



**Firm Brochure**  
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Agincourt Capital Management, LLC [ōwe,ö ōusö or ōourö]. If you have any questions about the contents of this brochure, please contact us at: 804.648.1111, or by email at: [lhaynie@agincourtcapital.com](mailto:lhaynie@agincourtcapital.com). Agincourt Capital Management, LLC is an SEC Registered Investment Adviser, however registration does not imply a certain level of skill or training. 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 Agincourt Capital Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

March 31, 2015



## Material Changes

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### Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### Material Changes since the Last Update

On August 12, 2010, the U. S. Securities and Exchange Commission published Amendments to Form ADV which requires us to provide clients with a brochure and brochure supplement written in plain English. This brochure dated March 31, 2015 is prepared according to the SEC's new requirements and rules.

Going forward we will ensure that you receive a summary of any material changes to our brochure by March 31 of each year. We may also provide updated disclosure information about material changes on a more frequent basis. Any summaries of changes will include the date of our last annual update of our brochure.

#### Material changes for 2015:

Agincourt added four new partners in 2015: Ryon Acey, Catherine Temple, Shannon Borum, and Erika Banks. There is no change in the Management Team.

Agincourt began sub-advising a small group of fixed income mutual funds in March 2015, with assets of over \$300 million.

Agincourt eliminated one level in its graduated fee schedule: we removed the fee rate of 0.00025% on assets above \$250 million.

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### Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 804.648.1111 or by email at: [lhaynie@agincourtcapital.com](mailto:lhaynie@agincourtcapital.com).



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## Investment Advisory Business

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### Firm Description

Our firm, Agincourt Capital Management, LLC, was founded in 1999 by the entire investment team of what was Sovran Capital Management. We are an independent investment adviser registered under the Investment Advisers Act of 1940.

The firm manages over \$5 billion in institutional fixed income (bond) assets. We are 100% employee-owned. Portfolios are managed on a team basis, and the senior members of the Investment Team (Brad Coats, Patrick Kelly, Duncan Buoyer, and Pat O'Hara) have worked together for over 20 years. Other owners include Bill Armes (joined 1997), Scott Marshall (1998), Ryon Acey (2004), Catherine Temple (2000), Shannon Borum (2000), Erika Banks, (1999) and Laura Haynie (1993.)

We provide customized fixed income investment advisory services to pension and profit sharing plans, state or municipal government entities, charitable organizations, corporations or business entities, and insurance companies. We also have a small number of trusts, estates, or individuals as fixed income clients. We do act as a sub-adviser for fixed income mutual funds. The term "fixed income" is interchangeable with the word "bond." Portfolio decisions are made according to the investment objectives sought by the client. We are strictly a fee-only investment management firm; our fees are based on a percentage of assets under management, and in a small number of cases, net outperformance of a predetermined benchmark. We do not charge wrap fees or commissions.

The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted. Additionally, all of the firm's strategies are managed in-house.

We do not act as a custodian of client assets. The client always maintains asset control, through asset custodians selected by the client. Under the Investment Advisers Act of 1940, we owe our clients certain fiduciary duties. Our clients give discretionary authority to make trades in client accounts under a limited power of attorney.

Portfolios are reviewed on an ongoing, continuous basis.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) may be engaged directly by the client on an as-needed basis. If there is a conflict of interest other than types disclosed in this brochure (See Performance Based Fees, Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading and Brokerage Practices) they will be disclosed to the client in the unlikely event they should occur.



We have adopted a Policy & Procedures Manual, which is available upon request.

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**Principal Owners**

Bradley P. Coats, Patrick K. Kelly, L. Duncan Buoyer, and Patrick T. O'Hara are owners. These individuals constitute our Management Team.

In addition, William M. Armes, B. Scott Marshall, Ryon H. Acey, Catherine C. Temple, Shannon M. Borum, Erika D. Banks and Laura W. Haynie own interests in Agincourt.

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**Types of Advisory Services**

We provide investment advisory services, specializing in taxable fixed income portfolios. We do not provide investment advice for other asset categories, such as equities or real estate.

As of December 31, 2014, we managed approximately \$5,004,184,546 in assets for 144 clients (See Types of Clients). We calculate our assets under management under the method required under Item 5.F of Part 1.A of Form ADV. All assets are managed on a discretionary basis.

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**Tailored Relationships**

The goals and objectives for each client are documented in our client Investment Management Agreement (or similar agreement), or by subsequent communication from the client to us. Many of our clients are sophisticated or institutional investors and may provide their internally generated investment policy statements that reflect the client's stated goals and objectives. Our clients may impose restrictions against or limitations on investing in certain securities or types of securities.

We provide investment advice specifically designed to meet the client's investment objectives while adhering to agreed upon investment restrictions.

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**Investment Management Agreement**

Our clients execute an Investment Management Agreement, which defines our responsibilities and those of our clients. We seek to achieve our client's needs and objectives in managing portfolios through security research and portfolio management. A client's Investment Management Agreement cannot be assigned without the client's consent.



### **Sub-Advisory Arrangements**

We have entered into various "sub-advisory" agreements whereby we provide our investment adviser services to other investment advisers for use with their clients. We strive to provide identical services to sub-advised clients, of course, subject to each client's and sub-advised client's objectives and restrictions, and we charge the same fees to our direct and sub-advised clients. The terms, conditions and fees for our sub-advised clients do not differ in a material way from the terms, conditions and fees for our other clients.

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### **Termination of Agreement**

Either party, us or our client, may terminate an Investment Management Agreement by written notice to the other party. Clients can generally terminate upon 5 business days written notice. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination. Refunds are generally not required because compensation is paid after services are provided. Certain clients have arranged to prepay their compensation three months in advance. Any prepaid fees that are unearned at the date of termination will be refunded on a pro rata basis to the client.

## **Fees and Compensation**

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### **Description**

Fees are not negotiable, generally; however, for a few select investment strategies fees may be negotiable. For most of our clients, the fees charged for our investment advisory services are based on a percentage of the total assets under management at the end of each quarter or each month during the quarter. These fees are billed quarterly, computed from the following annual schedule:

#### **Fixed Income**

0.25% on the first \$25 Million of assets  
0.20% on the next \$75 Million of assets  
0.15% on the next \$50 Million of assets  
0.10% on the next \$50 Million of assets  
0.05% on the balance



### **TIPS (Treasury Inflation Protected Securities)**

0.10% on all assets

Compensation is payable in accordance with the terms of the Investment Management Agreement. We generally request payment of fees at the end of each quarter for which services are provided; however, certain clients have arranged to prepay our compensation at the beginning of the quarter for the applicable quarter. (See Termination of Agreement above.) We generally base our fees on assets under management but certain clients have requested performance-based fees.

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### **Fee Billing**

Investment management fees are billed quarterly, in arrears, meaning we send an invoice to clients after the three-month billing period has ended. Payment in full is expected upon invoice presentation. Invoices are usually sent to the client contact, or the custodian if directed by the client. The client always receives a copy of any invoice. We do not have the authority to deduct our fees directly from the client's account. Our fees are paid either directly by the client or by the client's custodian at the client's direction after the receipt of our invoice.

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### **Other Fees**

The custodians selected by our clients for clients' various assets and securities, including cash equivalents, may charge various custodian, transaction or other fees for maintaining client accounts. We have no control over and receive no portion of such fees. Finally, broker-dealers executing a transaction for a client may receive a bid-ask spread, charge commissions or other transaction-based fees. (See the discussion of Brokerage Practices regarding how we select broker-dealers.) We do not charge any fees other than the asset based or performance based fees described in our Investment Management Agreements—specifically, we do not charge wrap fees or commissions for our services.

## **Performance-Based Fees**

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### **Sharing of Net Outperformance vs. Predetermined Benchmark Index**

A few clients have requested a fee arrangement with us that includes a performance-based fee component. This alternative fee structure consists of (a) an asset-based fee that is paid quarterly and (b) a performance fee that is based on the net outperformance of the client's portfolio versus a benchmark, which is based on the client's investment objectives, determined in advance and agreed to by us and our client. Typically, there are limits placed on our fees for outperforming the applicable benchmark.





Performance fees are paid following the first twelve months that the portfolio is under our management, and thereafter, either on an annual basis or on a quarterly basis as agreed upon between us and our client.

Clients should understand that a performance fee arrangement has the potential to create an incentive for us (i) to make investments that are riskier or more speculative than would be the case in the absence of a performance fee, and (ii) to ðfavorö accounts which pay performance fees, i.e., allocate trades to those accounts in a way that increases their performance more than other accounts that do not pay performance fees. We have adopted and follow a strict Code of Ethics which explicitly requires that all accounts be treated fairly, and that none receive favorable treatment in security transactions allocations, examined as a whole and taking into account the limitations on, and investment objectives of, the accounts. Further, we sample actual transactions and test for fairness. Our Code of Ethics is available on request.

## Types of Clients

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### Description

We generally provide investment advice about fixed income (bond) portfolios to pension and profit sharing plans, state or municipal government entities, charitable organizations, corporations or business entities, and insurance companies. We also have a small number of trusts, estates, or individuals as fixed income clients. We do act as a sub-adviser for fixed income mutual funds.

Client relationships vary in scope and length of service.

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### Account Minimums

The minimum account size is \$5 million of assets under management. We have the discretion to waive the account minimum and have done so in the past.

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

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### Methods of Analysis

Security analysis methods may include fundamental analysis of global capital markets, industries and individual companies, technical analysis, and business and market cyclical analysis.

The main sources of information include quarterly earnings releases, annual reports, prospectuses, filings with the Securities and Exchange Commission, other company press releases, electronic financial information services, financial newspapers and



magazines, inspections of corporate activities, research materials prepared by others, and corporate rating services.

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### **Investment Strategies**

We provide fixed income portfolio investment advice and strategies tailored to the clients' specific risk preferences, as communicated in their choice of benchmark or other investment objectives. The client may change these objectives at any time. Each client communicates their objectives and their desired investment strategy, and lists any restrictions or limitations.

Our total return fixed income investment style is a yield-driven, active management approach, focusing on securities' fundamental value. We try to minimize market timing or interest rate forecasting. We seek to provide our clients with consistently above average returns while not taking materially more risk than that of their benchmark index if they have selected one. We use three primary strategies in managing total return fixed income portfolios: Sector Management, Security Selection, and Yield Curve / Duration Management.

For most of our clients, Sector Management is our most important and most aggressive strategy. We believe that yield wins over time, since yield is the predominant source of return in a bond portfolio. That is, portfolios with a somewhat higher yield should produce somewhat higher returns, on average, than portfolios with lower yield. This leads us to prefer to invest in high-quality higher-yielding securities, including investment-grade corporate bonds and investment-grade structured mortgage / asset-backed bonds. U.S. Treasury or Agency securities are utilized for liquidity and yield curve / duration risk management.

Over- and under-weights in the various sectors and sub-sectors are based on our judgment of fundamental value. We examine current and historical relationships in the context of key macro risk measures: fundamental industry credit trends, global and local economic trends, and current and prospective business conditions. The goal is to produce highly diversified, high quality portfolios that possess more yield and better total return prospects than the client benchmark index.

After we determine broad sector and industry weightings, we focus on Security Selection. We look for the best individual securities to add to clients' portfolios. In the universe of investment grade corporate bonds, our corporate credit group looks at qualitative factors (industry position, quality of management, attitude toward bond holders, and ratings agency trends), as well as quantitative measures (ratio analysis, security valuation and analytics). In mortgage-backed and other asset-backed securities, our structured security group examines trends in the housing or the specific asset market (geographic and demographic trends, for example.) We then continue to analyze individual securities. Analysis factors include items such as expected



performance in various interest rate or prepayment scenarios, issuer status (Agency vs. non-Agency), issuer creditworthiness, and option-adjusted spread analysis. Supply and demand factors are also analyzed, as capital market technical factors can have a powerful short-term impact on the pricing. Finally, each client's specific objectives, restrictions or limitations will necessarily be considered when the Team implements its strategy for each client.

Since changing yield curves can dramatically impact total returns, we carefully analyze the bond yield curves to arrive at a preferred yield curve allocation. We typically use forward looking computer generated analysis to test various yield curve structures in multiple scenarios. We judge fundamental value along the yield curve, using the generated results, to help structure our clients' portfolios. Clients' portfolios are arranged as efficiently as possible, given the duration target.

Our duration strategy is designed to give each client the level of interest rate risk they desire, given their chosen benchmark or investment objectives. We often set the duration target for a client's portfolio slightly shorter than the client's actual expected investment horizon to reduce the volatility of returns attributable to interest rate changes. Adjustments in the duration target are modest. Real, inflation-adjusted yields are a primary (but not only) measure that we use to set our duration target. The higher real yields are, the more likely we are to extend the duration of our clients' portfolios, and vice-versa.

Other strategies may include short-term trading to take advantage of capital market opportunities.

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## **Risk of Loss**

All investments involve the risk of loss, including (among other things) loss of principal, a reduction in earnings (including interest or other distributions), and the loss of future earnings. Although we manage client assets in a manner consistent with risk tolerances, there can be no guarantee that our efforts will be successful. Each client should be prepared to bear the risk of loss.

We invest in bonds and similar securities (also referred to as fixed income securities.) Bonds are securities requiring the periodic payment of interest to the investor, along with the full repayment of principal, at pre-determined dates. There are various kinds of risk in bond portfolios: interest rate risk (measured by duration), credit risk, ratings agency risk, call/prepayment risk, liquidity risk, and general market risk, including market events caused by political, economic, or social volatility.

- **Interest Rate Risk:** Changes in general bond market interest rates will cause market prices of bonds to adjust, in the opposite direction. For example, when market interest rates rise, yields on existing bonds become less attractive,



causing their market values to decline. When the opposite change occurs, interest rates (and bond yields) decline, the result is that bond prices rise. In general, longer maturity bonds are more sensitive to changes in interest rates than shorter maturity bonds.

- **Credit Risk:** This refers to the risk that the bond issuer (governments, government agencies, corporations or similar) may not be able to make a future principal or interest payment due to a deterioration of the issuer's operating fundamentals. Excessive borrowing to finance an issuer's operations can also increase credit risk, because the issuer must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet obligations may result in a bankruptcy, or a debt restructuring, and/or a declining market value.
- **Ratings Agency Risk:** This is related to (but different from) Credit Risk. Many investors institute minimum bond rating standards for inclusion in their portfolio. Thus, market demand for a particular issuer's bonds can be highly affected by the ratings that each nationally-recognized Ratings Agency (Moody's, Standard & Poor's, and Fitch) assigns to that issuer's bonds. For a given level of yield, there will be greater demand for higher rated bonds and less demand for lower rated bonds.
- **Call/ Prepayment Risk:** This refers to the risk that a bond issuer may repay the bond principal at an early moment disadvantageous to a bond investor. This is particularly important for bonds known as Mortgage-Backed Securities, as MBS prepayment risk is constantly changing along with movements in interest rates.
- **Reinvestment Risk:** This is the risk that future proceeds (principal or interest) from investments may have to be reinvested at a potentially lower yield than at present. The longer the investment time horizon, the more substantial is this risk.
- **Inflation Risk:** With inflation, a dollar tomorrow will not buy as much as a dollar today, because purchasing power is eroding at the rate of inflation. Higher rates of inflation are often associated with higher levels of interest rates, and lower levels of bond prices (See Interest Rate Risk.)
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not. This risk can vary significantly over time.
- **General Market Risk:** The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For



example, political, economic and social conditions may trigger market events. Overseas investments (even in US dollars) are subject to fluctuations in the perception of the quality of the investment environment in that foreign country, as well as that country's creditworthiness.

## **Disciplinary Information**

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### **Legal and Disciplinary**

The firm and our management personnel have not been involved in any legal or disciplinary event that is material to a client or prospective client's evaluation of the integrity of Agincourt or its management personnel.

## **Other Financial Industry Activities and Affiliations**

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### **Financial Industry Activities**

#### **Affiliations**

We are independent and have no relationship with any affiliated entity that is material to our advisory business with any other financial industry participants, including the following:

- broker-dealers,
- investment companies or other pooled investment vehicles (including mutual funds, closed-end investment companies, unit investment trusts, private investment companies or "hedge funds," and offshore funds),
- other investment advisers or financial planners,
- futures commission merchants, commodity pool operators, or commodity trading advisers,
- banking or thrift institutions,
- accountants or accounting firms,
- lawyers or law firms,
- insurance companies or agencies,
- pension consultants,
- real estate brokers-dealers, or
- sponsors or syndicators of limited partnerships.



We do not select other advisers for our clients.

Like any business, various unaffiliated service providers, including broker-dealers, lawyers, accountants, insurance brokers, benefit plan consultants and administrators, banks, or real estate brokers, provide us services related to our business operations and employee benefits. Some of these services provided by unaffiliated entities might be considered material to us continuing to operate our business. Occasionally one of these service providers will refer clients to us. We have not compensated any such service providers for providing referrals.

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

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### **Code of Ethics**

We have adopted a Code of Ethics pursuant to SEC Rule 204A-1. This Code requires all of our employees to put the interests of clients ahead of their own interests. An employee's failure to comply with the Code of Ethics or our Policies and Procedures Manual is grounds for termination. We will provide a copy of the Code of Ethics or Policies and Procedures Manual to any client or prospective client upon request.

Among other things, our code of ethics addresses the following issues:

- Employees should act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, or colleagues,
- Employees have a duty of loyalty to their clients and must act with reasonable care and exercise prudent judgment. Employees must act for the benefit of clients and place clients' interests before Agincourt's or their own interests. Employees must deal fairly and objectively with all clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities,
- Employees should use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities. Employees must not knowingly make any misrepresentations relating to investment analysis, recommendations, actions, or other professional activities,
- Employees should keep information about current, former, and prospective clients confidential unless (1) the information concerns illegal activities on the part of the client or prospective client, or (2) disclosure is required by law, or (3) the client or prospective client permits disclosure of the information,



- Employees should promote the integrity of, and uphold the rules governing, capital markets. Employees must not engage in practices that distort prices or artificially inflate trading volume with the intent to mislead market participants. Investment transactions for clients must have priority over any personal investment transactions,
- When communicating investment performance information, employees must make reasonable efforts to ensure that it is fair, accurate, and complete.

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**Participation or Interest in Client Transactions**

Employees may not trade their own securities ahead of client trades. Employees trading in securities for their own account must comply with the provisions of our Policies and Procedures Manual.

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**Personal Trading**

Bradley P. Coats is our Chief Compliance Officer. Under our Policies and Procedures Manual, he reviews all employee security trades each quarter (Mutual funds, Money Market Funds, and ETF transactions are not required to be reported.) Coats' trades are reviewed by Patrick T. O'Hara. The personal trading reviews ensure that the personal trading of securities by employees does not affect the markets, and that our clients receive preferential treatment. Most employee trades are small mutual fund trades or exchange-traded fund trades. Our employees are not allowed to purchase fixed income securities without the prior approval of our Chief Compliance Officer.

Employees shall ensure that clients' transactions have priority over transactions in which employees have beneficial interests. Employees shall make every effort to avoid even the appearance of conflict of interest, and shall disclose to the Management Team any conflict of interest.

**Brokerage Practices**

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**Selecting Brokerage Firms**

This paragraph deals with how we select the broker-dealers executing transactions for our clients. We do not select custodians (See Custody).

We do not have any affiliation with any broker-dealers, including those that sell the products and securities in which we invest for our clients. We do not receive fees or commissions from any arrangements with broker-dealers.

Many broker-dealers we select provide market research and commentary for our benefit, and indirectly for the benefit of our clients. Since we do not produce research





similar to that provided to us by third party broker-dealers, we may have an incentive to execute client transactions with broker-dealers that provide this useful research. The types of information provided by broker-dealers include general capital market commentary including various risk assessments, economic analysis and commentary, trends in creditworthiness of industries and individual bond issuers, details and trends in bond issuance, trends in buyer preferences (of issuers/structure/credit-risk /embedded options, etc.), detailed reports on residential and commercial mortgage securitization, and a host of other research of similar content.

We put broker-dealers on our approved list based on multiple criteria which include best execution trading capability, financial soundness, whether they are offering or bidding for a particular security, market research and history of recommendations. Research services furnished to us by broker-dealers may be used in connection with all or some client accounts, regardless of whether securities in a particular client's account were traded through the particular broker providing the research.

We have discretionary authority over client investments. As such, we do not participate in directed brokerage (where the client determines with whom we can execute trades.)

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**Best Execution**

It is our basic policy and obligation to obtain best execution for client transactions, by obtaining timely order execution at competitive security prices and brokerage rates. In some instances, we may be aware of only one broker-dealer who may be willing to offer, or bid for, certain securities in the size or quantity desired. We make the determination that transaction prices are reasonable and fair in the context of market conditions then observable. In some circumstances, the commissions paid on transactions with a broker-dealer might exceed the amount another broker-dealer would have charged for effecting such transactions.

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**Soft Dollars**

Except for executing through broker-dealers who provide quality research and statistical capabilities as described in the following paragraph, we do not utilize any soft dollar or similar arrangements. We do not maintain a "soft dollar" account with any broker-dealers or cause clients to pay any commissions or fees from client trades or client accounts that are designated for soft dollar accounts or soft dollar purchases.

We may select certain broker-dealers based on their research and statistical capabilities that they provide, as well as their financial quality and soundness. However, we do not receive customized research from broker-dealers; we only receive research of the type generally provided by broker-dealers to their customers. Where broker-dealers provide us research because we use the broker-dealer to execute transactions for our clients, we benefit because we do not have to produce or pay for that research. Where a broker-dealer provides this sort of useful research, a





potential conflict of interest may exist--we may have an interest in receiving that research instead of obtaining the most favorable execution. It is our basic policy and obligation to obtain best execution for client transactions, by obtaining timely order execution at competitive security prices and brokerage rates.

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**Order Aggregation**

Security purchase and sales orders are aggregated where feasible (multiple clients and/or accounts) to improve the price execution.

## **Review of Accounts**

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**Periodic Reviews**

Our Investment Team manages all accounts. All accounts are monitored on an ongoing basis, both as to the total account and merits of each holding. Portfolio Managers are authorized to effect all necessary transactions to adjust the investment mix, subject to supervision by Duncan Buoyer (or in his absence, by another member of the Management Team.)

Security transactions must be suitable for the account in light of the account investment objectives and restrictions. Purchases of securities will be made pursuant to guidelines. Portfolio Managers are to ensure that all securities transactions are properly recorded. Portfolio Managers should be familiar with trading activity, investment strategy and restrictions of any client account, or be able to quickly determine such. Thus, each Portfolio Manager can serve as a backup for any other Portfolio Manager.

Account reviewers are members of our Investment Team. They are instructed to consider the client's current security positions and the likelihood that the performance of each security, both on an absolute basis and on how it might perform in an overall portfolio context, can contribute to meeting the investment objectives of the client over time.

Account reviews are performed at least quarterly, or more frequently if conditions dictate, along with investment performance calculations, by the Investment Team.

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**Review Triggers**

Other conditions that may trigger a review are changes in the portfolio's risk measurements (such as credit or interest rate risk,) new regulations or laws, new investment information, or changes in a client's investment guidelines or objectives.



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**Regular Reports**

Clients receive written periodic communications regarding their investments on a quarterly basis. The written updates may include a performance review in comparison to a pre-established benchmark index, as well as market commentary on trailing periods and an outlook on possible future developments. Some clients have asked to receive their written reports electronically.

## **Client Referrals and Other Compensation**

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**Incoming Referrals**

We have been fortunate to receive many client referrals over the years. The referrals came from current clients, investment consultants, accountants, and other similar sources. The firm does not compensate referring parties for these referrals.

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**Referrals Out**

We do not accept referral fees or any form of remuneration from any third party when we refer a prospect or client to them.

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**Other Compensation**

We have no business other than providing investment advice to our clients, and our firm has no other sources of income except interest income from short-term investments.

## **Custody**

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**Account Statements**

All assets are held at qualified custodians hired by the client, which means the custodians provide account statements directly to clients at their address of record, usually on a monthly basis.

Our clients contract with the custodian (of their choice) and determine the fees paid to the custodian. We do not receive any portion of the transaction fees paid by the client to the custodian.

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**Performance Reports**

Clients are urged to compare the account statements received directly from their custodians and other third parties, to the performance reports provided by us.



## Investment Discretion

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### Discretionary Authority for Trading

We have discretionary authority to manage securities accounts on behalf of all of our clients. We have the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

Discretionary trading authority facilitates placing trades in client accounts on their behalf so that we may promptly implement the client's investment policy. Clients may limit our authority to buy certain securities and provide us with investment policies or other guidance on their investment objectives that may limit our discretion.

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### Limited Power of Attorney

Each client's Investment Management Agreement gives us the authority to execute trades on its behalf.

## Voting Client Securities

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### Proxy Votes

We do not vote proxies on securities. Clients are expected to vote their own proxies, if they arise from holding fixed income securities. Custodians often receive notice of corporate actions or of tender offers, etc. We treat these as market information, and react according to our investment judgment, notifying the custodian of any investment decisions.

## Financial Information

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### Financial Condition

We are required to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual commitments to our clients and we have not been the subject of a bankruptcy proceeding. We do not require or solicit pre-payment of any type of client fees.