), and the allocation of the Underlying Funds' assets among the various market segments, may cause performance to suffer compared to other strategies with a Similar investment objective that do not employ an asset allocation strategy. Because the risks and returns of different asset classes can vary widely over any given time period, the strategy's performance could suffer if a particular asset class does not perform as expected.

*High Yield Risk.* One or more of SiM's asset allocation strategies may invest in high yield securities and unrated securities of similar credit quality (commonly known as "junk bonds") either directly or through investments in Underlying Funds. High yield securities generally pay higher yields (greater income) than investment in higher quality securities; however, high yield securities and junk bonds may be subject to greater levels of interest rate, credit and liquidity risk than funds that do not invest in such securities, and are considered predominantly speculative with respect to an issuer's continuing ability to make principal and interest payments.

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*Income/ Interest Rate Risk.* An important component of SiM's asset allocation strategies is dividend and interest income from certain of its investments. This income can vary widely over the short and long term. If prevailing market interest rates drop, distribution rates of income producing investments may decline which then may adversely affect performance.

*Real Estate Investment Trusts (REITs) Risk.* SiM's asset allocation strategies take advantage of certain REIT investments. Investments in REITs will be subject to the risks associated with the direct or indirect ownership of real estate. Risks commonly associated with the ownership of real estate include fluctuations in the value of underlying properties, defaults by borrowers or tenants, changes in interest rates and risks related to general or local economic conditions.

**High Yield Strategy Risks.** Currently our high yield strategy is only offered as a mutual fund product through either the American Beacon SiM High Yield Opportunities Fund (SHOIX) or the Cornerstone Advisors Income Opportunities Fund (CAIOX). The risks associated with the high yield strategy are detailed in the prospectus for each of the funds which may be obtained at <http://www.sec.gov/edgar/searchedgar/prospectus.htm>.

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## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SiM or the integrity of SiM's management. Neither SiM nor any of its employees has been the subject of any legal or disciplinary events that require disclosure under this Item.

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## **Item 10 – Other Financial Industry Activities and Affiliations**

SiM provides investment management services to the Registered Funds. Some of these Registered Funds may follow similar investment strategies as those followed by individual clients of SiM. SiM does not believe that its management of similar strategies for both individual and institutional accounts presents a conflict of interest. Purchases and sales of the same securities for these accounts may be aggregated and allocated among multiple accounts in accordance with SiM's aggregation and allocation policies which are designed to provide consistent and fair treatment for all of SiM's clients. Please refer to Items 11 and 12 for a more detailed discussion of SiM's allocation and aggregation policies and procedures.

SiM has no other activities or arrangements that are material to its advisory or its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, accounting firm, law firm, and or insurance company or agency, or any other type of financial entity.



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## **Item 11 – Code of Ethics**

SiM has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at SiM must acknowledge the terms of the Code of Ethics annually, or whenever it is amended.

SiM anticipates that, in pursuing its asset allocation and high yield strategies, on occasion it may purchase or sell securities for client accounts, both individual and institutional, in which SiM's employees, affiliates and/or clients, directly or indirectly, have a position of interest. SiM's employees and persons associated with SiM are required to follow SiM's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of SiM and its affiliates may trade for their own accounts in securities which are purchased for SiM's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of SiM will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of SiM's clients. In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between SiM and its clients.

Several of SiM's employees maintain individual separate accounts managed by SiM. These accounts are all invested in one or more of SiM's asset allocation strategies in the same way, and subject to the same fee schedule, as other unaffiliated individual accounts are invested. SiM endeavors to complete transactions for SiM employee managed accounts and unaffiliated managed accounts at the same time and on the same terms. Further, some of SiM's institutional accounts may also be invested in one or more of SiM's asset allocation strategies that are identical, or nearly so, to the strategies followed by the individual accounts at SiM. Accounts following similar strategies, whether SiM employee separate accounts, unaffiliated individual separate accounts, or institutional accounts, may trade in the same securities on an aggregated basis when consistent with SiM's obligation of best execution. SiM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order. If it is not possible, or advisable, to aggregate the managed accounts of SiM employees with unaffiliated separate accounts, transactions in SiM employee managed accounts will be executed immediately after transactions in unaffiliated accounts.

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For more information on our block trading and allocation policies and procedures please refer to Item 12 – Trade Allocation.

SiM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Tim Black at [tblack@sim-llc.com](mailto:tblack@sim-llc.com) or (206) 529-3247.

### **Principal and Agency Cross Transactions**

It is SiM's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. SiM will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. SiM is not affiliated with a broker-dealer.

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## **Item 12 – Brokerage Practices**

SiM endeavors to seek best execution for client transactions. SiM will execute securities transactions for clients in such a manner that is consistent with the best interests of its clients and to employ a trading process that attempts to maximize the value of a client's portfolio within the client's stated directives and constraints. In carrying out this duty, SiM will consider the full range and quality of a broker's services in placing brokerage including, among other things, execution capability, price, financial responsibility and responsiveness. SiM will periodically and systematically evaluate the execution performance of broker-dealers executing transactions for client accounts.

In choosing broker-dealers, SiM is not required to consider any particular criteria. For the most part, SiM seeks “best execution” of securities transactions. What constitutes “best execution” and determining how to achieve it are inherently uncertain. In evaluating whether a broker-dealer will provide best execution, SiM may consider such relevant factors as (1) trading expertise of the broker, (2) the broker's infrastructure, (3) the broker's ability to minimize trading costs, (4) the broker's ability to provide research, and (5) the broker's ability to accommodate special transaction needs. The staff of the Securities and Exchange Commission has expressed the view that the best price and execution of over-the-counter transactions in portfolio securities may be secured by dealing directly with principal market makers, thereby avoiding the payment of compensation to another broker-dealer. In certain situations, SiM believes that the facilities, expert personnel, and technological systems of a broker-dealer often enable its clients to secure a net price by dealing with a broker-dealer that is as good as or better than the price they could have received from a principal market maker, even after payment of the compensation to the broker-dealer. SiM may place its over-the-counter transactions with principal market makers, but may also deal on a brokerage basis when utilizing electronic trading networks or as circumstances warrant.

SiM does not currently intend to use soft dollar arrangements with brokers. In selecting brokers SiM does not consider client referrals from a broker or related party.

### **Trade Execution Evaluation**

SiM conducts periodic reviews of its brokerage and best execution practices, evaluates services and documents these reviews. On a quarterly basis, SiM will review the quality of executions and the value of other services received from brokers. The Chief Compliance Officer has the responsibility for the implementation and monitoring SiM's best execution policy, practices, disclosures and recordkeeping. The Chief Investment Officer is responsible for conveying information to SiM's traders if there is any change to SiM's policies for directing brokerage orders. A Best Execution file is maintained for the information obtained and used in SiM's periodic best execution reviews and analysis and to document SiM's best execution practices.

### **Custody for Individual Accounts.**

For individual separate accounts SiM uses the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member FINRA/SIPC, to maintain custody of clients'

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assets and to effect trades for their accounts. SiM is independently owned and operated and not affiliated with Schwab. Schwab provides SiM with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets is maintained in accounts at Schwab, and is not otherwise contingent upon SiM committing to Schwab any specific amount of business. Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For SiM's clients' accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts. SiM reviews the execution of trades at Schwab to assure that SiM's clients are receiving best execution on trades through Schwab.

Schwab also makes available to SiM other products and services that benefit SiM but may not benefit SiM's clients' accounts. Some of these other products and services assist SiM in managing and administering clients' accounts. These include software and other technology that provide access to client account data, such as trade confirmations and account statements, facilitate trade execution and allocation of aggregated trade orders for multiple client accounts, provide research, pricing information and other market data, facilitate payment of SiM fees from its clients' accounts and assist with back-office functions, recordkeeping and client reporting. Schwab also makes available other services intended to help SiM manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and or pay for these types of services rendered to SiM by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to SiM. While as a fiduciary, SiM endeavors to act in its clients' best interest, and may recommend that clients maintain their assets in accounts at Schwab, this recommendation is not based on any benefit that SiM may receive. The client has the sole authority to choose where they want their assets to be placed.

### **Directed Brokerage**

A client may not direct SiM to execute some or all of the transactions on behalf of the client's account through a specific broker unless the client gives such direction in writing. The client's written direction shall identify the directed brokers, the target percentage of brokerage that should be directed to the brokers, and contain a statement that the direction will only benefit the client's account. Before accepting a client directed brokerage arrangement, unless such acknowledgements are contained in the client's investment management agreement or investment guidelines, SiM shall inform the client that:

- although the client has selected a directed broker, SiM will not be required to effect any transaction through the directed broker if SiM reasonably believes that to do so may result in a breach of its duties to the client;
- by instructing SiM to execute all transactions through the directed broker, the client may not obtain execution as favorable as would be the case if SiM was able to place transactions with other broker-dealers; and
- the client may forego benefits that SiM may be able to obtain for its other clients through, for example, negotiating volume discounts or aggregating or bunching trades.

### **Trade Allocation**

SiM has adopted trade allocation procedures that treat all clients in a fair and equitable manner. Client orders are generally processed on a first-in, first-executed basis. When there are multiple orders for the same security, SiM may aggregate the orders in a block execution to achieve optimal execution and lower transaction costs. SiM will typically allocate transactions before execution of a block order based on SiM's Standard Allocation Methods which are based either on percentage allocations or pro rata allocations. Sometimes certain client accounts in an investment strategy will not be allocated a security or will be allocated a lower or higher amount of a security than the Standard Allocation Method dictates be allocated to such client accounts because of:

- (i) such client's particular investment restrictions, leverage limits, account objectives, risk tolerance, time horizon, tax sensitivity, transactions costs, nature and size, suitability, tolerance for portfolio turnover, liquidity and size limitations, availability of cash or buying power, eligibility to participate in a trade pursuant to compliance regulations, asset compositions, industry concentrations or specific overriding instructions;
- (ii) the need to restore appropriate weightings of the portfolio held by certain client accounts;
- (iii) a partial fill of trade order;
- (iv) common sense adjustments or equitable adjustments that lead to cost savings or other transactional efficiencies;
- (v) avoidance of de minimis allocations; or
- (vi) directed brokerage requirements for all or a portion of a given client account's trades.

If an aggregated order is not completely filled during the day on which the order is entered, then the aggregated order shall be allocated among participating clients based on the relative allocations that would have resulted from application of the Standard Allocation Method had the order been completely filled. Exceptions to this policy may occur. For example, SiM may deviate from the partial fill allocation formula set forth above in order to avoid a de minimis allocation or to maintain round lots.

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Instances in which client orders will not be aggregated include, but are not limited to, the following: (1) clients directing SiM to use certain broker/dealers, in which case orders shall be separately effected; (2) the use of limit orders; (3) traders and/or the portfolio managers determine that the aggregation is not an efficient method of executing the trade.

Certain investments may be appropriate for more than one client advised by SiM. Investment decisions for a client and for such other clients are made with a view to achieving their respective investment objectives and after consideration of such factors as their current holdings, availability of cash for investment and the size of their investments generally. A particular security may be bought or sold by SiM for only one client or in different amounts and at different times for more than one but less than all clients. Likewise, a particular investment may be bought by SiM for one or more clients while at the same time SiM is selling the investment for one or more other clients.

Investments will be allocated among clients in a manner believed by SiM to be equitable to each client over time. In effecting transactions, it may not always be possible, or consistent with the investment objectives of the various clients described above, to take or liquidate the same investment positions at the same time or at the same prices.

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### **Item 13 – Review of Accounts**

Accounts are monitored on a regular basis, at least monthly but usually more frequently, by the Portfolio Manager for the account and/or his or her senior staff. All accounts are subjected to a detailed formal review every quarter by SiM's Investment Committee, which includes all of the Portfolio Managers and Senior Research Analysts as well as SiM's Compliance Officer. All reviews are either conducted or supervised by Randall Yoakum or Gary Pokrzywinski. More frequent reviews may also be triggered by: a change in a client's investment objectives; tax considerations; large deposits or withdrawals; large sales or purchases; loss of confidence in corporate management; or changes in macro-economic climate.

SiM provides quarterly reports to individual clients that summarize current portfolio holdings and performance over the prior quarter. SiM urges you to carefully review these quarterly reports and compare them to statements and other information you may have received from your account custodian, such as Schwab. Information provided by SiM may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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## **Item 14 – Client Referrals and Other Compensation**

SiM does not have any arrangements to compensate anyone for referrals of individual accounts.

The American Beacon SiM High Yield Opportunities Fund is marketed and distributed by American Beacon Funds, Inc. The fees payable to American Beacon, and all other fees associated with the High Yield Fund are described in the prospectus for the High Yield Fund.

The DA Funds are distributed by Quasar Distributors, LLC. SiM has also engaged Piedmont Capital Distributors, LLC, through Piedmont's relationship with Patrick Capital Markets, LLC, to market the DA Funds to the financial adviser and brokerage community. Piedmont's fees are paid by the DA Funds' 12b-1 sales and marketing fees, or if such 12b-1 fees are insufficient to cover Piedmont's fees, the balance is paid by SiM out of SiM's fund investment management fees.

The DA Funds are available for direct purchase as well as to clients of certain broker dealers. With some broker dealers, SiM has agreed to pay the broker dealer an additional fee in exchange for marketing support and other services. These fees are paid by the DA Funds' 12b-1 sales and marketing fees, or if such 12b-1 fees are insufficient to cover these fees, the balance is paid by SiM out of SiM's fund investment management fees. A more complete description of these fee arrangements can be found in the prospectus for the DA Funds under the heading Distribution of Fund Shares/Service Fees-Other Payments to Third Parties.

In the future, SiM may engage other marketing and distribution firms to market and distribute other mutual funds to which SiM provides investment management. We expect that these firms will be compensated by receiving a portion of the management and other fees associated with the particular mutual fund, all of which will be described in the prospectus for the respective fund(s).



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## **Item 15 – Custody**

SiM does not take custody of clients' funds or securities. Currently SiM recommends that individual clients use Schwab as their custodian (for more information on Schwab's custodial services please refer to Item 12 – Custody for Individual Accounts). Clients should receive at least quarterly statements from Schwab or other broker dealer, bank or qualified custodian that holds and maintains client's investment assets. SiM urges you to carefully review such statements and compare such official custodial records to information that we may provide to you. Information provided by us may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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## **Item 16 – Investment Discretion**

SiM usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Discretionary authority is granted through the Client Account Agreement and a limited power of attorney.

When selecting securities and determining amounts, SiM observes the investment policies, limitations and restrictions of its clients. For individual accounts, all accounts will be invested in one or more of SiM's asset allocation model portfolios, subject to specific restrictions imposed by a client, if any. For registered investment companies, SiM's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

If a client desires to provide specific investment guidelines and restrictions these must be provided to, and approved by, SiM in writing.

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## **Item 17 – Voting Client Securities**

In accordance with Rule 206(4)-6 of the Investment Advisers Act, SiM has adopted proxy voting policies and procedures to fulfill its fiduciary obligation of voting in the best interest of the clients. In its capacity as an investment advisor for each of its clients, SiM generally does not vote client proxies except where SiM and the client have otherwise agreed.

In such circumstances, SiM will vote (by proxy or otherwise) on all matters for which a shareholder vote is solicited by, or with respect to, issuers of securities beneficially held in client accounts in such manner as SiM deems appropriate, in accordance with its written policies and procedures. These policies and procedures set forth guidelines for voting many typical proxy proposals. In certain instances, SiM may determine that it is in its clients' best interests to deviate from the guidelines or the proxy issue may require individual case-by-case consideration under the guidelines. The Chief Compliance Officer or designee is ultimately responsible for monitoring corporate developments and voting proxies in the best interests of clients.

Where a proxy proposal raises a material conflict of interest between the interests of SiM and its clients, SiM will obtain voting direction from an independent third party or disclose the conflict of interest to the client and abstain from voting or obtain client consent prior to voting the securities. There may also be a variety of corporate actions or other matters for which shareholder action is required or solicited and with respect to which SiM may take action that it deems appropriate in its best judgment, except to the extent otherwise required by agreement with the client. These actions may include, for example and without limitation, tender offers or exchanges, bankruptcy proceedings and class actions.

By written request to SiM, a client may obtain a copy of SiM's proxy voting policies and procedures. Clients may also obtain information from SiM about how SiM voted any proxies on behalf of their account(s).

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## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about SiM’s financial condition. SiM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.



## **Brochure Supplement - Supervised Persons**

Randall Yoakum II

Strategic Income Management, LLC

720 Olive Way, Suite 1675

Seattle, WA 98101

(206) 971-3773

Dated: January 1, 2013

**This Brochure Supplement provides information about Randall Yoakum II that supplements the Strategic Income Management, LLC (“SiM”) Brochure. You should have received a copy of that Brochure. Please contact Tim Black at (206) 529-3247 or [tblack@sim-llc.com](mailto:tblack@sim-llc.com) if you did not receive SiM’s Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Randall Yoakum II is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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## **Item 2- Educational Background and Business Experience**

Mr. Yoakum has served as Portfolio Manager, Chief Executive Officer and as a Member of the Management Committee of SiM since co-founding SiM in September 2010. Before starting SiM, from 1999 until May of 2009, Mr. Yoakum was employed at Edge Asset Management LLC (“Edge”), an affiliate of Principal Global Investors, and from January of 2007 until May of 2009, was the Chief Investment Strategist and Chairman of the Asset Allocation Team for Edge. Mr. Yoakum holds the Chartered Financial Analyst designation\*, is a member of the CFA Society of Seattle, and has a B.B.A. from Pacific Lutheran University and an M.B.A. from Arizona State University. Mr. Yoakum was born in 1959.

\*The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. There are currently more than 90,000 CFA charterholders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct. To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).

## **Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Mr. Yoakum has not been the subject of any legal or disciplinary events that require disclosure under this Item.

## **Item 4- Other Business Activities**

None

## **Item 5- Additional Compensation**

None

## **Item 6 - Supervision**

SiM has comprehensive compliance policies and procedures in place to govern and monitor the activities of all of its supervised persons, including Mr. Yoakum. An important part of these procedures is SiM’s committee structure. SiM has a three person Management Committee that reviews on a monthly basis SiM’s investment and operational activities. SiM also has a six person Investment Committee that meets on a quarterly basis to review and approve all investment decisions, trading, and compliance matters of the preceding quarter. Mr. Yoakum is a member of both these committees. SiM also employs a Chief Compliance Officer who monitors adherence to the firm’s compliance policies and procedures. SiM’s Chief Compliance Officer is Tim Black, (206) 529-3247; [tblack@sim-llc.com](mailto:tblack@sim-llc.com). Mr. Black also sits on both the Management Committee and the Investment Committee.



Gary J. Pokrzywinski  
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Dated: January 1, 2013

**This Brochure Supplement provides information about Gary Pokrzywinski that supplements the Strategic Income Management, LLC (“SiM”) Brochure. You should have received a copy of that Brochure. Please contact Tim Black at (206) 529-3247 or [tblack@sim-llc.com](mailto:tblack@sim-llc.com) if you did not receive SiM’s Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Gary Pokrzywinski is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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## **Item 2- Educational Background and Business Experience**

Mr. Pokrzywinski has served as Portfolio Manager, Chief Investment Officer and as a Member of the Management Committee of SiM since co-founding SiM in September 2010. Before starting SiM, from 1998 until May of 2009, Mr. Pokrzywinski was employed at Edge Asset Management, LLC ("Edge") and its predecessor WM Advisors, an affiliate of Principal Financial Group, and from January of 2008 until May of 2009, was the Managing Director – Head of Fixed Income for Edge. At Edge Mr. Pokrzywinski managed the Principal High Yield Mutual Fund from its inception in April 1998 to May 2009. Mr. Pokrzywinski received a bachelor's degree in Finance and Management Information Systems from the University of Wisconsin - Milwaukee. Mr. Pokrzywinski has earned the right to use the Chartered Financial Analyst\* designation in 1989 and is a member of the CFA Society of Seattle. Mr. Pokrzywinski was born in 1961.

\*The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. There are currently more than 90,000 CFA charterholders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct. To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).

## **Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Mr. Pokrzywinski has not been the subject of any legal or disciplinary events that require disclosure under this Item.

## **Item 4- Other Business Activities**

None

## **Item 5- Additional Compensation**

None

## **Item 6 - Supervision**

SiM has comprehensive compliance policies and procedures in place to govern and monitor the activities of all of its supervised persons, including Mr. Pokrzywinski. An important part of these procedures is SiM's committee structure. SiM has a three person Management Committee that reviews on a monthly basis SiM's investment and operational activities. SiM also has a six person Investment Committee that meets on a quarterly basis to review and approve all investment decisions, trading, and compliance matters of the preceding quarter. Mr. Pokrzywinski is a member of both these committees. SiM employs a Chief Compliance Officer who monitors adherence to the firm's compliance policies and procedures. SiM's Chief Compliance Officer is Tim Black, (206) 529-3247; [tblack@sim-llc.com](mailto:tblack@sim-llc.com). Mr. Black also sits on both the Management Committee and the Investment Committee.





Brian L. Placzek

Strategic Income Management, LLC

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(206) 971-3773

Dated: January 1, 2013

**This Brochure Supplement provides information about Brian L. Placzek that supplements the Strategic Income Management, LLC (“SiM”) Brochure. You should have received a copy of that Brochure. Please contact Tim Black at (206) 529-3247 or [tblack@sim-llc.com](mailto:tblack@sim-llc.com) if you did not receive SiM’s Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Brian L. Placzek is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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## Item 2- Educational Background and Business Experience

Mr. Placzek has served as Head of High Yield Research of SiM since October 2010. Prior to joining SiM in 2010, Mr. Placzek worked from 1990 to 2010 for Edge Asset Management, LLC (and its predecessor WM Advisors), an affiliate of Principal Financial Group, as Head of Fixed Income/Research. Mr. Placzek has earned the right to use the Chartered Financial Analyst\* designation and is a member of the CFA Society of Seattle. Mr. Placzek also holds a B.A. from Seattle University. Mr. Placzek was born in 1955.

\*The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. There are currently more than 90,000 CFA charterholders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct. To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).

## Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Mr. Placzek has not been the subject of any legal or disciplinary events that require disclosure under this Item.

## Item 4- Other Business Activities

None

## Item 5- Additional Compensation

None

## Item 6 - Supervision

SiM has comprehensive compliance policies and procedures in place to govern and monitor the activities of all of its supervised persons, including Mr. Placzek. An important part of these procedures is SiM's committee structure. SiM has a three person Management Committee that reviews on a monthly basis SiM's investment and operational activities. SiM also has a six person Investment Committee that meets on a quarterly basis to review and approve all investment decisions, trading, and compliance matters of the preceding quarter. Mr. Placzek is a member of the Investment Committee. SiM employs a Chief Compliance Officer who monitors adherence to the firm's compliance policies and procedures. SiM's Chief Compliance Officer is Tim Black, (206) 529-3247; [tblack@sim-llc.com](mailto:tblack@sim-llc.com). Mr. Black also sits on both the Management Committee and the Investment Committee.



Nicolé M. Verbrugghe

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Dated: January 1, 2013

**This Brochure Supplement provides information about Nicolé M. Verbrugghe that supplements the Strategic Income Management, LLC (“SiM”) Brochure. You should have received a copy of that Brochure. Please contact Tim Black at (206) 529-3247 or [tblack@sim-llc.com](mailto:tblack@sim-llc.com) if you did not receive SiM’s Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Nicolé M. Verbrugghe is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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## **Item 2- Educational Background and Business Experience**

Ms. Verbrugghe has served as Director of Research-Asset Allocation and Senior Analyst for SiM since October 2010. Prior to joining SiM in 2010, Ms. Verbrugghe worked, from 2001 to September, 2010, for Edge Asset Management, LLC (“Edge”) (and its predecessor WM Advisors), an affiliate of Principal Financial Group, most recently serving as Senior Quantitative Analyst for the Asset Allocation Team at Edge. Ms. Verbrugghe has earned the right to use the Chartered Financial Analyst\* designation, and has a B.A. in Mathematics from Whitman College. Ms. Verbrugghe was born in 1962.

\*The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. There are currently more than 90,000 CFA charterholders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct. To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).

## **Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Ms. Verbrugghe has not been the subject of any legal or disciplinary events that require disclosure under this Item.

## **Item 4- Other Business Activities**

None

## **Item 5- Additional Compensation**

None

## **Item 6 - Supervision**

SiM has comprehensive compliance policies and procedures in place to govern and monitor the activities of all of its supervised persons, including Ms. Verbrugghe. An important part of these procedures is SiM’s committee structure. SiM has a three person Management Committee that reviews on a monthly basis SiM’s investment and operational activities. SiM also has a six person Investment Committee that meets on a quarterly basis to review and approve all investment decisions, trading, and compliance matters of the preceding quarter. Ms. Verbrugghe is a member of the Investment Committee. SiM employs a Chief Compliance Officer who monitors adherence to the firm’s compliance policies and procedures. SiM’s Chief Compliance Officer is Tim Black, (206) 529-3247; [tblack@sim-llc.com](mailto:tblack@sim-llc.com). Mr. Black also sits on both the Management Committee and the Investment Committee.



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Dated: January 1, 2013

**This Brochure Supplement provides information about Michael D. Meighan that supplements the Strategic Income Management, LLC (“SiM”) Brochure. You should have received a copy of that Brochure. Please contact Tim Black at (206) 529-3247 or [tblack@sim-llc.com](mailto:tblack@sim-llc.com) if you did not receive SiM’s Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Michael D. Meighan is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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## Item 2- Educational Background and Business Experience

Mr. Meighan has served as Senior Investment Analyst for SiM since November 2012. Prior to joining SiM in 2012, Mr. Meighan worked from 1999 until 2009 for Edge Asset Management LLC (and its predecessor WM Advisors), an affiliate of Principal Financial Group, as Portfolio Manager for the Asset Allocation Team. Mr. Meighan has earned the right to use the Chartered Financial Analyst designation and is a member of the CFA Society of Seattle. Mr. Meighan has a B.S. from Santa Clara University and a MBA from Gonzaga University. Mr. Meighan was born in 1970.

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## Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Mr. Meighan has not been the subject of any legal or disciplinary events that require disclosure under this Item.

## Item 4- Other Business Activities

None

## Item 5- Additional Compensation

None

## Item 6 - Supervision

SiM has comprehensive compliance policies and procedures in place to govern and monitor the activities of all of its supervised persons, including Mr. Meighan. An important part of these procedures is SiM's committee structure. SiM has a three person Management Committee that reviews on a monthly basis SiM's investment and operational activities. SiM also has a six person Investment Committee that meets on a quarterly basis to review and approve all investment decisions, trading, and compliance matters of the preceding quarter. Mr. Meighan is a member of the Investment Committee. SiM employs a Chief Compliance Officer who monitors adherence to the firm's compliance policies and procedures. SiM's Chief Compliance Officer is Tim Black, (206) 529-3247; [tblack@sim-llc.com](mailto:tblack@sim-llc.com). Mr. Black also sits on both the Management Committee and the Investment Committee.