



**GURTIN FIXED INCOME MANAGEMENT, LLC**

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This brochure provides information about the qualification and business practices of Gurtin Fixed Income Management, LLC. If you have any questions about the contents of this brochure, please contact us at 858-436-2200. 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 Gurtin Fixed Income Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Clients should be aware that the term "Registered Investment Adviser" does not imply any certain level of skill or training.

12/3/2014

## Material Changes

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### Material Changes since the Last Update

The Securities and Exchange Commission adopted amendments to Part 2 of Form ADV effective October 2010. The newly revised Part 2 consists of Part 2A (the "Brochure") and Part 2B (the "Brochure Supplement"). Each update of the Brochure must now include a summary of all material changes since the last annual update.

This Brochure, dated December 3, 2014 is not materially different in structure but contains new information that our previous brochure did not contain. Following is a summary of additional material changes:

#### Mutual Fund Investment Adviser:

The firm has recently contracted to be an investment adviser for both Gurtin National Municipal Value Fund and Gurtin California Municipal Value Fund beginning on November 3, 2014.

#### Private Funds:

Gurtin previously offered private co-mingled funds as an investment product to qualified investors with Gurtin Fixed Income Management, LLC being the managing member of the funds' general partner, Gurtin Fixed Income Funds GP, LLC. In conjunction with the mutual funds, these private funds are no longer open to new investors, all fund assets were transferred to the mutual funds, current limited partners were given mutual fund shares, and the private funds will be closed as a result of the mutual fund conversion.

#### Custody Update:

The custody section of the ADV Part 1 has been updated to indicate Gurtin being deemed to have custody of certain clients' accounts as a result of having standing letters of authorization.

#### Proxy Voting:

The firm's proxy policy has been revised to reflect that in rare instances Gurtin will vote proxies for the two Gurtin mutual funds.

#### Income Select Strategy Name Change:

Gurtin changed the name of its Income Select strategies from Income Select Short-Term Tax Exempt, Income Select Limited-Term Tax Exempt and Income Select Intermediate-Term Tax-Exempt to Municipal Short-Term Tax Exempt, Municipal Limited-Term Tax Exempt, and Municipal Intermediate-Term Tax-Exempt. Additionally, Gurtin reduced fees for these strategies. This change took effect on July 1<sup>st</sup>, 2014. See Fees and Compensation section for more detail.

### Full Brochure Availability

The Firm Brochure for Gurtin Fixed Income Management, LLC is available by contacting Steve Simpson, President and Managing Partner, at 858.436.2200.

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## Advisory Business

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### Firm Description

Based in San Diego, with an additional office in Chicago, Gurtin Fixed Income Management, LLC ("Gurtin Fixed Income") is an SEC registered investment advisor specializing in high grade tax-exempt and taxable fixed income portfolios for high net worth and ultra-high net worth individuals and families. We also work with many independent investment consulting and advisory firms and multi-family offices to build fixed income-related solutions that meet their clients' unique needs.

We do not define ourselves as either a "municipal" or "taxable" fixed income manager. Rather, we define ourselves as a fixed income manager that analyzes each client's tax and liquidity situation individually and focuses on identifying the securities that offer the highest risk-adjusted after-tax yield. In order to ensure that our portfolios maintain the highest credit quality, we employ portfolio management processes that incorporate our deep credit research capabilities and our advanced quantitative analysis.

### Principal Owners

William Gurtin is the principal owner of Gurtin Fixed Income Management, LLC. Steven Simpson, Francis Michl, and Michael Johnson also serve as managing members of Gurtin Fixed Income Management, LLC.

### Types of Advisory Services

Gurtin Fixed Income provides asset management services on a discretionary and non-discretionary basis in accordance with the methods described in the Methods of Analysis, Investment Strategies and Risk of Loss section of this Brochure. We specialize in building and managing high grade tax-exempt and taxable fixed income portfolios. The client portfolios we manage are typically comprised of investment grade fixed income securities, including but not limited to, municipal securities, U.S. Government securities, U.S. Government-backed Agency securities, and short term money market securities.

Gurtin Fixed Income is also engaged as a sub-adviser by other investment advisers to manage client accounts and an adviser to two publicly traded mutual funds. The sub-advised accounts are managed by Gurtin Fixed Income according to the goals and objectives of the client and the mutual funds are managed in accordance with goals and objectives determined by the Board of the mutual funds. We are compensated for our advisory services rendered in accordance with the fee schedule as outlined in the *Fees and Compensation* section. Gurtin Fixed Income manages the sub-advised, direct, and mutual fund accounts in a manner consistent with our fiduciary duties to all client accounts.

### Tailored Relationships

Gurtin Fixed Income will customize portfolios to meet the needs of our clients. For example, clients may impose restrictions on investing in certain securities or types of securities.

### Client Assets

As of December 31, 2013, Gurtin Fixed Income had total assets under management (AUM) equaling \$7,438,305,734. As of December 31, 2013, Gurtin Fixed Income had zero (\$0) non-discretionary assets.

### Fees and Compensation

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## Description and Fee Schedule

Gurtin Fixed Income receives management fees from the client based upon a percentage of the client's assets under management as outlined below:

	<b>Traditional Fixed Income Accounts Annual Management Fee</b>	<b>Cash Management Accounts Annual Management Fee</b>
First \$5 million	.35%	.16%
Next \$5 million	.30%	.14%
Next \$40 million	.25%	.12%
Above \$50 million	.20%	.10%

	<b>Municipal SLI Accounts Annual Management Fee</b>
Up to \$5 million	.20%
\$5 million to \$10 million	.17%
\$10 million to \$50 million	.14%
\$50 million to \$100 million	.12%
\$100 million to \$150 million	.10%
\$150 million to \$200 million	.09%
\$200 million to \$300 million	.08%
\$300 million to \$400 million	.07%
\$400 million to \$500 million	.06%
Above \$500 million	.05%

In addition to the above schedules, we also offer a Municipal Value SMA Strategy at a flat 0.55% up to \$5 million, a flat 0.45% up to \$10 million, and a flat 0.35% annual management fee for accounts with assets greater than \$10 million. For the mutual funds we receive a flat management fee of 0.45% on assets under management and a 0.15% expense fee for the mutual funds' operating expenses. We have agreed to waive our fee and/or reimburse mutual fund expenses to limit total annual fund operating expenses to 0.60% for institutional shares through January 28, 2016. For clients owning mutual fund shares, that share dollar amount will be deducted from assets under management for purposes of fee calculations for that particular client.

## Fee Billing

Unless otherwise provided in the investment management agreement, clients shall pay each calendar quarter a management fee equal to 1/4 of the annual management fee calculated by applying the fee schedule above to the average daily value of the account as of the close of the last trading day of such

quarter. In certain strategies, the management fee may be calculated by applying the fee schedule above to the target amount intended for management. The quarterly fee will be billed in arrears for each calendar quarter and payable within 30 days after the client or custodian's receipt of the invoice. Gurtin Fixed Income may deduct the fees from the client account assets; or clients may choose to have Gurtin Fixed Income invoice them for fees earned. In either case, an invoice will be provided to the client detailing the fee.

Our standard investment management agreement provides that the client relationship may be terminated at any time upon written notice. All earned, unpaid fees will be due and payable immediately upon termination of the investment management agreement. The amount of fees will be based on the average daily value of the account as of the last trading day before the investment management agreement terminates. Fees will be prorated for the number of days under management for the initial quarter and upon termination.

Account value will be as reported by the custodian holding the account or by Adviser in good faith, shall not be reduced by any margin balance, but shall include any credits from short sales. Transactions that have not settled prior to the last trading day of a calendar quarter may be included in either the current or the following calendar quarter, as determined by Adviser in a consistent manner.

Gurtin Fixed Income Management, LLC (the "Adviser") hereby notifies its clients that it has adopted a policy, effective 9/30/2008, whereby it will not charge its quarterly management fee if a client's Account is 100% invested in money market funds for the entirety of a quarter. Fees charged by a money market fund still apply. Consult the money market fund's prospectus for more information about its fees. If your Account is 100% invested in money market funds for the entirety of a quarter and the Adviser does not charge its quarterly management fee, the Adviser will not provide a performance report for the specific quarter. However, you will still receive a statement from your Custodian in the manner agreed upon with your Custodian.

In certain circumstances, Adviser may agree to negotiate its fees with individual clients and may charge different clients receiving the same services different fees. Adviser offers a standard discounted fee schedule to clients of Advisory firms who utilize Adviser, and generally does not negotiate these discounted fee schedules. The above fee schedule is the firm's standard fee schedules generally charged to clients absent negotiable circumstances.

### **Other Fees**

In connection with Gurtin Fixed Income's advisory services, clients may incur and are responsible for the fees and expenses charged by their custodians and imposed by broker-dealers. Such fees may include, but are not limited to, custodial fees, transaction costs, fees for duplicate statements and transaction confirmations, brokerage commissions, and fees for electronic data feeds and reports.

### **Performance Fees & Side-by-Side Management**

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Gurtin Fixed Income does not accept performance-based fees or any fee which are based on a share of capital gains or capital appreciation of the assets of a client.

## **Types of Clients**

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### **Description**

Gurtin Fixed Income's clients consist of individuals, high net worth individuals, charitable organizations, corporations, mutual funds, banks and insurance companies.

### **Account Minimums for Individual Clients**

Gurtin Fixed Income's Traditional Fixed Income strategies generally require that the client maintain a minimum of \$3 million in assets. Gurtin Fixed Income requires the client to maintain a minimum of \$3 million in assets under the Cash Management and \$1 million in assets under the Income Select strategies. Gurtin Fixed Income requires the client to maintain a minimum of \$2 million in assets under the Municipal Value SMA strategy. Gurtin Fixed Income's Municipal Credit Advantage service generally requires a \$4,000 annual minimum for bank advisory clients. We may waive the account minimum or require a higher or lower minimum upon prior written notice. These minimums may be waived or modified as Gurtin Fixed Income deems appropriate with respect to each individual account and client.

### **Account Minimums for Clients of Advisory Firms**

Gurtin Fixed Income's Traditional Fixed Income strategies generally require that the client maintain a minimum of \$1 million in assets. Gurtin Fixed Income requires the client to maintain a minimum of \$1 million in assets under the Cash Management and \$250,000 in assets under the Income Select strategies. Gurtin Fixed Income requires the client to maintain a minimum of \$2 million in assets under the Municipal Value SMA strategy. Gurtin Fixed Income's Municipal Credit Advantage service generally requires a \$20,000 annual minimum fee for investment advisory clients. We may waive the account minimum or require a higher or lower minimum upon prior written notice. These minimums may be waived or modified as Gurtin Fixed Income deems appropriate with respect to each individual account and client.

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

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### **Methods of Analysis & Investment Philosophy**

Gurtin Fixed Income is steadfast in the belief that fixed income should represent the low risk portion of a client's overall investment portfolio, and therefore, we will not sacrifice credit quality to achieve higher returns. We believe this is optimally achieved by building fixed income portfolios that are broadly diversified and by minimizing credit risk exposure; in our Traditional Fixed Income strategies, this is also achieved by maintaining durations that limit volatility. In structuring our high quality portfolios, we perform our own in-depth fundamental analysis to identify the most resilient sectors based upon ability to generate revenue, financial flexibility, and downside risk. We then perform granular research on the obligors within these stronger sectors to identify the highest quality bonds, followed by ongoing aggressive surveillance on all bonds in our portfolios. In our efforts to preserve principal, we ensure

proper diversification by setting clearly defined portfolio concentration limits on sector, state of issuance, and individual obligor.

### **Portfolio Construction Process**

Our portfolio construction process begins with the development of a dynamic top-down analysis of the ever changing outlook for the economy, followed by a qualitative and quantitative bottom-up individual security selection process that focuses on securities that exhibit the best after-tax yields and volatility characteristics based upon our outlook. The Investment Committee develops the overall investment strategy, generates investment ideas, and determines the types of security structures that we believe will outperform in the future. The top-down research process performed by our Investment Committee involves a broad-based global analysis of macroeconomic factors, industry trends, and investment themes. The process continues in the formation of a formal economic outlook which is communicated by the Investment Committee to the portfolio management team and used as the basis for our bottom-up investment strategy along with the credit analysis of our credit research team to ensure portfolio credit quality and attractive risk adjusted after-tax returns.

Although portfolio management requires some degree of subjectivity in that it involves a considerable amount of expert judgment, we have worked to make our process as objective, consistent, and repeatable as possible by relying heavily upon quantifiable factors (such as credit requirements, bond structure, portfolio sector composition, etc.) for security selection.

### **Buy / Sell Discipline**

#### Buying

We exclusively purchase high grade domestic Municipals, US Governments, and US Government Agencies for our portfolios; we do not purchase derivative instruments. We broadly diversify our portfolios, generally averaging 30-40 issues per portfolio but this number may be lower based on the size of the account as we place priority on balancing diversification and liquidity.

Using our market knowledge, strong research capabilities, and advanced quantitative analysis, we only buy bonds that we believe are attractively priced relative to the fixed income market. We are patient in our approach to investing in fixed income securities for our clients. We prefer to purchase bonds that offer strong liquidity for our clients. We do not have a size requirement for our bond purchases. We can buy smaller blocks if they are attractively priced as well as very large blocks (multiple millions) of bonds.

#### Selling

We sell any bonds that do not meet our credit quality threshold. In addition to selling securities due to credit deterioration; we will also sell bonds opportunistically to enhance portfolio yields.

## Cross Trading

In light of the unique attributes of the municipal market, we may utilize cross trades to minimize transaction costs and provide best execution for both parties. A cross trade is a transaction in which Gurtin Fixed Income Management matches a buy order for one client account with a sell order for another client account. We will not utilize cross trades for any ERISA client. Gurtin Fixed Income Management may cause a client account to participate in a cross trade with another client account when, for example, one account is trimming security positions to raise cash while another account is buying the same securities. A cross trade may benefit clients on both sides of the trade by minimizing the need to find another buyer or seller, minimizing attendant market impact, and minimizing brokerage commissions and other limited clearing fees that may apply.

Subject to any contractual restrictions, client direction or requirements under applicable laws or regulations, we may execute a cross trade in accordance with our policies and procedures when, in our determination, each client benefits from the transaction. As we are not a broker-dealer, or affiliated with a broker-dealer, and we receive no compensation for such transactions, other than our customary advisory fee, the provisions of Section 206(3) of the Investment Advisers Act of 1940, as amended, are not applicable to such transactions.

Cross trades will be processed through an independent third party not affiliated with Gurtin Fixed Income Management. The price for a cross trade will be determined by reference to independent market indicators. The selling client account will be responsible for the transaction costs that result from the cross-trade.

Because of legal or practical or account-specific restrictions on cross trades for certain types of accounts, these trades may be difficult to arrange in some circumstances, and Gurtin Fixed Income Management has no obligation to effect any cross trade for any client under any circumstances.

## **Investment Strategies**

Fixed Income Strategies:

- **Core Fixed Income Strategy:** The Tax-Exempt strategy is designed for taxable investors with a long-term investment horizon who seek to maximize after-tax returns with a lower degree of volatility than typical fixed income market strategies. The AMT strategy is a crossover strategy (taxable and tax-exempt securities) designed specifically for taxable investors with a long-term investment horizon who have a lower federal marginal tax rate (e.g. AMT status, tax shelters, etc.) and seek to maximize after-tax returns with a lower degree of volatility than typical fixed income market strategies.
- **Municipal Value Fixed Income Strategy:** Designed for taxable investors with a long-term investment horizon who seek to maximize after-tax returns with a duration extended slightly beyond that of our core intermediate strategies and a slightly lower average credit rating than that of portfolios managed using our core intermediate strategies.
- **Municipal SLI Strategy:** Designed for individuals who seek the advantages of a standard ladder fixed income strategy and the ability to proactively select portfolio duration. Income Select strategy portfolios can be structured as California, New York, or National and are available

under the following 3 separately managed strategies: Short-Term Tax-Exempt, Limited-Term Tax-Exempt, or Intermediate-Term Tax-Exempt.

#### Liquidity Management Strategies:

- **Enhanced Liquidity Fixed Income Strategy:** Designed for taxable and tax-exempt investors with an investment horizon of no less than 9-12 months who require some level of constant liquidity while desiring a portfolio that generates an enhanced yield over a cash portfolio with a lower degree of volatility.
- **Cash Management Strategy:** Designed for taxable or tax-exempt investors with an investment horizon of no less than 3-6 months who seek to maximize after-tax returns while maintaining a high degree of principal stability.

#### Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. We manage the risks associated with managed portfolios as shown below:

Type of Risk	Definition	Risk Mitigation Method
Interest rate	Risk of interest rate volatility	<ul style="list-style-type: none"> <li>• Maintain portfolio durations generally in-line with or lower than the benchmark duration</li> <li>• Purchase high coupon, callable bonds during rising interest rate environments to dampen volatility for Traditional and Muni Value fixed income strategies</li> </ul>
Investment	Possibility that the investor will get back less than his or her original investment or expected return	<ul style="list-style-type: none"> <li>• Preserve principal through focus on high credit quality</li> </ul>
Reinvestment	Risk that reinvested money will earn a lesser rate of return	<ul style="list-style-type: none"> <li>• May favor investments with shorter durations during rising interest rate environments for actively managed strategies</li> <li>• May take advantage of historically upward sloping municipal yield curve</li> </ul>
Liquidity	Spread between the bid and ask prices for a security being offered in the secondary market	<ul style="list-style-type: none"> <li>• Maintain forward-looking approach to credit to minimize illiquid holdings</li> <li>• Avoid holding odd lot positions whenever possible</li> <li>• Maintain strategic allocations to cash when appropriate</li> </ul>
Credit	Risk of default, credit spread widening, or downgrade	<ul style="list-style-type: none"> <li>• Invest solely in high grade municipal securities, US Government securities, and US Government Agency securities</li> <li>• Utilize a standardized approach to credit management using forward-looking analysis</li> <li>• Perform ongoing credit surveillance on all holdings</li> <li>• Opportunistically sell securities that we believe to be in weaker sectors or experiencing credit stress</li> </ul>
Call	Risk of early redemption	<ul style="list-style-type: none"> <li>• We purchase callable bonds with the expectation that they may be called away. However, we favor structures where we are comfortable holding the bonds if they are outstanding past the call dates.</li> </ul>

## Disciplinary Information

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Gurtin Fixed Income or the integrity of Gurtin Fixed Income's management. Gurtin Fixed Income and our management personnel have no disciplinary history.

## Other Financial Industry Activities and Affiliations

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### Affiliations

Gurtin Fixed Income and our management personnel are not engaged in any business or profession other than acting as an investment adviser. Nor do we offer to sell any type of product, other than investment advice concerning securities to clients.

Gurtin Fixed Income Funds GP, LLC is the General Partner to the Municipal Value Private Funds which are in the process of being closed in conjunction with the two new mutual funds to which Gurtin Fixed

Income is acting as investment adviser. Currently there are no investors in the Funds nor are we accepting any investments.

Gurtin Fixed Income is currently the financial adviser for two mutual funds, Gurtin National Municipal Value Fund and Gurtin California Municipal Value Fund. As manager Gurtin Fixed Income receives fees from the mutual funds based on assets under management. Given that clients do invest in both mutual funds, and to eliminate any conflicts, all mutual fund assets are deducted from a client's assets under management for purposes of calculating management fees.

William R. Gurtin, CEO, CIO and Managing Partner, serves on the Board of Directors of Pisces, Inc., a family office. The Board consists of five members, including three members of the family served by the family office. Board members serve for one-year terms and may be re-elected with no maximum term of service. Board members have fiduciary obligations to the shareholders of Pisces and meet at least once each year and have additional special meetings as necessary for corporate governance matters. This does not present a conflict of interest as board members are not compensated by Pisces for their service as directors.

William R. Gurtin, CEO, CIO and Managing Partner, also serves on the Strategic Advisory Committee of New MainStream Capital, a private investment firm specializing in strategic equity investments of lower middle market companies in selected growth industries. The Strategic Advisory Committee consists of six members (two of which are Founders who sit in) who provide strategic advice to the Partnership, the General Partner and the Investment Team with respect to such matters as investment policies and strategies, significant changes to portfolio companies or the management teams thereof, and other strategic transactions or matters as may arise from time to time. This does not present a conflict of interest as members of the Strategic Advisory Committee are not compensated by New MainStream Capital for their service as committee members.

### Industry Activity

Gurtin Fixed Income has been chosen as a fixed income manager by many registered investment advisory firms. For more information, please see Types of Advisory Services section. This does not create a conflict of interest as the accounts follow the same fee schedule and investment guidelines as other managed accounts.

Gurtin Fixed Income also participates in Schwab's prime brokerage platform. For more information, please see the *Brokerage Practices* section.

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

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### Code of Ethics

Pursuant to SEC rule 204A-1, Gurtin Fixed Income has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. Gurtin Fixed Income's Code of Ethics describes our fiduciary duties and responsibilities to our clients, and sets forth Gurtin Fixed Income's practice of supervising the personal securities transactions of supervised persons with access to client information. The Code also requires that all supervised persons act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. The Code of Ethics also includes the firm's policy prohibiting the use of material non-public information. Any individual who fails to abide by the firm's Code of Ethics may

be subject to discipline. We will provide a complete copy of our Code of Ethics to any client, upon request to the Chief Compliance Officer at our principal address.

Gurtin Fixed Income is currently the financial adviser for two mutual funds, Gurtin National Municipal Value Fund and Gurtin California Municipal Value Fund. As manager we receive fees from the mutual funds based on assets under management. Given that clients do invest in both mutual funds, and to eliminate any conflicts, all mutual fund assets are deducted from a client's assets under management for purposes of calculating management fees.

### **Participation in Client Transactions and Personal Trading Policies**

Individuals associated with Gurtin Fixed Income may buy or sell securities for their personal accounts identical to or different than those recommended to clients. To mitigate this conflict of interest all supervised persons are subject to our Code of Ethics, which requires such persons to provide an annual securities holdings report and quarterly transaction reports to the Chief Compliance Officer. In addition, such persons must obtain written approval from the Chief Compliance Officer prior to investing in any IPOs or private placements (limited offerings). It is the expressed policy of Gurtin Fixed Income that no person employed by us shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients.

Subject to the Code of Ethics, our employees are permitted to trade for their own accounts side-by-side and in block transactions with clients in the same securities, and at the same time. However, neither Gurtin Fixed Income nor its employees are permitted to trade for their own accounts on the same day in the same security with respect to which Gurtin Fixed Income receives from a client as an unsolicited order to buy or sell. For more information on our allocation practices, see the Brokerage Practices section of this Brochure.

## **Brokerage Practices**

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### **Selecting/Evaluating Brokerage Firms**

Unless otherwise provided in the investment management agreement, Gurtin Fixed Income will have discretion to select broker-dealers to effect transactions for client's account. As a fiduciary, our policy is to seek to execute client securities transactions in a manner that the client's total cost or proceeds in each transaction are most favorable under the circumstances ("best execution"). In seeking best execution, we consider the full range of a broker's services, including the value of research provided, execution capability, commission rate, responsiveness, willingness to commit capital, creditworthiness and financial stability, clearance and settlement capability, and the provisions of research and other services that, in our view, assist us in performing our duties under the investment management agreement and under the agreements with our other clients. Gurtin Fixed Income may direct client transactions to brokers who provide useful research and brokerage services even though lower commissions may be charged by a broker who offers no research services and minimal securities transaction assistance. There is no assurance that the cost of commissions, mark-ups, mark-downs, and other execution costs will be the lowest possible, and it is likely that lower costs may be available for similar services. Gurtin Fixed Income participates in Schwab's prime brokerage platform and we may receive referrals from Schwab. However, we do not receive any compensation for any referral. We are independently owned and operated and not affiliated with Schwab.

### **Research and Soft Dollars**

When we receive research that is incidental to our trading activities, Gurtin Fixed Income will comply with Section 28(e) of the Securities Exchange Act of 1934 (the "Act"). Under the Act, an investment adviser may pay more than the lowest available commission rate when executing client transactions in order to receive research and similar services from a broker if the adviser determines, in good faith, that the commissions charged by the broker are reasonable in light of the services provided. We make this determination through annual evaluations of our brokers at which time we take into consideration the items listed above. Because we do not have to produce or pay for the research, we may therefore have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or service rather than on our client's interest in receiving the most favorable transaction. This potential conflict is mitigated through our Best Execution policies and Broker Review procedures. Examples of the types of research services that are incidental to Gurtin Fixed Income's trading activities include: proprietary research of a broker, market insight from brokers, and information relating to general market direction and activity. Research services may be useful in servicing all of our clients, and not all of such services may be useful for the account for which the particular transaction was effected.

Schwab Institutional makes available to Gurtin Fixed Income products and services that assist us in managing and administering clients' accounts, but which may not benefit clients' accounts. These products and services 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 Gurtin Fixed Income's fees from its clients' accounts; and assist with back-office support, recordkeeping and client reporting. These products and services may be used to service all or a substantial number of our accounts, including accounts not maintained at Schwab Institutional.

### **Directed Brokerage**

Gurtin Fixed Income does not recommend, request or require that our clients direct us to execute transactions through a specified broker dealer. However, we will consider a client request on a case by case basis and make an exception if it is in the client's best interest. In the event that a client directs us to use a particular broker or dealer, we will not have authority to negotiate commissions, obtain volume discounts, and best execution may not be achieved. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to other clients. Further, such clients will likely not participate in block trades executed through the broker that maintains our other client accounts, and as a result, the client will not benefit from the cost savings and other advantages of block trading.

### **Order Aggregation**

As part of our effort to obtain best execution, Gurtin Fixed Income aggregates trades in individual securities for as many accounts as practicable, except where subject to client direction constraints. The aggregation or blocking of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to clients. Our firm's policy is to aggregate client transactions where possible and when we believe it may be advantageous to clients. In these instances clients participating in any aggregated transactions will receive an average price and transaction costs will be shared equally. Each account that participates in a block trade receives its



allocation based on factors such as suitability of the securities for the account, investment restrictions stated in guidelines of various legal documents, available cash balance in the account, etc. In some cases, aggregation may operate to a particular client's disadvantage. However, if Gurtin Fixed Income purchases the same bond with the same cusip at different times in the same day, we will not average the prices for the allocation of that cusip. We will use the price for each block and enter the cusip through the allocator. Each block of a cusip will be allocated with its purchase price and allocated at time of purchase. Because of the prevailing trading activity, occasionally it is not possible to receive the same price or execution on the entire volume of securities purchased or sold.

## **Review of Accounts**

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### **Periodic Reviews**

Accounts are reviewed at least quarterly in the context of each client's stated investment objectives and guidelines. Client accounts are reviewed by William Gurtin, Fran Michl, and/or Steve Simpson.

### **Review Triggers**

In addition to the quarterly reviews, more frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, the market, or political or economic environment.

### **Regular Reports**

Clients will receive a written statement after the close of each calendar month from the Custodian (or as agreed upon with the Custodian, but at least quarterly) showing all investments of the Account and their market values as of the close of business on the last Business Day of the calendar quarter.

Gurtin Fixed Income will provide a quarterly report showing performance data and other portfolio analytics (e.g., duration of fixed income securities, ratings, etc.) during or at the end of such quarter, as appropriate.

## **Client Referrals and Other Compensation**

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### **Economic Benefits**

In exchange for commissions generated by discretionary trading activity, Gurtin Fixed Income receives research services from a variety of brokerage firms. We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. See the *Brokerage Practices* section of this Brochure for a description of the services and benefits Gurtin Fixed Income receives from brokerage firms.

### **Third Party Solicitors**

Gurtin Fixed Income and our related persons do not directly or indirectly compensate any third party person for client referrals.

## **Custody**

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Gurtin Fixed Income clients' assets are housed in nationally recognized banks or brokerage firms, otherwise known as custodians. Gurtin Fixed Income has a limited power of attorney to place trades on the client's behalf. If authorized by the client, Gurtin Fixed Income may also have the authority to directly debit client accounts for quarterly fees or transfer money to third party accounts under a standing letter of authorization from clients, both of which deems Gurtin Fixed Income to have Custody of certain client accounts. See the *Fees and Compensation* sections of this Brochure for more information on direct debiting. Given the above, Gurtin Fixed Income will undergo annual surprise custody examinations for those accounts that Gurtin Fixed Income is deemed to have custody.

Clients are free to select their custodian. Gurtin Fixed Income may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab Institutional"), a registered broker-dealer, to maintain custody of clients' assets and to effect trades for their accounts. Client will receive either monthly or quarterly statements from the custodian. Clients should review and compare the account statements they receive from the qualified custodian with those they receive from Gurtin Fixed Income. For more information on the reports that you will be provided by us, see the *Review of Accounts* section of this Brochure.

## **Investment Discretion**

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### **Discretionary Authority for Trading**

When a client retains Gurtin Fixed Income as their investment adviser, Gurtin Fixed Income and the client will enter into an investment management agreement. By signing this agreement, the client gives Gurtin Fixed Income full discretion to select the securities that are bought or sold, the amount of securities bought or sold, the brokers through which securities are bought or sold, and the commission rates at which securities are bought and sold.

At all times investments will be made consistent with the client's profile and investment guidelines. Our authority is subject to conditions and restrictions imposed by the client.

## **Voting Client Securities**

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### **Proxy Voting**

Gurtin Fixed Income will not vote and will not accept authority to vote proxies on behalf of our clients other than for the two mutual funds to which Gurtin currently acts as investment adviser and then only if requested by Board of the either respective fund. With proxy voting, Gurtin will only vote proxies in accordance with its proxy policies which conform with SEC rule 206(4)-6. If either mutual fund board requests Gurtin to vote their proxy, Gurtin gains complete discretion on such votes without influence from either mutual fund board. The boards can obtain any and all information on how the proxies were voted by contacting Gurtin's Chief Compliance Officer. If any conflict of interest arises related to voting a proxy, Gurtin will abstain from any such vote unless the conflict is resolved. All clients retain the responsibility

for receiving and voting proxies for any and all securities maintained in their accounts. We may, in our discretion, provide advice to clients regarding the voting of proxies.

### **Financial Information**

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Gurtin Fixed Income is not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to clients.