

# Gerber/Taylor Associates, Inc.

## Part 2A of Form ADV The Brochure

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March 31, 2013

This Brochure provides information about the qualifications and business practices of Gerber/Taylor Associates, Inc. ["GTA"]. If you have any questions about the contents of this Brochure, please contact us at (901) 526-9750 and/or [mcornpropst@gerbertaylor.com](mailto:mcornpropst@gerbertaylor.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

## Material Changes

GTA's most recent update to Part 2 of Form ADV ("Brochure") was made in February 2012. GTA's business activities have not changed materially since the time of that update.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year.

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## Advisory Business

GTA primarily provides customized investment consulting services on a non-discretionary basis through the use of multi-manager, multi-style diversification techniques to large tax-exempt investment accounts including pension plans, profit sharing plans, private and public foundations, endowments, and other institutional investors, and to high net worth individuals.

In addition, GTA provides customized asset allocation services to small tax-exempt investment plans and individuals. Generally, however, GTA suggests that such smaller plans and individuals implement their advice through mutual funds available through Charles Schwab & Co. ("Schwab").

Clients may engage GTA for some or all of the following services: the establishment of investment objectives, the evaluation of tolerable risks, the strategic allocation of assets among various investment styles, the selection of investment managers or funds to implement the strategy and ongoing monitoring of investment results in light of the nature of the client account plan and the market environment.

GTA does not recommend specific direct investments in securities. Instead GTA focuses on identifying the suitable asset allocations for its clients and implements this allocation by recommending the use of other investment managers, funds of funds or mutual funds to manage the client's portfolio. Among other investments, GTA may recommend investments in funds of funds managed by its affiliate, Gerber/Taylor Management Company ("GTM"). See "Financial Industry Affiliations and Activities" below.

GTA was founded in 1990 and is a wholly-owned subsidiary of Gerber/Taylor Capital Advisors (formerly known as Gerber/Taylor Holdings, Inc.), a Tennessee Corporation. Charles C. Gerber owns more than 25% of Gerber/Taylor Capital Advisors. In addition, the following individuals have an equity interest in Gerber/Taylor Capital Advisors: R. Andrew Taylor, William E. Pickens, Michael J. Douglass, Jason M. Gowen, Allen B. Hawley, David G. East, William D. Ryan, Mary C. Cornpropst, Simone T. Meeks, Matthew J. Robbins, Alex B. Moore, Tara C. Elliott, and Kojo N. McLennon.

As of February 28, 2013, GTA had investment consulting relationships with 86 clients with assets in excess of \$9.7 billion on which we provide investment advice on a non-discretionary basis. A certain percentage of these clients implemented their allocation through investment in funds of funds managed by GTA's affiliate, Gerber/Taylor Management Company ("GTM").

GTA also had \$271.0 million in securities portfolios under management on a non-discretionary basis for 42 of GTA's 86 clients, who maintained accounts with Schwab, by recommending investments in mutual funds and effecting trades for such clients upon client assent.

## Fees and Compensation

Reflecting the customized nature of the services provided to each client, the fees to be charged do not follow a formalized schedule. A proposal is presented to each prospective client describing the services to be agreed upon and the fee that has been proposed for the stated services. Fees are billed to clients and payable in quarterly installments in arrears. The fees charged by GTA for clients are determined by the type of service provided. Annual fees begin at \$60,000 and increase based on the size of the account, the depth and complexity of the engagement, the amount of fees, if any, paid to GTA's affiliated advisers and other factors.

Clients may cancel GTA's advisory agreement upon thirty days prior written notice. Fees will be prorated through the date of termination, and billed accordingly.

The fees paid to GTA for investment consulting are in addition to the fees paid by the client to the recommended managers and funds, which may take the form of management fees or incentive fees. In the case of mutual funds and exchange traded funds, such fees are disclosed in the fund's prospectus.

GTA's fees are also in addition to other costs and expenses that may be imposed by the client's custodians, brokers, and other third parties, such as brokerage commissions or markups, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic funds fees, and other fees and taxes on brokerage accounts and securities transactions. GTA does not receive any portion of these brokerage and custody expenses.

Please refer to Item 12, "Brokerage Practices", for further description of the factors that GTA has considered in selecting or recommending broker-dealers (i.e., Schwab) for client transactions and determining the reasonableness of their compensation (e.g., commissions).

## Performance-Based Fees and Side-By-Side Management

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

GTA recommends the same or similar investment opportunities to various clients. It is GTA's policy to recommend investment opportunities to clients in a fair and equitable manner, without regard to fees paid by such clients. In the event of limited capacity within a particular investment opportunity, GTA would attempt to offer the opportunity to all clients for whom the opportunity was suitable. Because GTA makes recommendations on a non-discretionary basis, investments would be made on a first come, first serve basis by the clients themselves. Alternative investments are the specific investment focus of funds of funds managed by GTA's affiliate GTM, which receives management and incentive compensation from such funds. In the unusual circumstance of limited capacity in an

alternative investment, because of GTM's specialized focus on such investments, it would be given priority to invest before recommendation of the investment to GTA clients.

## Types of Clients

GTA primarily provides customized investment consulting or advisory services to tax-exempt investment entities including pension plans, profit sharing plans, private and public foundations, endowments, and other institutional investors, and to high net worth individuals.

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

Based on a client's investment goals and objectives, GTA strives to identify the suitable asset allocation for the client. GTA researches and recommends mutual funds and money managers for the different classes of assets and investment strategies represented in the allocation using (1) publicly-available information concerning money managers contained in financial publications, (2) manager-prepared information, (3) in-house money manager due diligence performed by our affiliate, GTM, and (4) certain databases and reporting services to which we subscribe.

GTA screens databases using criteria based on the investment style each manager employs in the equity or fixed income market (e.g., large capitalization value-oriented equities) to identify high performing managers in the various investment styles sought for the client. GTA also prepares a performance analysis taking into consideration such factors as the cumulative and consecutive period returns, returns in rising and falling market cycles and investment style or strategy.

As indicated above, GTA does not recommend specific direct investments in securities. Instead GTA focuses on identifying the suitable asset allocations for its clients and implements this allocation by recommending the use of other investment managers, funds of funds or mutual funds to manage the client's portfolio. Among other investments, GTA may recommend investments in funds of funds managed by its affiliate, Gerber/Taylor Management Company ("GTM"). See "Financial Industry Affiliations and Activities" below. The investment manager, fund of funds or mutual fund chosen by the client may, among other investments, allocate a portion of the client's portfolio to investments funds or managers focused on listed equity securities, over-the-counter equity securities, securities of foreign issuers, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, variable annuities, mutual fund shares, U.S. government securities, options on securities and commodities, futures contracts on intangibles, private equity investments, real estate, and limited partnerships or other private investment funds investing in any of the foregoing.

GTA employs both quantitative analysis and qualitative analysis. Quantitative analysis assesses the investment managers' historical performance, risk levels, and portfolio characteristics. Qualitative analysis is done concerning the managers' investment

experience, continuity of staff, academic qualifications of investment professionals, and adherence to its investment strategies. In the case of alternative investment strategies, members of GTA's Investment Committee may meet with representatives of prospective managers.

GTA also reviews the portfolio fundamentals and underlying holdings from the standpoint of both valuation and sector concentration.

GTA's advisory business is overseen by an Investment Committee consisting of William E. Pickens, Matthew J. Robbins, Wallace E. Johnson, Jr., Warren G. Milnor, J. Bart Reid, Glynn F. Dean and J. Beasley Wellford. The CCO of GTA is an ex officio of the committee. In addition, the following investment management consultants provide advice to GTA clients: Charles C. Gerber, Michael J. Douglass, Tara C. Elliott, William D. Ryan, Mark A. Hicks and Jason M. Gowen.

GTA's advisory services, although non-discretionary, can be viewed as entailing certain risks, including but not limited to the following:

Selection of External Managers. GTA will recommend to clients certain managers that are unaffiliated with GTA. The likelihood that clients will realize investment gains will depend on the skill and expertise of GTA in selecting such managers as well as that of the recommended manager. Clients may not have the opportunity to evaluate for themselves the relevant economic, financial and other information regarding such investments.

Due Diligence Risk. GTA generally evaluates the funds or managers it recommends using the tools and information described above in this section. However, the same amount of information may not be available with respect to all managers or funds evaluated or recommended, and not all managers or funds are evaluated in the databases or screening programs utilized by GTA. Certain managers may have a limited performance record or limited amounts of assets under management at the time of recommendation. Although experience has shown, and GTA is confident, that its methodologies can yield superior performance, there can be no assurance that each manager recommended will produce positive performance results for each client.

Selection of Affiliated Managers. GTA's Model Allocation focuses on investment in funds managed by GTM, an affiliate of GTA. Certain GTA institutional clients may also invest in funds managed by GTM. Because of their affiliation, GTA may have an incentive to recommend GTM funds rather than funds managed by unaffiliated parties.

Small Operations. Some of the managers recommended by GTA may consist of only one or a few principals. If those individuals for any reason cease to provide service to the manager, the clients might sustain substantial losses.

Investments in New Managers. Certain of the managers that may be recommended by GTA may have little or no operating history. The prior performance of the principal(s) of any manager in any similar venue is not a guarantee of future results. There is no assurance

that any manager will achieve its investment objective or sustain a profitable investment management business.

Changes of Recommendation. GTA may from time to time cease recommending a manager or change the nature of its recommendation of the manager. Changes in recommendations are made in GTA's sole discretion and clients may not be notified immediately of any such change.

Valuation. GTA may rely on the valuations provided by managers in calculating the performance of client accounts. There is no assurance that such valuations will be correct or that such information will be received in a timely manner.

All investments in securities involve risk of loss. GTA attempts to mitigate the possibility of loss by recommending a globally diversified mix of investment classes and investment strategies.

## Disciplinary Information

GTA and its related persons have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

## Financial Industry Activities and Affiliations

GTM, an affiliate of GTA, is a registered investment adviser and is wholly owned by Gerber/Taylor Capital Advisors. Gerber/Taylor Management serves as general partner or member manager to thirty-two private investment funds of funds that invest by purchasing interests in private investment funds managed by advisers that in turn invest in hedged and unhedged securities portfolios, private equity or real estate portfolios. Principals of Gerber/Taylor, certain employees and members of their families are limited partners in the GTM funds of funds. GTM receives a management fee generally equal to 1% of the each fund's net assets and a performance based fee from its multi-strategy and global long/short funds in the amount of 1% of net new profits annually, subject to a high water mark. GTM receives a special allocation of 1% of the profits and losses, regardless of its capital account, from its emerging markets fund. GTM also receives fees ranging from 1% to 3% on the private equity and real estate funds that are generally based on a percentage of distributions from the funds after the investors have been distributed their original investment.

GTA is also affiliated with G/T Offshore Management, L.L.C. ("GTOM"), a Delaware limited liability company that is also a registered investment adviser. The majority of the principals of Gerber/Taylor Capital Advisors are also the owners of GTOM. G/T Offshore Management serves as the portfolio manager for two offshore funds of funds, both of which are Cayman Island entities. These offshore funds invest in some of the partnerships



managed by GTM. The investors in the offshore funds are limited to U.S. tax-exempt investors and non-U.S. investors. GTM serves as a sub-manager to offshore funds that are managed by GTOM. Under sub-management agreements with GTOM, GTM may perform certain duties for the offshore funds and will receive compensation as it and GTOM shall determine from time to time at arm's length.

With respect to investments in other Gerber/Taylor entities, management fees will be paid at either the offshore fund level or the investment partnership level, but not both.

The three registered investment advisers, GTA, GTM and GTOM, may be referred to collectively in this Brochure and the Brochure Supplements as "Gerber/Taylor".

GTA recommends interests in the GTM and GTOM funds to certain sophisticated, high net worth individuals, foundations, endowments and pension plans.

In the event GTA clients invest in any fund of funds or other investment fund managed by an affiliate as general partner, managing member or otherwise, GTA may credit a portion of the management fee payable to GTM in respect of Client's investment in such fund against the GTA advisory fee.

Furthermore, in recognition of amounts invested in funds managed by Gerber/Taylor through Gerber/Taylor's Model Allocation program, GTA will waive its advisory fee so long as the assets remain so invested. The fees or allocations paid to affiliates for management of such funds shall be deemed to include fees for services provided to Model Allocation clients by GTA and no separate fee will be charged by GTA in such circumstances.

Recommending affiliated funds can create conflicts of interest.

## Code of Ethics

GTA maintains policies and procedures to identify and address conflicts of interests that may arise in the course of business.

GTA has adopted a written code of ethics that is applicable to all employees. Among other things, the code of ethics requires GTA and its employees to act in clients' best interests, abide by all applicable laws and regulations, and pre-clear and report on many types of personal securities transactions. The code of ethics strictly prohibits the misuse or dissemination of material non-public information.

GTA does not trade or recommend individual stocks or bonds. However, GTA does impose the following trading restrictions on its employees.

GTA's employees are generally permitted to invest in private offerings, as long as the investment is pre-cleared with the Chief Compliance Officer. GTA maintains a list of prohibited securities in which employees may not trade as well as a list that require pre-

clearance. The prohibited securities list includes securities of public companies that are clients of GTA and securities about which GTA's affiliate, GTM, may have material non-public information. Any proposed employee transaction involving securities on either list requires pre-clearance from the Chief Compliance Officer. The Chief Compliance Officer does not grant pre-clearance where it would appear that an employee's trading could disadvantage GTA's clients.

GTA's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household.

The Chief Compliance Officer reviews employee trading to monitor that employees do not engage in transactions in violation of the Code of Ethics.

GTA requires pre-clearance for the giving or receiving of gifts to clients or investment managers in excess of \$250. Gifts of a nominal value, customary business lunches, dinners, entertainment (e.g., sporting or cultural events), and promotional items may be accepted. All solicitation of gifts or gratuities is unprofessional and is strictly prohibited.

A copy of GTA's code of ethics is available upon request from Mary Cornpropst, GTA's Chief Compliance Officer.

Gerber/Taylor has also formed a Conflicts Advisory Committee to review and pass independently on certain transactions that could be viewed as giving rise to conflicts of interest between clients or investors of Gerber/Taylor and GTA, GTM or GTOM and their principals. The Committee is comprised of senior management of Gerber/Taylor, the Chief Compliance Officers of GTA, GTM and GTOM and three representatives of clients and investors. The mission of the Committee is to assist the advisers in resolving conflicts of interest that may arise from time to time between any of the advisers or its principals and any of its clients, between multiple clients of the same adviser and between investors or classes of investors in any fund sponsored or advised by GTM or GTOM.

## Brokerage Practices

GTA may recommend that clients who implement their asset allocation strategy through investments in mutual funds establish brokerage accounts with Schwab, a registered broker-dealer. Schwab maintains custody of clients' assets and effects trades for client accounts.

GTA is independently owned and operated and not affiliated with Schwab. Schwab provides GTA with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them as long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional.

These services are not otherwise contingent upon GTA committing to Schwab any specific amount of business, assets in custody or trading. Schwab's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For GTA client accounts maintained in Schwab's custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to GTA other products and services that benefit GTA but may not benefit its clients' accounts. Some of these other products and services assist GTA in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data,, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of GTA accounts, including those that do not maintain accounts at Schwab, and may not always benefit the accounts that generated the commission dollars used to receive such services. GTA's receipt of such services for itself and client accounts creates a conflict of interest because it does not need to produce or pay for such services out of its own assets. While as a fiduciary, GTA endeavors to act in its clients' best interests, GTA's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to GTA of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

## **Review of Accounts**

Clients' investment results are reviewed quarterly for conformance with stated goals and objectives. In addition, GTA periodically conducts an analysis of account performance and asset allocation in light of the guidelines jointly agreed upon with each client. The reviews are performed by one or more members of the Investment Committee and/or one or more of the members of the investment management consulting team. Each quarter, clients are provided with a written report, highlighting account performance, asset allocation, and year-to-date performance for the total fund and for each separate manager and for each separate asset class.

## **Client Referrals and Other Compensation**

Employees of GTA may receive additional compensation for referring new consulting clients or for managing/servicing the account in accordance with Rule 206-4(3) of the Investment Advisers Act. GTA does not compensate unaffiliated third parties for referrals.

## Custody

All clients' accounts are held in custody by unaffiliated broker/dealers or banks. However, GTA's affiliates, GTM and GTOM, have direct authority over partnership assets where clients may be invested. For this reason GTA's affiliates are considered to have custody of client assets.

GTM and the administrator of the GTOM Funds, BNY Mellon, send statements to all investors on a quarterly basis. Clients are strongly encouraged to carefully review all such accounts. GTM and GTOM provide copies of fund of funds audited financials no later than 180 days after year-end (or within 120 days of year-end in the case of one fund that is not a fund of funds). Audits are completed by an accounting firm registered with and inspected by the Public Company Accounting Oversight Board ("PCAOB").

GTA's reports may vary from the advisers' statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## Investment Discretion

GTA's advisory relationships are non-discretionary in that Clients must approve any recommendations by GTA before they are implemented. In the instances where GTA has been engaged to provide non-discretionary advisory services to some small tax-exempt entities and individuals implemented through Schwab, GTA must receive approval from these parties prior to buying or selling securities, determining the amount of securities to be bought or sold, broker-dealer to be used or commission rates to be paid.

## Voting Client Securities

As a matter of firm policy and practice, GTA does not have any authority to and does not vote proxies on behalf of advisory clients nor process notices on class actions. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios and for decisions related to class actions. If requested, GTA may provide non-discretionary advice to clients regarding the clients' voting of proxies and their participation in class actions.

## Financial Information

GTA has no financial commitment that impairs its ability to meet contractual and fiduciary obligations to clients.