



Form ADV Part 2A — March 31, 2014

Item 1 – Cover Page

Business Address: 1650 Arch Street, Suite 2100  
Philadelphia, Pennsylvania 19103  
Business Phone: 215.557.9300  
Fax: 215.557.9305  
Company Website: [www.swarthmoregroup.com](http://www.swarthmoregroup.com)

Contact person: Ms. Paula Mandle, CEO and Chief Compliance Officer  
Direct phone: 215.557.3323  
Email: [pmandle@swarthmoregroup.com](mailto:pmandle@swarthmoregroup.com)

**This Brochure provides information about the qualifications and business practices of The Swarthmore Group. If you have any questions about the contents of this Brochure, please contact us at 215.557.9300 or by email at [pmandle@swarthmoregroup.com](mailto:pmandle@swarthmoregroup.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about The Swarthmore Group is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**You may obtain a free copy of the most recent version of this Brochure at any time. You may either download it from the IAPD website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), or request a copy from Ms. Paula Mandle, the firm's CEO and Chief Compliance Officer, at the address, telephone or email listed above.**

## Item 2 – Material Changes

This Brochure was last updated on March 31, 2013 as part of our 2013 annual update. This current Brochure updated on March 31, 2014, is part of our annual update. We may also provide you with additional updates or other disclosure information at other times during the year in the event of any material changes to our business. You will be provided a copy of this brochure annually, within 120 days of the close of our business' fiscal year.

### **Material Changes as of December 31, 2013**

In the March 31, 2012 Brochure we disclosed that The Rorke Global Fund plc, would be liquidated during 2013. The Swarthmore Group served as an unpaid promoter and investment adviser to the offshore open-end company. The fund was liquidated on December 31, 2013 and is now permanently closed, as the fund was dormant all of 2013, meaning that there was no trading in the fund during the year. The Swarthmore Group is not the investment adviser to any other funds. We no longer, therefore, have the potential conflict of interest caused by managing, at the same time, portfolios where the fee is based on performance and portfolios where the fee is not based on performance.

In 2013 the equity process was enhanced to include a greater use of Exchange Traded Funds ("ETFs"). We continue to employ a fundamentally driven stock selection process but it is now augmented with the use of sector ETFs to comprise a fully invested, actively managed portfolio.

The use of ETFs has also been incorporated into the fixed income portfolio construction process. This is an efficient way to gain exposure to certain sectors, especially in smaller portfolios. Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information on the use of ETFs.

Since the March 31, 2013 update, there have been no other material changes to the organization, or products offered by The Swarthmore Group. Please contact Paula Mandle, our CEO and CCO, at the address, telephone or email on the cover page of this Brochure if you have any questions regarding the above material changes.

### Item 3 – Table of Contents

Item 1	Cover Page .....	1
Item 2	Material Changes .....	2
Item 3	Table of Contents .....	3
Item 4	Advisory Business.....	4
Item 5	Fees and Compensation.....	4
Item 6	Performance-Based Fees and Side-By-Side Management.....	6
Item 7	Types of Clients .....	7
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Item 9	Disciplinary Information.....	10
Item 10	Other Financial Industry Activities and Affiliations .....	10
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	11
Item 12	Brokerage Practices .....	13
Item 13	Review of Accounts.....	16
Item 14	Client Referrals and Other Compensation.....	17
Item 15	Custody .....	17
Item 16	Investment Discretion.....	17
Item 17	Voting Client Securities .....	18
Item 18	Financial Information.....	18

#### Item 4 – Advisory Business

Incorporated in 1991, The Swarthmore Group began managing assets in 1992 as an independent registered investment advisor. Our registration means only that we are subject to the U.S. Investment Advisers Act of 1940, as amended (“Advisers Act”) and SEC regulation. It does not imply any specific level of skill or training.

Our services consist of selecting investments for clients while taking into account certain individual needs including total return objectives, risk tolerance, “social responsibility investing” objectives, legal and other investment restrictions applicable to their investment goals. The majority of our clients are institutions and our greatest amount of experience is with corporations, state and municipal governments. We also provide services to high net worth individuals.

As of December 31, 2013, we had \$1,771,436,867 in discretionary assets under management. See Item 16 – Investment Discretion, for additional information on our discretionary authority.

We primarily manage U.S. domestic equity and fixed income securities for our clients. Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for a description of the investment strategies that we offer.

The firm is privately held and incorporated in the State of Delaware. The officers and principal owners are:

Individual	Percent Ownership	Title
James E. Nevels	60%	Chairman and Founder
Paula Mandle	23%	CEO and Chief Compliance Officer (“CCO”)
Glenn E. Becker	5%	President
Joseph P. Manheim	2%	Managing Director and Chief Investment Officer (“CIO”)
Other investors (incl. employees)	10%	

#### Item 5 – Fees and Compensation

Quarterly, you will receive an invoice from us for our services. Some of our clients pay us directly, and some clients instruct their custodian to pay us from their custody account. The amount due is based on a percentage of the market value of your account with The Swarthmore Group, unless you negotiate an alternative method for calculating the fee. To the extent that your account includes fixed income securities, the value of such fixed income securities will include accrued income, even if your custody statement does not show the accrued income.

#### Valuation of Securities

Prior to January 1, 2011, the market valuation we used for equity securities was the closing sales price at the close of business on the valuation date (or, if valuation date was not a trading day, the price as of the close of business on the previous trading day); any listed security not traded on such date was valued at the latest available price quotation furnished to the Firm by our independent third party

pricing service, Interactive Data Corporation (IDC). The value of fixed income securities was determined in accordance with information received by the Firm from one or more independent pricing services such as IDC or the Bloomberg information service.

Effective January 1, 2011, The Swarthmore Group adopted the GIPS® Valuation Principles to determine the fair value of all securities. The Principles define fair value as the amount at which an investment could be exchanged in a current arm's length transaction between willing parties in which the parties each act knowledgeably and prudently.

Securities are valued at the closing price on the day of valuation. If the valuation date is not a trading day, the price as of the close of business on the previous trading day is used. Any listed security not traded on such date is valued at the latest available price quotation furnished to the firm by IDC, our independent third party pricing service, and in keeping with the GIPS® Valuation Hierarchy.

#### The GIPS® Valuation Hierarchy

- a. Investments must be valued using objective, observable, unadjusted quoted market prices for identical investments in active markets on the measurement date, if available. If not available, then investments should be valued using;
- b. Objective, observable quoted market prices for similar investments in active markets. If not available or appropriate, then investments should be valued using;
- c. Quoted prices for identical or similar investments in markets that are not active (markets in which there are few transactions for the investment, the prices are not current, or price quotations vary substantially over time and/or between market makers). If not available or appropriate, then investments should be valued based on;
- d. Observable market-based inputs, other than quoted prices, for the investment. If not available or appropriate, then investments should be valued based on;
- e. Subjective unobservable inputs for the investment where markets are not active at the measurement date. Unobservable inputs should only be used to measure fair value to the extent that observable inputs and prices are not available or appropriate. Unobservable inputs reflect the firm's own assumptions about the assumptions that market participants would use in pricing the investment and should be developed based on the best information available under the circumstances.

Towards the second half of 2014 we will be changing our independent third party pricing service from IDC to the Bloomberg Valuation Service. This change is a result of an order management system upgrade. As the majority of our securities are liquid, meaning that they trade frequently, we do not expect a material change between the IDC pricing and the Bloomberg pricing.

### Standard Fee Schedules

The table below reflects our standard fees by client type. However, all fees are negotiable depending on the size and type of a particular account.

Type of Client	Fee Percentage	Billing Period	Are Fees Negotiable?
Institutional Equity Account	60 basis points (0.60%)	Quarterly, in arrears	Yes
Institutional Fixed Income Account	25 basis points (0.25%)	Quarterly, in arrears	Yes
Individual	100 basis points (1.00%)	Quarterly, in arrears	Yes

If your fees are payable in advance, upon termination of your account we will refund you any unearned portion of the paid fee. If you are billed in arrears, upon termination you will be billed only for the pro rata portion of the management period.

### Additional Fees and Expenses

Advisory fees payable to us do not include all the fees you may incur when we purchase or sell securities for your account. You are responsible for all brokerage commissions, custody fees, exchange fees, SEC fees, and other costs associated with the custody, purchase and/or sale of securities. If any portion of your account is invested in a fund, whether a fund registered under the Investment Company Act of 1940, as amended ("Company Act") or a private fund, you will also pay the embedded management fees attributable to fund shares.

No employees receive, directly or indirectly, any compensation related to the sale of securities or investment products.

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

The Swarthmore Group does not receive management or performance based fees. You pay only a fixed asset based fee. Therefore, there is no instance where we manage both a performance fee account and nonperformance fee account side by side, and there is no incentive to favor a performance fee account over others through different trading priorities or a disproportionate allocation of favorable investments.

## Item 7 – Types of Clients

As noted in Item 4 – Advisory Business our clients are primarily institutions, most of which are state and municipal governments and agencies. As of December 31, 2013, our client breakdown was:

Percentage of type of client to our total assets under management

Type of Clients	Percent of Assets as of 12/31/13
State or municipal government entities	43%
Pension and profit sharing plans	13%
Corporations other than pension plans	32%
Foundation / Endowments	8%
Taft-Hartley	4%
High Net Worth Individuals	1%

For these clients we manage various types of accounts including:

- Corporate operating accounts
- Corporate pension plans
- Charitable trusts
- Endowments / Foundations
- Nuclear decommissioning trusts
- Public bond proceeds
- Public Plan Sponsors
- State Treasury assets
- State Insurance funds
- Taft-Hartley pension funds
- Individual IRA accounts

The Swarthmore Group offers clients investment products using U.S. equity securities, U.S. fixed income securities, American Depositary Receipts (ADR)/Global Depositary Receipts (GDR) securities of developing markets, and balanced accounts that utilize both U.S. equity and fixed income securities.

Your portfolio may include a combination of individual securities and exchange traded funds (ETFs). The ETFs often allow us to capture market exposure by sector or asset class more efficiently than individual names. We may use ETFs both tactically and strategically in your portfolios.

### Minimum account sizes

The minimum size for a new, long only, equity only securities account is generally \$5 million dollars. The minimum size for a new, long only, fixed income securities account is generally \$10 million dollars. We may, at our discretion, accept smaller accounts depending on the nature of the account and the potential for future additions to the account.

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

The Swarthmore Group generally manages “long only” portfolios, meaning that we do not invest in options, derivatives or short positions. Examples of some security types we may invest in are:

- Equity securities listed on the NASDAQ and the NY Stock Exchange
- Equity securities listed on the London Stock Exchange
- Equity securities traded over-the-counter
- ADR and GDR securities of developing markets
- U.S. Treasury bonds
- Mortgage bonds
- Agency bonds
- Municipal bonds
- Fixed Income investment grade corporate debt bonds
- Fixed Income non-investment grade corporate debt bonds
- Commercial paper
- Exchange Traded Funds (ETFs)

### Methods of Analysis

We use a combination of fundamental, technical, and quantitative analysis to determine which securities to use in client portfolios. Fundamental analysis involves evaluating the economic well-being of a financial entity as opposed to the price movements of a security. Fundamental analysis serves to answer questions such as:

- Does the company exhibit sustainable earnings?
- What is driving the earnings?
- What will drive earnings in the future?
- How would our macro-economic outlook affect the company’s earnings?
- Will they be able to repay their debt?
- Who are its competitors?
- How good is the company’s management?
- Is the company management friendlier to shareholders than debt holders?

Quantitative analysis focuses more on the characteristics of a company such as:

- Are this quarter’s reported earnings for the company greater than last quarter’s reported earnings?
- What is the company’s level of debt?
- What is its price to earnings?
- What is its market capitalization?
- Has it increased the dividend payout?

Technical analysis focuses more on market price movement. It attempts to predict future price movements or market sentiment based on past price movements.



Although we incorporate all three research methods, we employ fundamental research most often. We describe our investment process as “bottom up” with a macroeconomic overlay. This means that we focus more on the fundamentals of the company issuing the securities when we evaluate buying or selling a security for a portfolio and less on the company’s business sector or industry. The firm wide macroeconomic view is determined by the integrated thinking of the entire investment team, and updated quarterly. The portfolio managers implement the macroeconomic view in their portfolio construction process.

Our main sources of information include:

- Financial newspapers and magazines
- Databases for quantitative screening
- Research material provided by others, including broker-dealers
- Economic research reports
- Corporate rating services, primarily for corporate debt
- Annual reports and filings with the SEC
- Debt indentures
- Company meetings and press releases

Currently, we do not use expert networks to obtain company information.

In 2013 the equity process was enhanced to include a greater use of ETFs. We continue to employ a fundamentally driven stock selection process but that process is now augmented with the use of sector ETFs to comprise a fully invested actively managed portfolio. This means that we maintained the fundamental tenets of our security selection process and analysis, but we changed our portfolio construction methods by utilizing a smaller group of high conviction individual holdings, complimented by sector ETFs. The ETF investments fulfill the role of implementing both our desired macroeconomic view and risk profile.

The use of ETFs has also been incorporated into the fixed income portfolio construction process. They are used both tactically and strategically. Tactically, this is an efficient way to gain exposure to sectors in smaller portfolios. Strategically, using ETFs is an efficient way to express a view on a perceived value in a particular asset class or duration without identifying a particular security.

In the case of our Socially Responsible Developing Markets Equity product, Lazard Asset Management LLC, a New York based registered investment adviser, provides us a model portfolio of developing market ADR and GDR equity securities. We then provide a socially responsible overlay working closely with Lazard to maintain the overall country and sector risk profiles for our client’s socially responsible parameters.

#### Risk of Loss

All investments in securities include a risk of loss of your principal and any unrealized profits. Stock markets and bond markets may fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, markets can be very volatile. Therefore, we cannot guarantee any level of performance or that you will not experience a loss in a portfolio that uses our long only Equity and / or Fixed Income strategies. Long only portfolio risks include:

- Equity securities represent ownership in a company, where fixed income securities are company debt. If the company that issued the equity securities declares bankruptcy, your “ownership” can be worth nothing.
- Fixed income holders face default risk, meaning that the company that issued the debt may default on its obligations.
- Event, or headline risk can affect the price of a share or bond even if the fundamentals of the company have not changed. An example of an event risk is when a CEO of a company abruptly resigns and the markets become concerned about succession planning at the company.
- Fixed income holders face interest rate risk, meaning that an increase or decrease in interest rates can affect the value of your holding.
- Credit downgrades by rating agencies can affect the value of a fixed income security.
- Liquidity risk affects both equity and fixed income securities. This means that we may have a difficult time finding a buyer when we want to sell, and we could be forced to sell at a significant discount to the market value.
- Investing in developing markets securities generally involves higher levels of risk compared to the U.S. market. Risks include but are not limited to: political and social instability, economic volatility, changes in monetary, fiscal or tax related policies, currency fluctuations, and market volatility and liquidity.
- Mortgage-related securities face prepayment risk, meaning as interest rates decline, the homeowner may re-finance, or pre-pay, the mortgage causing an early return of your principal.

#### Item 9 – Disciplinary Information

As a registered investment adviser we are required to disclose legal or disciplinary events involving the firm or our partners or officers that would be material to your evaluation of our advisory business or the integrity of our management. At this time, we have no such information to report.

As part of our employment vetting process, we ask prospective employees to self-report and disclose any personal disciplinary information for the purpose of preventing anyone from entering the firm with previous or pending disciplinary events before the SEC, any state regulatory authority, or self-regulatory organization or any legal proceeding that involved investment or an investment-related business. All employees are also required to attest annually that these statements remain true.

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

##### Other Financial Industry Activities

From time to time we are asked to provide Financial Advisory services. In this capacity, we assist these clients in evaluating financing options and help implement the selected strategies. This is not a core part of our business, but we will accept an assignment if we can provide strategic assistance and no conflict of interest exists. We are currently providing financial advisory services to a privately held corporation. We do not provide financial advisory services to municipalities or other issuers of municipal debt.

The fee for this type of engagement is determined on a case by case basis and depends on the services to be rendered. Our current client is on a retainer and is billed quarterly.

### Outside Business Activities

Our employees may be active in profit and non-profit organizations. In particular, Mr. James E. Nevels, our Chairman, also serves as the Non-executive Chairman for The Hershey Company and he is the Chairman of The Federal Reserve Bank of Philadelphia Board of Directors. No employees have activities, affiliations or receive any compensation, directly or indirectly, from any other financial entity.

As part of our fiduciary duty to our clients, we maintain procedures designed to identify and mitigate any actual or apparent conflicts potentially created by the outside business activities of our employees. Our Chairman, Mr. Nevels, is not a member of the Investment Policy Committee and does not participate in investment decision-making for client portfolios. In order to avoid trading on material non-public information, shares and bonds in The Hershey Company are not permitted in client portfolios, and employees' personal accounts must be pre-cleared by Ms. Mandle, our CEO and CCO. Ms. Mandle coordinates with The Hershey Company to ensure that trading only occurs during times when the company's executive management is free to trade.

### Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

#### Code of Ethics

The Swarthmore Group has adopted a Code of Ethics ("Code") designed to reinforce our commitment to maintaining a high level of legal and ethical standards. The Code sets forth guiding principles to assist us and our employees in upholding our affirmative duty of care, loyalty, and good faith to act in the best interests of our clients and to avoid potential conflicts of interest. Each employee is required to complete an annual certification, acknowledging that they have read and understand the Code and any amendments thereto, and affirm that they have, and will continue to, comply with their fiduciary duties and ethical obligations as set forth in the Code. A copy of the Code is available to clients or prospective clients upon request by contacting Ms. Paula Mandle, our CEO and CCO, at the address, telephone or email on the cover page of this Brochure.

#### Recommendations Involving Financial Interest

The Swarthmore Group selects investments for clients based solely on investment considerations, including whether the investments are suitable for the client and meet the client's investment objectives and guidelines. In the course of providing advisory services, we may simultaneously recommend the sale of a particular security for one account while recommending the purchase of the same security for a second account if such recommendations are consistent with the client's investment objectives and guidelines.

#### Personal Securities Transactions

We do not prohibit officers and employees from engaging in personal securities transactions and it is possible that they may buy or sell securities or other instruments that we have recommended to clients or engage in transactions for their own accounts in a manner that is inconsistent with our recommendations to a client. We may also recommend to clients the purchase or sale of securities in which the firm, or its officers, employees, or related persons have a financial interest. Personal securities transactions by employees raise potential conflicts of interest when they trade in a security that is owned by, or considered for purchase or sale for a client.

Our Code and related policies and procedures are designed to prevent such conflicts of interest or, when they do arise, to detect and correct any situation which might disadvantage a client. Therefore, the

personal investing activities of all employees must be conducted in a manner to avoid potential conflicts of interest, or the appearance of potential conflicts of interest, with our clients and the firm itself. Our personal securities trading policy and procedure is intended to affirm that no officer, director, employee or member of their immediate family uses his or her position in the firm or any investment opportunities they learn of because of his or her position to the detriment of our clients.

As such, firm employees wishing to purchase or sell securities covered by the Code must pre-clear their transactions with our CCO prior to executing the trade. Certain securities (*e.g.*, direct obligations of the U.S. government or shares of open-end mutual funds) do not require pre-clearance.

The CCO or her designee is responsible for ensuring that management and all employees adhere to the Code with respect to personal securities transactions. Every employee must comply fully with the Code and related procedures. Failure to do so may result in disciplinary action against any employee involved in the violation, up to and including termination of employment.

#### Service on Boards of Directors

As noted in Item 10, Other Financial Industry Activities and Affiliations, of this Brochure, many employees serve on non-profit and for profit boards. The Code requires all employees to obtain the prior approval of the CCO before entering into any employment or service relationship, including serving as a director, trustee or general partner of a company, whether or not for compensation, which might conflict with the duties employees owe to clients.

#### Political and Charitable Contributions

The Pay-to-Play rule, Advisers Act Rule 206(4)-5, subjects employees of registered advisers to certain limitations with respect to contributions, whether monetary or otherwise, to certain candidates for public office. Failure to comply with these regulations can make an adviser ineligible to serve as an adviser for compensation to any public pension plans. Since we offer advisory services to government agencies and plans, all political contributions by any employee or member of his or her immediate family must be pre-cleared by the CCO unless the contribution qualifies as a “de-minimis” exception under the rule. Charitable contributions must also be reviewed.

The CCO may deny requests for approval of proposed political and charitable contributions when, among other things:

- The firm is negotiating an investment advisory or service contract with the organization
- The firm is managing an investment account on behalf of the organization or an affiliated organization
- The firm is making investment decisions for other client accounts which could result in the purchase or sale of publicly traded or privately placed securities of the organization
- The contribution would otherwise create the appearance of impropriety.

It is never permitted for any employee to make, or direct or solicit any other person to make, any political contribution or provide anything else of value for the purpose of influencing or inducing the obtaining or retention of investment advisory service business. We do not currently have a referral arrangement with an individual or firm to facilitate introductions to prospective clients.

#### Gift/Entertainment Policy

Our marketing efforts may include giving gifts of nominal value (\$250 or less) to clients and prospective clients. Gifts or entertainment in excess of \$250 given to or received from any person who does business with The Swarthmore Group is prohibited without the prior approval of the CCO. However, customary and normal courtesies in conformance with the standards of the industry such as meals with firm personnel, attending sporting events with firm personnel and other similar activities, are permitted without prior approval, except where such activities are prohibited by applicable State or Federal laws or lobbying / solicitation rules.

#### Item 12 – Brokerage Practices

Generally, clients retain us on a discretionary basis, which authorizes us to make the following determinations and take action on their behalf without trade-by-trade consultation and consent:

- Which securities to buy or sell
- The total amount of securities to buy or sell
- The broker or dealer through whom securities are bought or sold
- The commission rates at which securities transactions for client accounts are effected
- The prices at which securities are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs

#### Selection of Brokers

The Swarthmore Group seeks a high standard of quality execution from responsible broker dealers. We maintain an Approved Broker List and have adopted trading policies and procedures that strive to:

- Select and utilize brokers that are consistent with our duty and obligation to seek best execution
- The selected brokers are financially and operationally capable of executing designated trades
- Any conflict of interest that may exist between the broker and The Swarthmore Group or our employees is identified

As a matter of policy, we try, when feasible and consistent with the duty to seek best execution, to allocate trades among approved brokers in such a manner that, over time, the commissions paid to each broker remain proportionate to the value provided by that broker. With limited exceptions, only approved brokers are used.

In selecting a broker from the Approved Broker List to execute a transaction for a client, we consider among other things:

- The best net price
- Brokerage commissions, spreads and other costs
- The broker's capital depth and market access
- Our knowledge of negotiated commission rates and spreads currently available for the security being traded
- The size and type of the transaction
- The nature and character of the markets for the security or instrument to be purchased or sold
- The desired timing of the transaction

- The execution, clearance and settlement capabilities of the broker selected
- The reputation and perceived soundness of the broker selected

While we generally seek competitive commission rates and dealer spreads, we will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker and thereby justify higher commissions than would be the case with other transactions requiring more routine services.

#### Aggregation of Orders

Any batch transactions are subject to The Swarthmore Group's policy and procedures that address the aggregation of orders. The policies are designed to assist us in ensuring compliance with our fiduciary obligations to our clients, including the duty to seek best execution. Orders that are placed at the same time for the accounts of two or more clients may, but are not required to, be "batched" for execution. Upon completion of the transaction, we will allocate the trades, in a fair and equitable manner, across participating accounts.

Under the policy, we may consider the following when determining whether or how to aggregate trades:

- Cash flow changes which may provide a basis to deviate from a pre-established allocation as long as it doesn't result in an unfair advantage to specific clients or types of clients
- Clients with specialized investment objectives or restrictions
- The proportion that the size of the client's order bears to the total amount desired by all clients
- The size of each account's original order
- The desire to achieve "round lots"
- The client's asset size
- The client's current holdings of the security
- For bond trades, street convention and good delivery may dictate a minimum size and par amounts

Pro Rata allocation is our preferred allocation methodology. Pro Rata is generally used when a batch transaction cannot be fully executed in a single day. The partial fill may be allocated among participating accounts based on any or all of the factors described above. When appropriate, we may use alternate means of allocation, provided the CIO or the CCO approves the alternative methodology.

#### Trade Rotation

The order of executions may affect the price a client pays for a security in that a prior order may increase or decrease the price paid or received by subsequent orders. Pursuant to our policy and procedures with respect to trade rotation, we attempt, when feasible, to rotate the order of executions of simultaneously placed trades among different client groups in order to ensure that, over time, all such clients are treated fairly and equitably in that no one client or group of clients regularly receives executions first or last.

#### Client-Directed Brokerage Transactions

Client's may limit The Swarthmore Group's discretionary authority and, in particular, may direct us to use particular broker-dealers to execute portfolio transactions for their accounts. When a client directs the use of a particular broker or dealer, we may not be in a position to freely negotiate commission rates or spreads, or to select brokers or dealers on the basis of best price and execution. In some

circumstances, directed brokerage transactions may result in higher commissions or less favorable net prices than would be the case if the firm were authorized to choose the broker or dealers through which to execute transactions for client accounts. For example, directed brokerage transactions may not be batched for execution with transactions in the same securities with other similarly situated clients. As a result, directed brokerage transactions may result in higher commissions or less favorable net prices for directed accounts than for clients whose transactions may be batched for execution.

When you direct us to use a particular broker, you should first determine that the broker is financially and operationally capable of executing your trades as we will rely on your determination.

#### “Soft-Dollar” or Research/Execution Policy

In allocating brokerage, The Swarthmore Group may take into consideration the receipt of research services as long as such consideration does not jeopardize the objective of seeking best price and execution in connection with the transaction. When appropriate under our discretionary authority and consistent with our duty to obtain best execution, we may direct brokerage transactions for client accounts to broker-dealers who provide us with research and brokerage products and services. The brokerage commissions used to acquire research in these arrangements are known as “soft-dollars.”

Broker-dealers typically provide a bundle of services, including research and execution of transactions. The research provided can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or third party (created by a third party but provided by the broker-dealer). We may use soft-dollars to acquire either type of research.

Soft-dollars can pose a conflict of interest by motivating us to use your commission dollars to pay for research services and/or select a broker based on a soft-dollar arrangement rather than the quality of their trade execution. The firm’s policy and procedures include a quarterly monitoring of commission dollars paid to each broker to evaluate that the commissions paid remain relatively proportionate to the value provided by that broker.

SEC regulations provide a “safe harbor” which allows an investment adviser to pay for research and brokerage services with the commission dollars generated by client account transactions. In determining whether a service or product qualifies as research or brokerage, we evaluate whether the service or product provides lawful and appropriate assistance to us in carrying out our investment decision-making responsibilities.

The receipt of research in exchange for soft-dollars benefits us by allowing us, at no cost to us, to:

- Supplement our own research and analysis activities
- Receive the views and information of individuals and research staffs of other securities firms
- Gain access to persons having special expertise on certain companies, industries, areas of the economy and market factors

Research and brokerage services acquired with soft-dollars may include:

- Reports on the economy, industries, sectors and individual companies or issuers
- Statistical information

- Accounting and tax law interpretations
- Political analyses
- Reports on legal developments affecting portfolio securities
- Information on technical market actions
- Credit analyses
- Analyses of corporate responsibility issues

The determination and evaluation of the reasonableness of the brokerage commissions paid in connection with portfolio transactions are based primarily on the professional opinions of the persons responsible for the placement and review of such transactions. These opinions are formed on the basis of, among other things, the experience of these individuals in the securities industry. We may select broker-dealers based on our assessment of their ability to provide quality executions and our belief that the research, information and other services provided by such broker-dealer may benefit client accounts. It is generally not possible to place a dollar value on the special executions or on the research services we receive from broker-dealers effecting transactions in portfolio securities. Accordingly, broker-dealers we select may be paid commissions for effecting portfolio transactions for client accounts in excess of amounts other broker-dealers would have charged for effecting similar transactions if we determine in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to our discretionary accounts.

Research obtained with soft-dollars will not always be utilized by us for the specific account that generated the soft-dollars. Because we routinely batch client transactions, brokerage commissions attributable to one or more client accounts may be allocated to brokers who provide statistical data and other research used by us in managing the accounts of other clients, and vice versa. We do not attempt to allocate the relative costs or benefits of research among client accounts because we believe that in the aggregate, the research we receive benefits all clients.

The Swarthmore Group may negotiate commissions and prices with certain broker-dealers with the expectation that such broker-dealers will provide soft-dollar services. In some cases, a broker-dealer may state in advance the amount of brokerage commissions that must be directed to them in order to acquire a particular item. When we fail to allocate sufficient transactions to meet the amount required for an item, we may pay cash to make up the difference. We currently have three such arrangements although there is no contractual amount of brokerage commissions that must be directed to the broker-dealer. Under those arrangements, we receive proprietary research on the economy, company surveys and other macro and fundamental research.

#### Item 13 – Review of Accounts

On a quarterly basis, and more frequently when market conditions are deemed to warrant a more intensive review, accounts are reviewed by our Executive Management Committee. We evaluate implementation of the strategy, performance, and conformance with each account's investment guidelines. No less than annually, the CCO reviews the accounts to determine that clients with similar investment strategies hold similar securities and that performance returns of accounts with similar investment strategies are not widely dispersed absent a reason such as client directed brokerage or money flows.



Written account reports are furnished quarterly to clients. Each quarterly report describes the portfolio market value at end period, portfolio holdings, and any other items that the client may request. A client may request individualized reporting and a different frequency of reports.

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

We do not currently have a referral arrangement with an individual or firm to facilitate introductions to prospective clients.

#### Item 15 – Custody

We do not have custody of our clients' assets. All client securities and cash are held for you by your custodian, which you select and direct to work with us. On request, we will provide a list of custodians that other clients use, but we will not recommend any particular custodian. We will, if directed by you, send our invoice directly to your custodian. In that case, you also will receive a copy of the invoice so you are aware of the fee that has been charged for our service.

As stated in Item 13 – Review of Accounts, we will send you a quarterly report showing the market value and holdings in your account. We urge you to compare the reports that you receive from us to the ones that you receive from your custodian. Independent pricing services may cause the custodian's valuation to differ from ours, but you should contact us immediately if you have any questions or concerns about any material differences between the reports. Our contact information can be found on the cover page of this Brochure.

Monthly, or sometimes more frequently, we compare our reports to the custodian reports. To do this we will access the custodian's on-line reporting system in order to view the transaction and holding reports. Our access to your account is "read-only" meaning that at no time will we be able to make unauthorized changes to your account.

#### Item 16 – Investment Discretion

As noted in Item 4 – Advisory Business and Item 12 – Brokerage Practices, The Swarthmore Group accepts discretionary authority to manage investment portfolios on your behalf. For more information on the meaning of "discretionary authority", see Item 12 – Brokerage Practices. You give us discretionary authority when you execute our Investment Advisory Agreement. You may revoke it at any time by notifying us in writing at the address listed on the cover page of this Brochure. In the event our authority is revoked, we will fulfill our fiduciary obligation to you by periodically furnishing you with recommendations concerning the investment of your assets until your Investment Advisory Agreement is terminated.

In Schedule A of the Investment Advisory Agreement, you may describe any limitations that you wish to place on our authority or you may provide separate Investment Guidelines that state how the account should be invested. We will use our best efforts to furnish investment management services with respect to your assets, including the continuous management of the assets in accordance with the Investment Guidelines provided. However, we reserve the right to reject certain investment restrictions and may not take into account all of your individual considerations such as personal taxes.

### Item 17 – Voting Client Securities

In the Investment Advisory Agreement, you designate if you want us to vote your proxies or if you wish to keep the exclusive authority to vote proxies with respect to the assets held in your account. You should notify your custodian if you keep voting authority so that proxy voting materials will be sent directly to you.

In the absence of specific voting guidelines from a client for whom we vote, we will vote proxies in a manner that we believe is in your best interest, taking into consideration those factors that may affect the value of the security. We will consider only those factors that relate to your investment or are dictated by your written instructions, including how the vote will economically impact and affect the value of your investment. There also may be times after conducting appropriate research and analysis, that we believe not voting at all is in your best interest.

In effecting our policy of voting proxies in the best interests of our clients, there may be occasions where the voting of such proxies may present an actual or perceived conflict of interest between us, as the investment adviser, and you, our client.

Potential conflicts of interest situations may include:

- Business relationships, where we have a substantial business relationship with a company such that failure to vote in favor of management could harm our relationship with the company
- Personal relationships, where we have a personal relationship with corporate directors or candidates for directorship
- Familial relationships where we may have personal or business relationships relating to a company (e.g. a spouse or relative who serves as a director of a publicly traded company)

In order to avoid the appearance of impropriety, and to assist us in conducting research and analysis, we have retained Institutional Shareholder Services (“ISS”), an unaffiliated third party, to serve as our Proxy Service Provider. We will usually vote on key issues affecting your investment, and will generally follow ISS’s recommendations on other issues. In the event that we have a conflict of interest, proxies will be voted as recommended by ISS.

You may obtain copies of our written proxy voting policies and procedures as well as information on how proxies were voted for your individual account by requesting this information from us at the address and phone number listed on the cover page of this Brochure.

Please know that if we do not vote proxies on your behalf, you are always welcome to contact us regarding any questions that you have about a particular proxy solicitation.

### Item 18 – Financial Information

Form ADV Part 2A requires registered investment advisers to disclose any financial condition reasonably likely to impair our ability to meet contractual commitments to clients. At the time we prepared this Brochure, we had no applicable information to report.