



## **Cardiff Park Advisors, LLC**

Firm Brochure  
Part 2A & 2B of Form ADV  
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This brochure provides information about the qualifications and business practices of Cardiff Park Advisors, LLC (Cardiff Park). If there are any questions about the contents of this brochure, please contact Cardiff Park at the phone number or email address listed above. 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 authorities.

Additional information about Cardiff Park is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number of Cardiff Park Advisors, LLC is 126752.

Cardiff Park is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training.

## **Item 2: Summary of Material Changes**

This Brochure, dated December, 31, 2014, replaces our last annual updated which was filed on July 31, 2014.

Please review this firm brochure and contact us if you have any questions.

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## **Item 4: Advisory Business**

Cardiff Park Advisors, LLC (hereinafter Cardiff Park) is a full service, fee only registered investment advisor specializing in low cost, tax efficient, passive and index portfolio management. Our full range of services includes financial planning, portfolio design, transactional support, administrative assistance and periodic reviews.

Our investment strategy is derived from Modern Portfolio Theory and makes use of Dimensional (DFA), and Vanguard funds index funds as well as individual maturity fixed income securities.

### **Our Firms History**

Cardiff Park was established in 2003 in the State of California. Cardiff Park was granted registration with the U.S. Securities and Exchange Commission in May 2006. As of December 31, 2014 Cardiff Park manages approximately \$1,050,000,000 in non-discretionary assets. Cardiff Park is situated in Carlsbad, which is 25 miles north of San Diego.

### **Our Firms Mission**

Our mission is to offer effective, goal driven, investment strategies, personalized objective advice, superior service, and low cost. Our compensation comes exclusively from low-cost, fixed annual retainer fees. We sell no products, receive no commissions, nor do we generate fees through add-on services. Cardiff Park operates only on our clients behalf without bias or conflict of interest. We seek to develop long-term relationships of personal financial advice coordinated with direct investment supervision. We believe that the integration of these services provides clients with the greatest strategic and operational benefit.

We do not expect to be our clients' only source of counsel, but we do hope to become a central source of counsel and assistance within the totality of clients' financial affairs. Our clients' trust us with their financial goal. We take the responsibility seriously.

## **Types of Advisory Services**

Cardiff Park provides integrated financial planning and investment management services based on your individual needs. We interview you and gather data on your risk tolerance, time horizon, tax situation, investment goals, personal preferences and anticipated changes in financial needs. This information is integrated into an asset allocation plan for you, and used to develop and manage your investment portfolio based on that plan.

Assets are invested primarily in no-load or low-load mutual funds and exchange-traded funds. Investments may also include: equities (stocks), corporate debt securities, commercial paper, certificates of deposit, municipal securities, variable annuities, U. S. government securities and protective option strategies.

Cardiff Park determines the ratio of equities to fixed income and generally incorporates IRA, 401(k) and other tax deferred accounts into overall asset allocation strategy. Previous holdings are evaluated to determine which are in the appropriate asset classes and which are in need of re-allocation. Cardiff Park does not have discretion over our clients' assets so Cardiff Park does not place trades unless we have a plan and approval for trading from the client. Portfolios are transparent and available for client review at any time.

Planning for future rebalancing requirements influences the initial distribution of client assets across taxable and tax exempt accounts. Benefits accrue to clients through the coordinated management of their accounts as a single portfolio, rather than as separate unrelated accounts. Allocations to asset classes with relatively high expected taxable distributions are generally emphasized in tax exempt accounts. Allocations to asset classes with relatively low expected taxable distributions are generally emphasized in taxable accounts. The coordination and management of asset classes among account types permits rebalancing of the aggregate portfolio with deferred income and capital gains tax realization.

To best complement our investment advisory services, Cardiff Park recommends estate planning be carried out by attorneys specializing in estate planning, tax issues be discussed with CPAs, real estate matters be dealt with by real estate brokers and attorneys, and insurance matters be handled by no-load insurance companies. Keeping these services separate helps ensure that there will be no conflict of interest with respect to the level of service these professionals deliver.

Cardiff Park strives to maintain an ongoing dialogue with every client throughout the year. As individual clients communicate changes in their circumstances, Cardiff Park will reevaluate its analyses, assumptions, and investment management recommendations.

Cardiff Park recommends that progress on all financial plans be reviewed annually and thoroughly re-evaluated every three to five years.

As a fiduciary, Cardiff Park's priority is the best interest of its clients. We actively seek to avoid or at least minimize conflicts of interest which may exist between the firm and our clients. However, all investment advisory firms will likely possess some unavoidable conflicts of interest. In those instances when conflicts of interest arise, we have adopted policies which seek to keep our clients' best interests paramount at all times.

## **Our Principal Owners**

John Gorlow formed Cardiff Park, LLC in March, 2003. John Gorlow is the sole member of Cardiff Park and serves as the firm's Chief Executive and Chief Compliance Officers. For more than 25 years, John Gorlow has worked in and consulted to the financial services industry.

## **Item 5: Our Fees**

Cardiff Park charges a fixed annual retainer, billed in arrears and invoiced quarterly. Contrary to industry wide practices, the fee is not calculated as a percentage of assets under management, rather it is based on the individual client situation and requirements. Cardiff Park does not accept commissions on the sale of investment products recommended to clients, nor does the firm generate fees through add-on services. Contrary to most of its competitors, Cardiff Park fees will never increase solely based on the appreciation of a client's portfolio. Cardiff Park's compensation structure avoids conflicts of interest, including the incentives to take large unsuitable risk and to recommend investment products based on compensation received rather than client need.

The Cardiff Park pricing model reflects the low cost structure of passive and index investing and the belief that advisory fees should be transparent, reasonable and justified. To support the firm's competitive value proposition, Cardiff Park maintains low costs by running an independent and operationally efficient business. Most key business processes are managed in-house and new investments are focused on technology, research and services to directly benefit clients.

Cardiff Park actively seeks to avoid material conflicts of interest. Neither Cardiff Park nor any affiliated persons receive any third party monetary compensation (i.e. commissions, 12b-1 fees, or other fees) from brokerage firms, custodians, or mutual fund companies. However, in the interest of transparency and full disclosure, Cardiff Park receives some additional services and non-direct monetary or other forms of compensation as a result of

the relationships with custodians and providers of mutual fund products. For example, the investment advisor and back office staff may be invited to attend educational conferences or entertainment events sponsored by brokerage firms, custodians or mutual fund companies. Cardiff Park believes that these unsolicited services and benefits provided by brokerage firms (custodians) and mutual fund providers do not materially impact the investment management recommendations made to clients.

Cardiff Park fees typically range between \$3,000 to \$10,000 per year, or \$750 to \$2,500 per quarter. After reviewing all aspects of a prospective client's situation, Cardiff Park prices the engagement based approximately on the amount of time required to serve each relationship yearly. Fees may be more in particular cases depending on complexities, number of accounts, portfolio size, or other unusual circumstances. If account setup is complicated, a one-time additional setup fee may be charged. Cardiff Park reserves the right to renegotiate in the event of a material change in the scope or volume of services to be performed. Cardiff Park reserves the right to charge a lesser investment advisory fee based upon a client's historical relationship to the firm, anticipated earnings capacity, dollar amount of assets to be managed, related accounts, and account composition.

Cardiff Park advisory fees accrue daily and are billed quarterly; clients are invoiced at the end of each calendar quarter. When management services commence on anything but the first day of each quarterly period, the fee for the opening period is prorated for the number of days serviced. When management services terminate on anything but the last day of the quarter, a final prorated fee will be invoiced for the number of days serviced. Upon termination of any account, unpaid funds will be promptly due, with the amount due based pro rata to the date of termination.

To promote greater investor account protections, unlike most advisors, Cardiff Park does not withdraw advisory fees directly from customer accounts, unless specifically requested by the client. Further, clients are generally invoiced electronically and via regular mail 15 days prior to the last day of March, June, September and December. Payment in full, either electronically or via check, is expected upon presentation of the invoice.

All fees paid to Cardiff Park for investment consulting and planning services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders and brokerage firms for their transaction execution services. In the case of stocks and bonds, the brokerage firm may charge a commission, fee or mark-up for executing transactions as a charge for safe keeping client assets. Cardiff Park does not receive any share of the revenue from investment companies or brokerage firms effectively removing any potential for this possible kind of conflict of interest.



Custodial transaction fees from the recommended custodians (see item 12) are directly negotiated between Cardiff Park and the custodian. Cardiff Park recognizes transaction costs as one factor that influences returns and seeks to minimize this impact by avoiding excessive rebalancing.

Mutual fund transaction fees charged by our recommended custodians generally vary from \$18 to \$49 for each purchase and sale transaction. Transaction costs for stock and bond trades vary. Accordingly, the client should review both the fees charged by the funds, the transaction fees charged by the custodian, as well as the fees charged by us, to fully understand the total amount of fees and costs paid by you, in connection with any recommended transaction. For a discussion of our practice in recommending brokers (custodians) to you and negotiating brokerage fees on your behalf, please see Item 12.

Cardiff Park encourages clients to review all transaction fees charged by the custodians and management fees charged by the mutual funds to fully understand the incurred costs for each position they maintain.

When transferring accounts from one brokerage to another, Clients may incur “account termination fees.” The estimated range for these account termination fees is \$0 to \$200, but at times may be much higher. You should contact your custodian (brokerage firms, bank or trust company, etc.) to determine the amount of account termination fees which may be deducted from existing accounts as the result of a transfer.

Cardiff Park believes the transaction costs and mutual fund charges in our program are competitive to those offered by similar firms providing a comparable range of services. Lower fees for comparable services may be available through other sources. One could invest in mutual funds directly, without advisory services, but would forgo the value Cardiff Park has to offer including: risk tolerance analysis, financial planning, portfolio design, access to institutional index and bond markets, implementation support, portfolio rebalancing, tax-loss harvesting, ongoing supervision, reporting, and a disciplined approach to investment.

Prior to engaging Cardiff Park, clients will generally be required to enter into a written management agreement with Cardiff Park setting forth the terms and conditions of the engagement and describing the scope of the services to be provided.

This management agreement is not assignable and either party may, at any time, terminate the agreement through 30 days written notice to the other party. Termination of an agreement will not affect the validity of previous actions undertaken by Cardiff Park under the agreement. Transactions initiated prior to termination and any prorated accrued advisor fees are the responsibility of the client. Upon termination of the agreement, Cardiff Park

will not possess any further obligation to take action regarding securities, cash, or other investments in a client's account.

## **Item 6: Performance Based Fees**

Performance based fees are typically based on a share of capital gains on asset appreciation in client accounts, e.g. hedge fund adviser clients. The end result of this compensation structure is an increased incentive to recommend investments that may carry a higher degree of risk than would otherwise be in the investor's best interest. Cardiff Park does not use a performance-based fee structure for several reasons, including the potential for the structure to generate substantial conflicts of interest between the client and adviser.

## **Item 7: Types of Clients**

Cardiff Park provides investment advisory services to individuals, trusts, endowments, retirement plan sponsors and business entities. Clients are required to enter into a written agreement with Cardiff Park which sets forth the terms and conditions of the engagement while describing the scope of investment management and financial planning services to be provided.

The minimum account size at Cardiff Park is \$1 million. Cardiff Park reserves the right to accept smaller accounts.

An optimal Cardiff Park client understands the principles of passive and index investing and is generally committed to a long term buy and hold strategy.

Cardiff Park, on request, will recommend several informative books and research papers on passive and index investing. Additional information can be obtained from the Dimensional Fund Advisors website (<http://dfa.us.com>).

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

### **General**

The portfolio management advice Cardiff Park provides is based on a long-term “buy and hold” passive and index investment approach incorporating modern portfolio theory and principles of finance. Building on the work of Harry Markowitz (1959) on portfolio selection and the efficient diversification of investments, empirical research in the decades that followed by financial economists William Sharpe, Robert Merton, Eugene Fama, and Ken French explained how markets work and identified predictive sources of expected returns in the equity and fixed income markets. Cardiff Park uses this research to build and maintain low cost, low-turnover, broad globally diversified, passively structured investment portfolios that seek to optimize risk and return.

This research shows that small cap and value stocks have historically had higher average returns than large cap and growth stocks. Therefore, investors comfortable with higher amounts of risk within their equity allocation can increase the expected return of their portfolio, without raising their equity-debt ratio, by tilting their allocation to these asset classes. More recent research, by Fama and French (2007), and Robert Novy-Marx (2012), shows that expected profitability is another reliable and robust dimension of expected returns. Controlling for market capitalization and the relative value dimensions of return, this research shows that more profitable firms historically have higher expected returns than less profitable firms.

Portfolios that target these variables on a global basis are expected to have higher returns over the long-term than portfolios that are more concentrated at either the security, country or asset class level. Analyzing the drivers of returns has important implications for investors because portfolios that target multiple dimensions of expected returns rely on several sources of added value and can give clients peace of mind that their investment success is not wholly dependent on the past repeating. Cardiff Park believes that structuring equity portfolios along the different variables of expected returns and continuously targeting these dimensions on a global basis will deliver a better overall experience for our clients.

At Cardiff Park, the portfolio design process begins with a comprehensive understanding of each client’s unique situation, risk tolerance, and goals. This is the basis for determining the target allocation to stocks and bonds; a decision that will have significant impact on portfolio risk and future returns. The composition of investments within each of the asset classes may follow models pre-defined by Cardiff Park or can be customized to suit individual client preferences, and to meet specific circumstances. These include the

presence of investments in a 401(K), 403b and other accounts, as well as a perception of the clients' understanding about the fundamental forces affecting risk and return in the capital markets.

In addition, initial asset allocation plans may be influenced by a review of macroeconomic indicators, and revisions may be recommended but tactical asset allocation strategies are generally not employed in the management of client portfolios.

**Past performance does not guarantee future results. Expected returns are based on past performance and certain assumptions about the future that may not turn out to be accurate and so there can be no guarantee that expected returns will be realized. All of the investment portfolios designed by Cardiff Park for its Clients involve the risk of loss.**

## **Methods of Analysis: Sources of Information**

Cardiff Park utilizes many sources of information to evaluate recommended investments including in most cases: corporate rating services, fundamental (P/E, P/B) valuation metrics, financial newspapers, journals, general economic and market information, academic white papers, periodicals, prospectuses, and other issuer prepared communications filed with the Securities and Exchange Commission. Research is also received from consultants, including financial economists affiliated with Dimensional Funds Advisors (DFA) and other firms. DFA provides historical market analysis, risk/return analysis, and continuing education services.

## **Types of Investments**

Cardiff Park recommends stock and bond index mutual funds as the building blocks for client portfolios. The passively managed funds offered by Dimensional Fund Advisors (DFA) are typically recommended. DFA funds offer broad diversification, reduced trading costs, and low turnover which results in smaller expected capital gains distributions than higher turnover strategies. DFA does not charge 12b-1 fees and their overall management fees are low because their advertising and marketing fees are kept to a minimum. For these reasons, DFA total mutual fund fees and trading costs are believed to be lower than the total fees and expenses incurred by most other mutual funds, including many ETFs. Although DFA funds are generally preferred, Vanguard funds, other index funds and some ETFs are also utilized.

Portfolios may also include a variety of individual short and intermediate term fixed income securities diversified across different issuers and economies. These include CD's.,

government bonds, corporate bonds, municipal bonds, and inflation protected securities. For clients with a substantial fixed income allocation, Cardiff Park generally recommends a combination of bond funds and individual fixed income investments. The actual investments recommended are dependent upon Cardiff Park's view of the risk-return relationship amongst various forms of fixed income investments or bonds funds. Cardiff Park may accept discretionary authority to manage a client's individual fixed income assets to ensure timely and efficient executions at quoted prices.

In addition to equity and fixed income asset allocations, Cardiff Park may recommend alternative investments including: publically traded real estate investment trusts (REITS), gold, commodity index funds, or commodity driven ETFs. Exposure to these uncorrelated asset classes may further diversify client portfolios.

Pre-existing investments are evaluated the planning and portfolio design process. Cardiff Park works with each client to develop a plan to reposition assets from their current portfolio to the desired portfolio. Investment advice may be offered on any investments held at the commencement of the advisory relationship. Portfolio holdings and asset allocation are monitored on a continuous basis and reported on a monthly basis.

At the direction of the client, Cardiff Park may facilitate the engagement of an unaffiliated investment manager to direct a portion of the client's assets. Cardiff Park evaluates the client's stated investment objectives then considers several factors including: the manager's investment style, performance, reputation, and financial strength. Cardiff Park will continue to render services to the client relative to monitoring and reviewing the unaffiliated investment manager's performance and progression of the client's investment objectives.

## **Risk of Loss**

Cardiff Park's investment recommendations seek to limit potfolo risk by counseling clients to invest in broadly diversified domestic and international equity mutual funds and in high quality fixed income securities or diversified bond funds. In addition to recommending global equity diversification, Cardiff Park further advises clients' to invest in underlying funds that represent a variety of different asset classes, such as large capitalization stocks, small capitalization stocks, stocks with a relative value orientation, emerging markets stocks and funds that primarily invest in publically traded REITs.

## Principal Risks

**Market Risk:** Cardiff Park believes that structuring portfolios along the different variables of expected returns and continuously targeting these dimensions on a global basis will deliver a better overall experience for our clients over the long-term.

However, even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer specific events will still subject you to declines in the value of your portfolio which can at times be dramatic. Because the value of your investments in the Portfolio will fluctuate, there is the risk that you will lose money.

**Small Company Risk:** Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, smaller capitalization companies are also more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

**Value Investment Risk:** Value stocks may perform differently from the market as a whole and following a value oriented investment strategy may cause a Portfolio to at times underperform a portfolio that use another investment strategy.

**Risks of Concentrating in the Real Estate Industry:** The value of securities in the real estate industry can be affected by changes in real estate values and rental income, property taxes, and tax and regulatory requirements. Also, the value of securities in the real estate industry may decline with changes in interest rates. Investing in REITs and REIT-like entities involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. REITs and REIT-like entities are dependent upon management skill, and may not be diversified. REITs are also subject to the possibility of failing to qualify for tax free pass-through of income. Also, because REITs typically are invested in a limited number of projects or in a particular market segment, these entities are more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments. The performance of a Real Estate Securities Portfolio may be materially different from the broad equity market.

**Foreign Securities and Currencies Risk:** Foreign securities prices may decline or fluctuate because of: (a) economic or political actions of foreign governments, and/or (b) less regulated or liquid securities markets. Investors holding these securities may also be exposed to foreign currency risk (the possibility that foreign currency will fluctuate in value against the U.S. dollar or that a foreign government will convert, or be forced to convert, its currency to another currency, changing its value against the U.S. dollar)

**Interest Rate Risk:** Fixed income securities are subject to interest rate risk because the prices of fixed income securities tend to move in the opposite direction of interest rates. When interest rates rise, fixed income security prices fall. When interest rates fall, fixed income security prices rise. In general, fixed income securities with longer maturities are more sensitive to changes in interest rates.

**Foreign Government Debt Risk:** The risk that: (a) the governmental entity that controls the repayment of government debt may not be willing or able to repay the principal and/or to pay the interest when it becomes due, due to factors such as political considerations, the relative size of the governmental entity's debt position in relation to the economy, cash flow problems, insufficient foreign currency reserves, the failure to put in place economic reforms required by the International Monetary Fund or other multilateral agencies, and/or other national economic factors; (b) governments may default on their debt securities, which may require holders of such securities to participate in debt rescheduling; and (c) there is no legal or bankruptcy process by which defaulted government debt may be collected in whole or in part.

**Credit Risk:** Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a fixed income security's value, and thus, impact a Portfolio's performance. Government agency obligations have different levels of credit support and, therefore, different degrees of credit risk. Securities issued by agencies and instrumentalities of the U.S. Government that are supported by the full faith and credit of the United States, such as the Federal Housing Administration and Ginnie Mae, present little credit risk. Other securities issued by agencies and instrumentalities sponsored by the U.S. Government, that are supported only by the issuer's right to borrow from the U.S. Treasury, subject to certain limitations, and securities issued by agencies and instrumentalities sponsored by the U.S. Government that are sponsored by the credit of the issuing agencies, such as Freddie Mac and Fannie Mae, are subject to a greater degree of credit risk. U.S. government agency securities issued or guaranteed by the credit of the agency may still involve a risk of non-payment of principal and/or interest.

**Income Risk:** Income risk is the risk that falling interest rates will cause a Portfolio's income to decline because, among other reasons, the proceeds from maturing short-term securities in its portfolio may be reinvested in lower-yielding securities.

**Liquidity Risk:** Liquidity risk exists when particular portfolio investments are difficult to purchase or sell at opportune prices or times. Liquid portfolio investments may become illiquid or less liquid after purchase due to low trading volume, adverse investor perceptions and/or other market developments.

**Derivatives Risk:** Derivatives are instruments, such as options contracts, whose value is derived from that of other assets, rates or indices. Derivative instruments are subject to a number of risks including counterparty, liquidity, interest rate, market, credit and management risks, and the risk of improper valuation. Changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index.

**Inflation-Protected Securities Interest Rate Risk:** Inflation-protected securities may react differently from other fixed income securities to changes in interest rates. Because interest rates on inflation-protected securities are adjusted for inflation, the values of these securities are not materially affected by inflation expectations. Therefore, the value of inflation-protected securities are anticipated to change in response to changes in “real” interest rates, which represent nominal (stated) interest rates reduced by the expected impact of inflation. Generally, the value of an inflation-protected security will fall when real interest rates rise and will rise when real interest rates fall.

**Exchange-Traded Funds:** Cardiff Park’s clients may invest in exchange-traded funds (“ETFs”). An ETF is an investment company which offers shares that are listed on a national securities exchange. Shares of ETFs, because they are listed on a stock exchange, can be traded throughout the day on that stock exchange at market-determined prices. ETFs typically invest predominantly in the securities comprising any underlying index. Changes in the prices of such shares generally, but may not in all cases, track the movement in the underlying index or sector securities relatively closely.

**Gold and other Commodities:** Cardiff Park’s clients may invest in commodities directly or indirectly via ETFs or other securities. Whether Cardiff Park’s clients realize a gain or loss from commodity investments depends generally upon movements in the underlying commodity. Such prices can be highly volatile based on a number of factors, including, without limitation, the effect of a widening of interest rate differentials between the cost of money and the cost of the underlying commodity, direct government intervention into the market, the impact of large-scale distress sales of the underlying commodity in times of crisis and the inherent uncertainties associated with the exploration, development and production of the underlying commodity.

Additional risk factors applicable to mutual funds, ETFs and REITs are set forth in the prospectuses or other disclosure documents that will be provided by these issuers. Clients should review these disclosure documents in detail.



## **Item 9: Disciplinary Information**

Registered investment advisors are required to disclose in this brochure material facts about any legal or disciplinary event that is material to a client's or prospective client's evaluation of Cardiff Park and our personnel in the management of your investment portfolio. Cardiff Park certifies that neither the advisor nor any management personnel have any such legal or disciplinary events to disclose.

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

Cardiff Park certifies that neither the advisor nor management personnel are engaged in any business activities other than Cardiff Park Advisors.

## **Item 11: Code of Ethics, Client Transactions and Personal Trading**

### **Code of Ethics**

Cardiff Park has adopted a Code of Ethics pursuant to SEC rule 204A-1 under the Investment Advisers Act of 1940, as amended. A basic tenet of Cardiff Park's Code of Ethics is that the interests of clients are always to be placed first. The Code of Ethics includes standards of business conduct requiring covered persons to comply with the federal securities laws and the fiduciary duties an investment adviser owes to its clients.

Cardiff Park and its employees shall always:

- Act in the best interest of each and every client
- Act with integrity and dignity when dealing with clients, prospects, team members and others
- Seek at all times to preserve our firm's independence and to maintain our complete objectivity with respect to our advisory services and each recommendation made to our clients.
- Strive to maintain and continually enhance our degree of professional education regarding Modern Portfolio Theory, asset allocation, and financial planning.

Cardiff Park will provide a copy of its Code of Ethics to any client or prospective client upon request.

### **Participation in Client Transactions**

Cardiff Park employees are permitted to effect transactions in securities recommended to clients consistent with the following policies and procedures.

Cardiff Park employees, their immediate family or any beneficial interests may not transact trades for their own accounts in a security which is being actively purchased or sold, or is being recommended for purchase on behalf of any of Cardiff Park's clients. When Cardiff Park is trading or recommending a trade in a security on behalf of a client, no employee of the firm may trade in that security prior to the completion of the transaction or until the trade recommendation has been rescinded.

Exceptions to the trading policies and procedures are: (a) transactions in any account over which the applicable Cardiff Park employee does not have either direct or indirect influence or control; (b) transactions in a security with sufficiently large volume that any trading activity will have negligible impact on the market of the security; (c) transactions in securities that are: direct obligations of the United States Government, certificates of deposit, high-quality short-term debt instruments, or shares issued by registered open-ended investment companies (mutual funds).

Under certain circumstances, exceptions may be made to the policies stated above. Cardiff Park will maintain records of these trades, including the reasons for any exceptions.

## **Item 12: Brokerage Practices**

### **Directed Brokers**

Cardiff Park's Clients generally direct Cardiff Park to execute transactions for their account through a broker selected by the Client, which is generally the custodian designated by the Client. Accounts are typically custodied at Fidelity, Pershing, Schwab or TD Ameritrade. Cardiff Park may, however, recommend that certain transactions be executed through brokers other than the designated custodian and, if such recommendations are accepted by the Client, Cardiff Park will execute the applicable transactions through the recommended broker.

By instructing Cardiff Park to execute transactions on behalf of the Client through the designated custodian, a disparity may exist between the commissions borne by the Client and the commissions borne by Cardiff Park's other Clients that do not direct Cardiff Park to use the same designated custodian. Also, by instructing Cardiff Park to execute transactions on their behalf through the designated custodian, Clients may not necessarily obtain commission rates and execution as favorable as those that would be obtained if Cardiff Park were able to place transactions with other broker-dealers.

In cases where Cardiff Park recommends a broker other than a Client's designated custodian to execute transactions, Cardiff Park's objective in selecting broker-dealers and

in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to its Clients' portfolio transactions. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution. Cardiff Park considers the full range of broker-dealer services, including: execution capability, commission rates, responsiveness and trade support. Cardiff Park will seek competitive rates, but it may not necessarily obtain the lowest possible commission rates for client transactions. Cardiff Park believes, in good faith, that the commissions are reasonable considering the value of the brokerage, research and client services received.

The designated custodians provide Cardiff Park with access to institutional trading and custody services that are typically not available to retail investors. These unsolicited services are generally available to independent investment advisors at no cost.

Services provided by the designated custodians to Cardiff Park include: a dedicated trading desk, a dedicated service group, an account service manager, and electronic download of trades. The designated custodians may also provide Cardiff Park with computer software and related systems support at no cost. This allows Cardiff Park to better service the client accounts maintained by them. The designated custodians offer benefits to clients including: duplicate and batched client statements, confirmations, year-end summaries, and the ability to have custody or other fees waived.

These products and services are provided at no cost to clients or reduced cost to Cardiff Park. These benefits accrue regardless of the amount of transactions directed by Cardiff Park to each of the designated custodians.

Brokerage commissions and transaction fees are exclusive of, and in addition to, Cardiff Park's fixed annual retainer fee. Cardiff Park has no direct affiliation or fee sharing arrangement with Fidelity, Pershing, Schwab or TD Ameritrade for participation in their institutional offerings.

On occasion, Cardiff Park staff may be offered the opportunity to attend conferences sponsored by discount brokerages or others, and to visit the offices of various mutual funds in order to perform due diligence inspections. The research completed will benefit all clients. Cardiff Park will not accept reimbursement for expenses while performing due diligence to select mutual funds or to evaluate brokerage firms. This may create a potential conflict of interest since custodial recommendations are not solely based on the cost or quality of custody and brokerage services provided.

## **Soft Dollars**

Cardiff Park receives a software maintenance credit of about \$4,000 per year from Charles Schwab & Company because some client assets are maintained at Schwab. This credit offsets annual maintenance fees for the firm's portfolio management software. All clients benefit from this credit as it reduces overall expenses. The selection of Charles Schwab & Company as a custodian for client assets is not affected by this nominal credit.

Cardiff Park may be the recipient of software and other informational materials from the designated custodians and distributors of mutual funds. These materials are unsolicited and accepted with the intent of assisting the firm with its investment decisions for the client.

## **Item 13: Review of Accounts**

Cardiff Park supervises client portfolios continuously and makes monthly periodic reports available through the firm's website. These reports track asset allocation, performance, unrealized gain or loss and fixed income. Rebalancing opportunities are created by portfolio contributions, withdrawals, and drift due to volatility. Cardiff Park addresses these opportunities rationally and individually, as they arise, to determine whether the benefits of adjustments outweigh the transactional costs. All adjustment recommendations are discussed via email or telephone conference calls since rebalancing does not occur without client approval.

When recommending security purchases in client accounts, preference is given to purchase additional shares in those funds currently owned, unless avoiding wash sale rules, fund closing or a substitute fund is judged more appropriate.

Upon request, Cardiff Park will perform tax loss harvesting. In undertaking rebalancing guidance and actions, Cardiff Park will seek to rebalance one or more asset classes closer to their targets. Cardiff Park may refrain from rebalancing a specific asset class due to tax concerns, high transaction costs relative to the trade amount, or other reasons.

## **Rebalancing**

Global diversification provides investors with a valuable tool for managing portfolio risk. But smart diversification has an important responsibility; namely, it requires portfolio maintenance. Once a portfolio is created, asset classes making up the portfolio inevitably will drift out of alignment with their target proportions as some increase in value while others depreciate.

When asset classes drift far enough from their targets, a portfolio should be rebalanced to bring it back into alignment with its original risk and return objective. Rebalancing a portfolio involves selling asset classes that have risen in value and buying more of asset classes that have depreciated.

By using the plan, not recent performance, to drive investment decisions, periodic rebalancing restores a portfolio to its original risk and return priorities. It also encourages unemotional decision-making, especially during times of market volatility.

When asset class returns diverge quickly and repeatedly, profitable rebalancing opportunities may occur more frequently. When asset classes tend to move together over prolonged periods, profitable rebalancing opportunities may occur infrequently, perhaps once every two or more years.

Therefore, rebalancing at predetermined calendar intervals is not a rational approach. At times, it will produce excessive trading when costs exceed benefits. At other times, profitable opportunities may be missed. No one knows where the stock and bond markets will go—and that's the point. The occasions and frequency of profitable rebalancing opportunities cannot be predicted reliably.

Determining when and how to rebalance requires careful portfolio supervision. At Cardiff Park, rebalancing is recommended when asset classes move above or below pre-specified boundaries. These boundaries may be defined according to a portfolio's stock-bond target weights or more appropriately by the percentage drift away from individual asset class target proportions within the stock and bond segments.

While there are good reasons to rebalance, the benefits must outweigh the costs. Several strategies can help minimize the impact: (1) Rebalance with additional cash. Rather than selling over-weighted assets that have appreciated; use cash to buy more under-weighted assets. This reduces transaction costs and the tax consequences of selling assets. (2) Whenever possible, rebalance in the tax-deferred or tax-exempt accounts where capital gains are not realized. (3) Incorporate tax management within taxable accounts, such as cost basis management, strategic loss harvesting, dividend management, gain/loss matching, and similar considerations. (4) Consider implementing an integrated portfolio strategy. Rather than maintaining barriers between asset classes and accounts, manage the portfolio as a whole.

In helping clients rebalance, Cardiff Park bases guidance on a structured plan which has been customized according to each investor's unique blend of goals, risk tolerance, cash flows, and tax status. Sensitivity to deviation from the target allocation, transaction costs, and taxes are also taken into consideration.

As rebalancing opportunities arise, Cardiff Park discusses suggestions via conference calls and email. Client approval is always obtained prior to rebalancing.

When recommending security purchases in client accounts, preference is given to purchase additional shares in those funds currently owned, unless to avoiding wash sale rules, a fund is closed, or a substitute security is judged to be more appropriate.

Upon request, Cardiff Park will perform tax loss harvesting since realized losses can be used to offset future gains, they are valuable. Their realization reduces the cost and increases the benefits of future rebalancing. Cardiff Park may not recommend rebalancing a specific asset class due to tax concerns, high transaction costs relative to the trade amount, or other reasons.

## **Regular Reports**

Monthly reports from Cardiff Park include asset allocation analysis, performance analysis and position performance. Clients may also directly access account information online such as current account value, cash balances, cost basis, trade confirmations, monthly statements and tax forms via the secure websites provided by the custodian where their accounts are held. Clients are encouraged to call Cardiff Park for whom to contact at the custodian whenever issues arise with online account access. Monthly or quarterly statements are available online from the correspondent brokers, banks, and/or insurance companies which hold their investments. These statements reflect the client assets held by the custodian.

Clients are strongly encouraged to review the monthly or quarterly statements available from the custodians. Despite the best efforts of any firm to safeguard its client's assets, fraud could still occur. While Cardiff Park is built on client trust and has never had an instance of theft or misappropriation of client funds, the firm believes it is important for clients to regularly verify their investment holdings.

Account statements from Cardiff Park and the respective custodian should be compared, in a timely manner, to see if there are any discrepancies. Should clients detect any unauthorized trading in an account, or unauthorized transfers of cash or securities, they are asked to contact, John Gorlow, Chief Compliance Officer, at 1-800-332-2238 as well as the custodian where the assets are held.

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

Advisors are required to describe any arrangement under which it or a related entity compensates another for client referrals. Advisors are also required to disclose any arrangement in which the advisor receives any economic benefit from a person who is not a client such as a custodian or a mutual fund company for providing advisory services. There are significant conflicts of interest when an advisor receives benefits from a third party for providing advisory services to a client or when an advisor pays a third party for client referrals.

Cardiff Park welcomes client referrals and has received many over the years. The referrals have come from current clients, accountants, physicians, attorneys, personal friends and other similar sources. Cardiff Park does not compensate referring parties for these referrals, nor does the firm accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

## **Item 15: Custody**

Cardiff Park does not accept custody of client securities, including access to client accounts to withdraw, transfer or otherwise move cash or securities from client accounts to the accounts of the firm or any other third party without standing instructions.

Cardiff Park clients receive account statements, trade confirms and tax statements directly from the qualified custodian (Fidelity, Pershing, Schwab, and TD Ameritrade) that maintains their assets. Cardiff Park strongly recommends that clients carefully review the account statements they receive from their custodian. Cardiff Park also encourages clients to compare the account statements they receive from custodians with those they receive from Cardiff Park. Comparing statements will allow clients to reconcile account activity and determine whether account transactions are in proper order.

For enhanced client security, Cardiff Park does not deduct advisory fees directly from client accounts, unless specifically requested by the client, because the firm believes the practice is unnecessary.

## **Item 16: Investment Discretion**

Clients appoint Cardiff Park as their agent and attorney-in-fact with respect to performing transactions in client accounts. The limited power of attorney contained in the account

creation forms or a separate, client signed, limited power of attorney document is required by custodians to evidence Cardiff Park's authority to trade for client accounts. The ability to enter trades electronically for clients often provides reduced transaction fees and other benefits. However, Cardiff Park does not accept discretion to place trades without prior client consent, granted by email, phone or fax.

With client consent, Cardiff Park may, in a few select cases, accept discretion to purchase individual investment grade fixed income securities. The purpose of this discretion is to enable the firm to undertake purchases in a timely manner when securities are available at quoted prices.

### **Item 17: Voting Client Securities**

Advisors are required to disclose whether they have or will accept authority to vote client securities. Proxy voting practices and the conflicts arising from such practices are important information and should be disclosed. Cardiff Park does not accept authority to vote proxies on behalf of clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in their portfolios. Clients will receive their proxies or other solicitations directly from the custodian or transfer agent. Clients may call or email Cardiff Park with questions or to obtain advice regarding a particular proxy or other solicitation.

### **Item 18: Financial Information**

Cardiff Park may accept limited forms of discretion over client accounts, as described in item 16 of this Brochure. Due to this acceptance, Cardiff Park is required to disclose any financial condition that is reasonably likely to impair the ability to meet contractual commitments to clients. Cardiff Park certifies that there is no such financial condition to disclose to clients.

A balance sheet is not required to be provided since Cardiff Park does not serve as custodian for client funds or securities, nor does the firm require pre-payment of more than \$1,200 in fees six months or more in advance.



## **Additional Information**

### **Business Continuity Plan**

Cardiff Park has a business continuity plan in place that provides steps to mitigate and recover from the loss of office space, communications, services or key people, including cause from natural and manmade disasters.

Electronic files are backed up daily and archived offsite. In the event our main office is unavailable, an alternate office has been identified to support ongoing operations. Cardiff Park intends to contact clients within five days of a disaster that dictates moving the office to an alternate location.

### **Information Security Program**

Cardiff Park maintains an information security program to reduce the risk that personal and confidential information may be breached.

### **Privacy Notice**

Cardiff Park collects nonpublic personal information about Clients from the following sources:

- Information we receive from Clients in agreements, applications or other forms; and
- Information about Clients' transactions with Cardiff Park or others.

Cardiff Park does not disclose any nonpublic personal information about Cardiff Park's customers or former customers to anyone, except as permitted by law.

Cardiff Park restricts access to nonpublic personal information about its Clients to those employees who need to know that information to provide products or services to the Clients. Cardiff Park maintains physical, electronic, and procedural safeguards that comply with federal standards to guard its Clients' nonpublic personal information.

**Brochure Supplement (Part 2B of form ADV)**

**John Gorlow**

**Brochure Supplement  
2B of Form ADV**

**Cardiff Park Advisors, LLC  
2257 Vista La Nisa  
Carlsbad, CA 92009**

**Phone:(760) 635-7526**

**Fax:(760) 284-5550**

**Website:<http://cardiffpark.com>**

**Email:[jgorlow@cardiffpark.com](mailto:jgorlow@cardiffpark.com)**

**July 31, 2014**

This brochure provides information about John Gorlow that supplements the Cardiff Park Advisors, LLC (Cardiff Park) brochure. You should have received a copy of that brochure. Please contact John Gorlow at the phone or email address above if you did not receive Cardiff Park's brochure or if you have questions about the contents of this supplement.

Additional information about John Gorlow is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

John Gorlow established Cardiff Park Advisors, LLC in 2003 in the State of California. As principal, Mr. Gorlow brings more than 25 years of experience working in and consulting to the financial services industry. Cardiff Park Advisors, LLC was granted registration with the U.S. Securities and Exchange Commission in May, 2006. As the sole member of Cardiff Park Advisors, LLC, Mr. Gorlow is responsible for all of Cardiff Park's key activities including investment management, consulting, reporting and compliance. Mr. Gorlow is 55 years old.

Prior to forming Cardiff Park Advisors, LLC Mr. Gorlow served as an investment advisor at Ernst & Young in San Francisco. At Ernst & Young, Mr Gorlow managed Investment Advisory engagements for private clients of the firm. Previously, Mr. Gorlow spent 14 years delivering personal investment management services for the private client groups of leading Wall Street brokerage firms Merrill Lynch, Lehman Brothers and Oppenheimer. Mr. Gorlow earned a Master's Degree in Business Administration (MBA) at Fordham University in New York and a Bachelor's degree from Penn State University. Mr. Gorlow held the CIMA certification, earned through the University of Pennsylvania's Wharton School of Business. CIMA, or Certified Investment Management Analyst, is an industry sponsored certification awarded by IMCA (Investment Management Consulting Association) for demonstrating a high level of competency as an advanced investment consultant.

## **Item 3: Disciplinary Information**

None

## **Item 4: Other Business Activities**

None

## **Item 5: Additional Compensation**

None

## **Item 6: Supervision**

Mr. Gorlow as Chief Executive of the firm is responsible for providing supervisory oversight to Cardiff Park Advisors; however, Mr. Gorlow is also in charge of the investment and trading processes. Mr. Gorlow may be contacted at the phone number as shown on the cover page.

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