



WINDHAM CAPITAL MANAGEMENT, LLC

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March 30, 2012

Item 1 – Cover Page

This Brochure (Form ADV, Part 2A) provides information about the qualifications and business practices of Windham Capital Management, LLC. If you have any question about the contents of this Brochure, please contact us at (617) 576-7360 or info@windhamcapital.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Windham Capital Management, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

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Windham Capital Management, LLC is an investment adviser registered with the SEC. Registration of an investment adviser with the SEC does not imply any level of skill or training.

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Please keep a copy of this Brochure for your records.

Item 2 - Material Changes

This Brochure, also known as Form ADV, Part 2A, has been prepared according to SEC rules relating to information that must be disclosed to clients and prospective clients of certain investment advisers, which include Windham Capital Management, LLC ("Windham Capital").

You may request a copy of the most recent version of this Brochure free of charge by contacting Vicki Pellerin at (617) 419-3902 or vpellerin@windhamcapital.com. The most recent version of this Brochure also is available on our website www.windhamcapital.com.

If you are a client of Windham Capital, you will receive an updated Brochure, including a summary of any material change since the Brochure's last annual update, within 120 days of the close of Windham Capital's fiscal year. Windham Capital's fiscal year closes on December 31, which means that you usually will receive an updated Brochure or the summary of material changes by April 30 of the following year. From time to time, we also may provide you with information that, as a client, could affect our advisory relationship with you. Any update of this Brochure or any information sent to you that could affect our advisory relationship with you will be sent without charge.

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Item 4 - Advisory Business

Windham Capital Management, LLC ("Windham Capital") is a Massachusetts limited liability company that was organized in 1988. The principal owner of Windham Capital is Mark P. Kritzman.

Investment Management Services

Windham Capital offers investment solutions that employ a risk-based asset allocation approach focused on constructing portfolios that are designed to perform well for a current risk regime. We identify the current "state of risk" (or risk regime) defined by our proprietary measures of market fragility (or systemic risk) and market turbulence. We construct regime-specific portfolios broadly diversified across global equities, global bonds, commodities and real estate. When our measures indicate a shift to a new risk regime, we then transition to a new portfolio that has been designed to outperform for that environment. This approach is embedded with varying degrees of emphasis depending on the portfolio's objective.

For more information on Windham Capital's portfolios, see "Methods of Analysis, Investment Strategies and Risk of Loss," below.

All investment management services are provided through separately managed accounts held by qualified custodians. Each client has given Windham Capital discretionary investment management authority but may impose restrictions on investments in certain types of securities made by Windham Capital on its behalf.

Currency Management Services

Windham Capital partnered with State Street Bank and Trust Company ("State Street") and FDO Partners, LLC in 1994 to form State Street Associates, LLC ("State Street Associates"). Through State Street, and based on research generated by State Street Associates, Windham Capital provides currency management services to institutional investors. Windham Capital offers two strategies: a currency overlay strategy (passive or active) for investors that wish to hedge their portfolios embedded currency exposure and control risk, and an absolute return strategy for investors that wish to add value to their underlying portfolio or as a portable alpha. For more information on Windham Capital's currency management strategies, see "Methods of Analysis, Investment Strategies and Risk of Loss," below. For more information on State Street Associates, see "Other Financial Industry Activities and Affiliations," below.

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All currency management services are tailored to the individual needs of clients. All currency management services are provided through separately managed accounts held by qualified custodians.

Securities Consulting Services

Windham Capital provides consulting services to institutional investors that wish to retain investment discretion. Windham Capital also licenses to institutional investors (primarily broker-dealers, other investment advisers and trading customers of banks) who trade with State Street equity and fixed income securities and currency spot and forward contracts, formula-based investment strategies and software that are intended to control risk efficiently.

All securities consulting services are tailored to the individual needs of clients. Windham Capital does not accept trading authority with respect to the securities for which it provides only securities consulting services.

* * *

As of February 29, 2012, Windham Capital managed on a discretionary basis approximately \$737 million, and Windham managed on a non-discretionary basis approximately \$74 billion.

Item 5 - Fees and Compensation

Investment Management Services

Windham Capital charges each investment management services client a fee based on a percentage of the aggregate market value of the instruments in the client's managed account. That percentage is generally between 0.50 percent and 1.00 percent per year. In certain cases, e.g. very large accounts, the fee charged may be negotiated and fall outside of this range. Windham Capital's investment management services fees typically are calculated quarterly, and are generally payable quarterly in advance. Windham Capital deducts investment management services fees from the assets in the client's managed account unless it agrees with the client to bill the client for fees incurred.

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Currency Management Services

Windham Capital, through State Street, provides non-discretionary currency strategies to institutional investors. State Street charges each currency management services client a fee based on a percentage of the aggregate market value of the instruments in the client's management account. That percentage is between 0.02 percent and 0.30 percent per year. The currency management fees typically are calculated daily and are payable monthly in arrears.

Securities Consulting Services

Windham Capital charges each securities consulting services client a fee, the form and amount of which is determined by agreement between Windham Capital and the client.

Fees and Client Expenses, Generally

All fees are agreed to prior to executing with a client an investment management, currency management or securities consulting agreement, and a client has the right to terminate any agreement prior to any subsequent increase in fees taking effect.

All fees charged by Windham Capital are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which shall be the responsibility of the client. A client may incur certain charges imposed by custodians, broker-dealers and other third parties such as a custody fee, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities and currency transactions.

All fees paid to Windham Capital for investment management services are separate and distinct from fees and expenses charged by investment funds, including exchange-traded funds, to their shareholders. Those fees and expenses are described in each fund's prospectus or other offering materials. Those fees generally include a management fee, other fund expenses, and a possible distribution fee. From time to time, a client could invest in a fund directly, without the services of Windham Capital. In that case, the client would not receive the services provided by Windham Capital. Those services are designed to, among other things, assist the client in determining which mutual fund or funds are most appropriate to the client's financial condition and objectives. Accordingly, a client should review both the fees charged by the funds and the fees charged by Windham Capital to understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services provided.

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Other Forms of Compensation Received By Windham Capital

Windham Capital licenses to certain investors formula-based investment strategies and software products and receives a fee for those licenses.

State Street also pays Windham Capital a combination of fixed fees and fees based on a percentage of its revenue derived from executing securities and currency transactions for those clients.

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

In a few cases, clients may be charged performance-based fees (that is, fees based on a share of capital gains on, or capital appreciation of, the assets of a client) for currency and investment management services. Concurrently managing accounts that are charged a performance fee and others that are not may create an incentive to favor the accounts being charged a performance fee. Windham Capital, however, uses currency and other instruments and strategies that are easily scaled, and thus, the risk of favoring one account over another is significantly reduced.

Item 7 - Types of Clients

Investment Management and Consulting Services

Windham Capital provides investment management and consulting services to wealthy individuals and institutional investors, such as private foundations, family offices, charitable institutions and endowments, as well as government agencies. Windham Capital generally requires each investment management client to maintain in its account a minimum of \$1,000,000.

Currency Management Clients

Windham Capital provides non-discretionary currency management services to large institutional investors, such as banks and other financial institutions, corporations, pension funds and endowments, and each currency management client is generally required to maintain in its account a minimum of \$50 million.

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Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

Investment Management Services

Windham Capital offers investment solutions that employ a risk-based asset allocation approach focused on constructing portfolios that are designed to perform well for a current risk regime. We identify the current “state of risk” (or risk regime) defined by our proprietary measures of market fragility (or systemic risk) and market turbulence. We construct regime-specific portfolios broadly diversified across global equities, global bonds, commodities and real estate. When our measures indicate a shift to a new risk regime, we then transition to a new portfolio that has been designed to outperform for that environment. This approach is embedded with varying degrees of emphasis depending on the portfolio’s objective.

The Windham Portfolio is a globally diversified portfolio that employs risk regime investing with the widest freedom to trade across asset classes and adjust the level of investment risk over time.

The Windham Investment Portfolios seek to provide strategic diversification, risk control and lower expenses across a broad range of global asset classes. These comprehensive investment solutions are suitable to each investor’s risk tolerance, return requirements and tax profile. In risk regimes that are defined by high levels of market fragility and turbulence, we will position the portfolios more defensively for downside protection. There are five diversified portfolios in a range of risk preferences: conservative, conservative plus, moderate, moderate plus, and aggressive. In addition to the diversified portfolios, the Windham Retirement Income Portfolio is a portfolio of income-producing assets that also seeks capital appreciation through risk-based asset allocation adjustments.

The Windham Single-Strategies are designed for investors seeking active exposure to equities, fixed income or alternatives separate from, or combined with, a broader diversified portfolio. Each offers sub-asset class diversification, active risk management and rigorous ETF selection, aimed at generating higher returns through various risk regimes.

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Currency Management Services

Windham Capital, in collaboration with State Street and State Street Associates, offers two strategies for currency management. The currency overlay strategy (passive or active) is intended for investors that wish to hedge their portfolios embedded currency exposure and control risk. In addition, Windham Capital provides share class hedging to an investment fund looking to offer its services in other geographic markets, with the objective of replicating fund performance in multiple investor base currencies. The absolute return strategy is intended for investors that wish to add value to the underlying portfolio or as a portable alpha.

- Passive Overlay. Windham Capital's passive overlay strategy involves defining for each client a strategic hedging policy, that is, hedge ratios that minimize volatility while maintaining portfolio diversification, given the characteristics of the client's underlying portfolio. In developing a strategy for a client and managing its currency positions, Windham Capital uses proprietary research, risk management tools and optimization technology, as well as scaled trading capabilities across a large client base to minimize transaction costs.
- Active Overlay. Windham Capital's active currency overlay strategy use the hedging framework (described above with respect to passive overlay) as a foundation and expands upon it by introducing expectations for return. Those return expectations are conditioned on the forward-rate bias and time-series properties of currencies, so that optimal hedge ratios are tilted to participate in currency expectations. Windham Capital uses symmetrical strategies that allow for the trading of currencies long and short (that is, hedged) relative to a client-specified hedging policy.
- Portable Alpha. Windham Capital's portable alpha strategy employs the same risk management and hedging framework as the active overlay strategy but is run as a standalone strategy, independent of any underlying assets. Currency risk is treated as the volatility of the active positions, which are typically uncorrelated with the underlying portfolio.

Securities Consulting Services

Windham Capital's securities consulting services involve highly individualized strategies consisting of analyzing and monitoring specific individual securities.

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Risk of Loss

Investment Management Services and Securities Consulting Services

A client account managed by Windham Capital generally is subject to the same risks that apply to the underlying investments in the exchange-traded funds in which the account is invested. The following is a summary of the principal risks of investing in equity securities, debt securities, foreign securities, alternative investments and cash and cash-equivalent investments.

- Equity Securities. Equity share prices may fall because of general weaknesses in the financial markets, weaknesses with respect to a particular industry in which the investor has a significant holding, or weaknesses associated with one or more specific companies in which the investor may have a substantial holding. In addition, small-cap stocks tend to be more volatile than large-cap and mid-cap stocks, and growth stocks tend to be more volatile than value stocks.
- Debt Securities. The value of debt securities may fall because of increases in interest rates, deteriorating credit quality, the lack of market liquidity, the risks associated with rapid changes in interest rates, the risks associated with extended periods of very low interest rates and, with respect to asset-backed securities, the risks that the underlying securities will be prepaid or not paid as quickly as expected.
- Foreign Securities. The value of foreign securities may fall because of lost investor confidence caused by unavailable or limited financial information on foreign issuers, or the difficulty of investors to sell their foreign securities or protect their investments. Foreign securities also tend to be adversely affected by local or regional political and economic developments, as well as changes in exchange rates, and the inconvertibility of local currency into U.S. dollars. For emerging market securities, these risks tend to be greater than for securities of issuers located in more developed countries.
- Alternatives. The value of alternative investments may fall because of default or a likelihood of default by one or more counterparties, mispricing or improper valuations, or changing investor expectations. Investments in real estate tend to be very sensitive to movements in interest rates, and investments in commodities tend to be very sensitive to inflation rates and changes in currency rates.
- Cash and Cash-Equivalent Investments. The value of cash-equivalent investments may fall because of rapid increases in exchange rates, prolonged low short-term interest rates, and

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concentrated exposure to those financial institutions that have issued cash-equivalent instruments.

Currency Management Services

A client account generally is subject to the risk that the strategy does not work as intended, or that the value of the hedging instruments selected by Windham Capital decrease in value. The value of hedging instruments may fall principally because of default or a likelihood of default by one or more counterparties, mispricing or improper valuations, or changing investor expectations.

* * *

Additional information concerning the risks associated with Windham Capital's investment strategies is available to clients and potential clients upon request.

All investments in securities and other financial instruments involve a risk of loss, which clients should be prepared to bear.

Item 9 - Disciplinary Information

Windham Capital is not, and has not been, subject to any legal or disciplinary event that is material to a client's or a potential client's evaluation of Windham Capital's investment management or advisory businesses or the integrity of its management.

Item 10 - Other Financial Industry Activities and Affiliations

Other Financial Industry Activities

Windham Capital currently is registered with the Commodities Futures Trading Commission as a commodities trading adviser and commodity pool operator, and is a member of the National Futures Association ("NFA"). Mark Kritzman and Scott Carleton are registered with the NFA as an associated person of Windham Capital.

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Affiliations

Windham Capital is a partner of State Street Associates. The other partners of State Street Associates are State Street and FDO Partners, LLC. Windham Capital is not otherwise affiliated with State Street or FDO Partners, LLC.

State Street Associates prepares investor behavior research based on institutional investment flows in the equity, fixed income and currency markets and portfolio and risk management research with respect to global asset allocation, portfolio construction and optimization and currency risk hedging. Windham Capital uses State Street Associates' research in managing the assets of its clients. Windham Capital receives compensation from State Street Associates relating to its joint management of certain client accounts, as well as its investment in State Street Associates. For more information relating to compensation paid to Windham Capital by State Street Associates, see "Client Referrals and Other Compensation-Other Compensation," below.

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

Code of Ethics

Windham Capital has adopted a Code of Ethics for all of its partners and employees describing its high standard of business conduct and their fiduciary duties to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All partners and employees at Windham Capital must acknowledge the terms of the Code of Ethics annually. Windham Capital will provide a copy of the Code of Ethics to any client or prospective client upon request. If you would like a copy, please contact Vicki Pellerin at (617) 419-3902 or vpellerin@windhamcapital.com.

Participation or Interest in Client Transactions and Personal Trading

Windham Capital's partners and employees may from time to time trade in securities that Windham Capital also may recommend to its clients. As Windham Capital invests client assets almost exclusively in exchange-traded funds with significant net assets, or in the case of currency management, securities and other instruments that generally are not available to retail investors, the personal trading of Windham Capital's partners and employees does not create a material conflict of interest with Windham Capital's clients. Notwithstanding, Windham Capital's personal trading policies prohibit any partner or employee from buying or

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selling a security during the period in which Windham Capital has any type of open order in the security. In addition, it is against Windham Capital's policies for Windham Capital or any of its partners or employees to take an opposite position on a recommendation to a client, or to buy and sell for themselves securities that Windham Capital recommends to clients.

Item 12 - Brokerage Practices

Windham Capital participates in the Schwab Institutional services program offered to independent investment advisers by Charles Schwab & Company, Inc. ("Schwab"), and the Fidelity Investments Institutional Brokerage Group program, sponsored by Fidelity Brokerage Services, LLC ("Fidelity"). Windham Capital generally recommends that clients participate in the Schwab or Fidelity brokerage programs for custody of client's assets and execution of trades in exchange-traded funds and other securities transactions, although Windham Capital accepts clients who use other broker-dealers. Schwab and Fidelity are broker-dealers registered with the SEC and members of the Financial Industry Regulatory Authority, Inc. Neither Schwab nor Fidelity is affiliated with Windham Capital.

Directed Brokerage

As Windham Capital will not request the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid in these situations, clients must direct Windham Capital as to the broker-dealer to be used. In directing the use of a particular broker-dealer, Windham Capital does not have authority to negotiate commissions among various broker-dealers or obtain volume discounts. In those circumstances, Windham Capital is not always able to achieve most favorable execution of client transactions. Not all investment advisers require clients to direct the use of specific broker-dealers.

Soft Dollar Practices

Windham Capital receives through the Schwab and Fidelity brokerage programs direct access to real-time client accounts, electronic download of trades, balances and positions, and the ability to directly debit client fees. Each of Schwab and Fidelity also facilitates Windham Capital's trade execution and allocates aggregated Windham Capital's trade orders for multiple client accounts, as well as provides research, pricing and other market data and assists Windham Capital with its back-office functions, record keeping and client reporting. That research, as well as those products and services, is used by Windham Capital to service all of its investment management accounts, not just those accounts that actually paid for the benefits.

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Schwab and Fidelity also offer other services intended to help Windham Capital manage and develop its business enterprise. These services include: compliance, legal and business consulting; publications and conferences on practice management and business succession; and access to employee benefits providers, human capital consultants and insurance providers. Schwab and Fidelity from time to time make available, arrange and/or pay third-party vendors for the types of services rendered to Windham Capital. Schwab and Fidelity may discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Windham Capital.

When Windham Capital uses client brokerage commissions to obtain research or other products or services, it receives a benefit because it does not have to produce or pay for the research, product or services. In addition, Windham Capital has an incentive to recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on its clients' interest in receiving most favorable execution. In light of this conflict of interest, Windham Capital regularly reviews the Schwab and Fidelity brokerage programs to determine whether its recommendations of those programs are consistent with its fiduciary duties to its clients.

Item 13 – Review of Accounts

Account Review

All client accounts periodically are monitored by Windham Capital's partners or officers. Each client is assigned a partner or officer at the beginning of the client's engagement. For each account, the partner or officer conducts the following review:

- At least once per quarter, the partner or officer evaluates whether Windham Capital's investment strategy for the client conforms to the client's investment objectives as specified in the client's agreement with Windham Capital; and
- The partner or officer will review the client's portfolio more frequently if he or she believes that there have been material changes in market factors or if the client has advised Windham Capital of changes in the client's investment objectives or policies.

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Client Reports

Each client of Windham Capital receives quarterly written statements, unless Windham Capital and the client agree to statements provided more or less frequently. Statements include a summary of the client's investment portfolio, valuation information and trading activity and, if investment management or advisory fees are deducted, the amounts of those fees and how those amounts were calculated. From time to time, Windham Capital also may include or send separately economic updates and market news. A client may request that Windham Capital provide custom account reports, and Windham Capital tries to accommodate those requests within reason. A client also may have access to current historical information on its portfolio holdings, trading activity, valuations of individual securities and other information in account statements provided by the managed account's custodian.

Item 14 - Client Referrals and Other Compensation

Client Referrals

Windham Capital compensates two unaffiliated financial institution for client referrals. Compensation is payable by Windham Capital only if the referred investor becomes a client of Windham Capital. Compensation is based on a percentage of the fees paid by the client. If the financial institution refers an investor to Windham Capital, the financial institution is required to deliver to that investor a document disclosing, among other things, that it has referred the investor to Windham Capital, that it will be receiving compensation from Windham Capital, and how that compensation will be determined.

Other Compensation

State Street Associates pays Windham Capital fixed and variable fees, and allocates a fraction of order flow revenues to Windham Capital, as compensation for currency management services provided to their joint clients.

Item 15 - Custody

Windham Capital does not have custody of any client asset that it manages, and all assets are held by a bank, broker-dealer or other qualified custodian. Clients should receive at least quarterly statements from the custodian that holds and maintains client's investment assets.

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Windham Capital urges clients to review those statements carefully and compare them to the account statements that Windham Capital provides. Windham Capital's statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

Item 16 - Investment Discretion

When providing investment management services to a client, Windham Capital usually receives discretionary authority from the client at the outset of the advisory relationship. That authority typically authorizes Windham Capital to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for that particular client account. Moreover, when selecting securities and determining amounts, Windham Capital observes the investment policies, limitations and restrictions agreed to by Windham Capital and the client and which form part of the client's investment management agreement with Windham Capital. With respect to investments in shares or exchange-traded funds, Windham Capital's authority to purchase securities on behalf of clients is limited by certain federal securities and tax laws.

Item 17 - Voting Client Securities

Windham Capital requests that clients reserve the right to vote proxies of securities held in their accounts, and clients typically reserve that right. Windham Capital, however, has adopted a Proxy Voting Policy, a copy of which is available upon request. Should Windham Capital vote any proxy for one or more of its clients, it shall keep a record of the manner in which the proxy was voted and it shall make that record available to its clients upon request.

Item 18 - Financial Information

Windham Capital has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and it has not been the subject of a bankruptcy proceeding.

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