

Part 2A of Form ADV

## Firm Brochure

April 10, 2013

This brochure provides information about the qualifications and business practices of Wurts & Associates, Inc. and KEI Investments, LLC. If you have any questions about the contents of this brochure, please contact us at 206.622.3700. 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 Wurts & Associates, Inc. and KEI Investments, LLC is also available on the SEC's website at [www.advisornfo.sec.gov](http://www.advisornfo.sec.gov).



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## MATERIAL CHANGES

The material changes incorporated since our last posting of this document on March 28, 2012 on the public disclosure website of the United States Securities and Exchange Commission (the “SEC”) are as follows:

- Further defined our discretionary investment services in the Services and Investment Discretion sections.

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## ADVISOR BUSINESS

William Wurts founded Wurts & Associates in Seattle in 1986 as a provider of independent, institutional consulting services. Four years later, we opened a second office in Los Angeles to better serve our growing client base in the southwestern United States.

2011 marked the 25<sup>th</sup> anniversary of our founding and signaled an important milestone in our history. We continue to grow and now advise on more than \$44 billion in assets, including over \$1.4 billion in discretionary assets under management as of March 2013. We remain dedicated to bringing a thoughtful and independent approach to investment consulting.

In 2006, William Wurts transitioned majority ownership to our current CEO, Jeffrey MacLean. Mr. Wurts remains a minority owner along with five other key professionals within the firm. Employee ownership is an important differentiator of ours, as it directly aligns the interests of our employees and our firm with those of our clients. This ensures that the firm you know today remains stable in philosophy, personnel, and process for many years to come.

In 2012, Wurts & Associates formed KEI Investments, LLC, a new related entity. KEI was formed to provide discretionary investment management. KEI offers solutions to organizations that desire a full implementation of their customized plan in an open-architecture framework. KEI Investments (as a “Relying Advisor”) and Wurts & Associates (as a “Filing Advisor”) are operationally integrated, collectively conduct a single advisory business, and are together filing a single Form ADV on reliance and guidance from the SEC and under the United States Investment Advisers Act of 1940, as amended (the “Advisers Act”). Relying Advisors are considered to be a registered investment adviser with the Securities Exchange Commission and, as such, are required to comply with all the provisions of the Advisers Act and the rules thereunder that apply to registered advisers. Registration does not imply a certain level of skill or training.

## SERVICES

### Investment Research

We use a forward looking, top down approach to developing ten year macroeconomic and capital markets outlooks, alongside holistic integration of managers, to achieve institutional portfolio goals. We encourage you to visit our website at <http://www.wurts.com/knowledge> to peruse our recent Quarterly Research Reports, Topics of Interest papers, as well as listen into our Quarterly Research Conference Calls in order to gain a greater understanding of how integral research is to our philosophy and investment consulting process. Our Semi-Annual Active Management Environment offers a thoughtful and rational intellectual framework for decisions.

## Risk Management

Wurts & Associates' approach to risk management focuses on understanding and managing risks holistically, as opposed to solely using independent metrics to determine the riskiness of assets. We have worked to create a "risk culture," where the collective values and actions of employees are combined to shape all investment decisions with the careful consideration of all current and future risks. A comprehensive approach to implementing risk management for our clients involves adhering to governance best practices, aligning risk appetites and objectives, defining boundaries, increasing the flow of communication, enhancing risk response decisions, taking advantage of opportunities, and improving the deployment of capital.

Developing a comprehensive risk framework, and more importantly developing a risk culture, is no small endeavor. The knowledge and skill required to build a risk factor based investment framework is significant. Institutions that purchase "risk systems" may also end up with a false sense of security due to their inherent lack of experience. In the banking crisis witnessed in 2008, the media claimed that a big component of the problem was the failure of risk models. We argue that it wasn't so much the models that failed these institutions, as it was the failure of the practitioners to understand the limitations associated with such an overreliance on a small set of models to appropriately determine risk. As portrayed in the graphic below, there exists a world of risk around us that should be monitored via multiple lenses.



## Investment Management Research and Selection

Evaluating managers is far more complicated than looking at an arbitrary benchmark and is more about each manager's role in overall portfolio design. Our research considers macroeconomic factors to make educated estimations regarding future performance for active managers. Our investment manager due diligence effort includes an extensive evaluation of both quantitative and qualitative attributes. The objective of this entire process is to provide relevant, in-depth due diligence on a broad cross section of highly regarded investment managers which can help you select a firm that most appropriately suits your particular requirements. We provide a fee analysis of prospective managers and can also assist with the fee negotiations when appropriate.

## **Trustee / Investment Committee Education**

As consultants, we are dedicated to educating you on the various investments, strategies, economic developments, and financial trends that are pertinent to your financial situation and objectives. It is our goal to allow clients to leverage our knowledge to make sound decisions for the plans they serve. We will provide education on various investment related topics including strategic asset allocation, alternative investments, fiduciary best practices, and operational efficiencies. We also provide a Quarterly Research Report, mid-cycle memos, topics of interest papers, asset class outlooks, and conduct conference calls to keep you updated on significant events that may affect your plan, including any pertinent changes to the investments within the plan.

## **Investment Policy Review and Development**

An investment policy should enhance investment performance by providing a clearly defined strategic direction for all plan assets. We understand the relationship between risk and return, and the ability to translate risk tolerances into meaningful investment guidelines. We create an investment policy designed to:

- Establish meaningful risk / return objectives for the plan and each manager
- Clearly specify decision-making responsibilities
- Achieve investment manager accountability by providing clearly defined performance objectives and investment guidelines
- Protect the plan sponsor from inappropriate investments
- Satisfy applicable fiduciary requirements

## **Asset Allocation Modeling**

We provide asset allocation modeling services to help our clients determine a proper mix of assets. We model a number of potential asset class mixes and evaluate them against a variety of scenarios that incorporate macroeconomic research, market conditions, asset class correlations, and investment risks. We have enhanced our asset allocation methodology by utilizing our proprietary Macroeconomic Scenario Modeling. The conventional approach to asset allocation relies almost exclusively on Mean Variance Optimization which uses historic data, historic risk premiums, historic correlations, and past returns as the drivers of inputs. We know future returns are not driven by past returns and risk premiums fluctuate over time. To get around the limitation of GDP growth, inflation, and potential valuations that could occur during various economic scenarios.

## **Asset-Liability Modeling**

Through our many years of experience performing asset-liability studies, we have developed a well-defined and structured approach in conducting these studies. It begins with the development of the study objectives. The next step in the process is an evaluation of the most recent actuarial valuation. We work specifically with the demographics of the fund's participants and our professionals start by interviewing the actuary to determine if there are any special issues that should be considered that are not readily apparent in their actuarial valuation. The third step is to begin modeling liabilities and assets. Based on liability files, we check the projections with the actuary employed by the client to make sure

that our results are consistent with their projections. The fourth step is to load our capital market assumptions into the model. These assumptions are developed annually and are used for all of our studies in any given year. Your consultant then applies your strategic objectives determined earlier. Different asset mixes are modeled using our proprietary Scenario Analysis and liability hedges are evaluated.

### **Quarterly Performance Measurement and Analysis**

We utilize a proprietary performance measurement system to calculate client portfolio performance and provide the most relevant performance reports to our clients. Our system calculates and measures investment performance using a number of metrics including rate of return, peer group universe rankings, performance attribution, style analysis, as well as many other risk-based and comparative analytics.

### **Service Provider Search and Analysis**

We have a highly evolved and well-defined process in place for selecting custodians and third party providers. At the same time, we have developed a methodology that is successful at analyzing third-party pricing and evaluating it against industry norms and comparable plans.

### **Customized Target Date Funds**

We can design and implement target-date models for participant-directed plans to help participants with the decision making process, improve flexibility, and improve costs for plan participants. We use the existing mutual fund line-up in your plan to create funds aligned with expected retirement dates. Funds are rebalanced quarterly to reflect changing risk tolerances as participants near retirement. Participants simply elect the model closest to their target retirement date, contribute periodically, and we take care of critical decisions such as asset allocation modeling, investment option selection, rebalancing, and long-term investment strategy.

### **Discretionary and Non-discretionary Trading Assistance**

This service removes administrative burden and ensures quick implementation. We can adapt the level of decision making and permissions to your comfort level. We manage funds in accordance with the investment policy statement, rebalancing on a discretionary or nondiscretionary basis. We advise on over \$44 billion in assets. As of March 2013, we manage over \$1.4 billion in discretionary and over \$728 million in non-discretionary assets.

### **Discretionary Service Offerings**

As portfolios have become more complex and client governance challenges have become more apparent, the industry is looking for personnel that can credibly take over discretion, improve client governance practices, and serve as an outsourced investment team. Wurts & Associates saw this void and co-created KEI Investments, LLC in 2012 in order to meet this growing demand. KEI offers clients holistic investment solutions to manage all or a segment of their assets within agreed upon investment guidelines. Our services are complete custom solutions that appeal to a broad range of clients; from fiduciaries looking for full outsourcing as well as well-staffed investment teams looking to improve their governance and perspectives on risk.

## CUSTOMIZATION

We tailor our services to fit our client's needs. You receive customized research projects, educational presentations, mid-cycle memos, topics of interest papers, asset class outlooks, and conference calls to keep you updated on significant events that may affect your plan. We develop customized tools to assist with implementing investment strategies in light of your unique risk framework.

It is important to evaluate risk on a variety of economic scenarios in addition to evaluating on a normal distribution of returns (as mean-variance optimization may dictate). This type of analysis provides more meaningful downside risk scenarios and educates staff and board members on reasonable expectations for an investment portfolio. Our consultants leverage our asset allocation and scenario modeling capabilities to develop a strategic cash management strategy that fits your objectives and priorities, including screening for socially responsible investing and environmentally friendly investing.

Our internally developed, proprietary performance measurement system can provide fully customizable reports to meet your demands. We do not charge additional fees to customize reports and we are not dependent on any outside supplier for this capability.

## FEES & COMPENSATION

100% of our revenue comes directly from our plan sponsor clientele. Neither the Firm, nor any of its employees, receives compensation from any other source. We do not accept soft dollars, directed brokerage commissions, or engage in revenue sharing arrangements.

We negotiate fees prior to the inception of our service and take into consideration the complexity of the client's manager structure, the servicing requirements, and consultant time and travel expenses. Due to these variables, fee size may vary between clients who receive the same services. Clients may pay us by project, by service or on a full service retainer basis. Lower fees for comparable services may be available from other sources.

Non-discretionary clients pay a flat annual retainer fee, a percentage of assets, a fee per fund, hourly fees, or a combination of these. Discretionary clients pay a percentage of assets. All transaction, brokerage, and custodian fees are paid by the client directly to the custodian, broker, investment fund or investment manager. Please see the section labeled brokerage practices for further information. Projects outside of the scope of the retainer contract may be billed as a flat fee or an hourly fee.

We bill monthly or quarterly in arrears. We do not collect prepayment of fees from clients. Clients or Wurts may terminate services with 30 days written notice and terminate services, without penalty, within five business days of the date of the initial execution of a contract. Client fees can be paid by check, EFT, or direct debit.



## PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not accept performance-based fees and do not have conflicts of interest related to side-by-side management.

## TYPES OF CLIENTS

We serve a broad array of institutional investors including: endowments and foundations; public pension plan sponsors; corporate plan sponsors; non-profits; Taft-Hartley trusts; and select substantial net worth families.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

### **Non-discretionary Business**

#### **Assess**

Thoroughly understanding the existing condition of your investment program is essential to a productive consulting relationship. This involves a continuous appraisal of the existing manager structure as well as an understanding of the rationale behind previous investment decisions. We try to understand the funding requirements of your assets, risk tolerances, and how the investment program fits into your strategic mission for the institution and the plan.

We look at each component of the investment portfolio, quantitatively assessing investment manager skill and evaluating their organizations from a qualitative perspective. The final component of the assessment of our consulting process is determining if the overall objectives of the client are in line with the existing manager structure.

#### **Design**

We introduce appropriate strategic solutions consistent with your objectives to improve upon the existing investment program. The practical application of our extensive macroeconomic and capital markets research comes into play here. We continually evaluate the appropriateness of the existing investment policy with special consideration given to the risk management language contained within the document. Another important issue considered is the application of passive management and index funds versus active management. While index funds lack the potential for excess returns, they do offer cost savings through reduced investment management fees.

We consider all possible fund options when designing the investment structure of the plan and recommend funds that provide the best opportunity for returns given the investment management fees and risk tolerance.

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We present expense management techniques to you during this phase of the consulting process. We also assess record keeping, transactional, custodial, and revenue sharing fee arrangements for potential cost savings.

### **Implement**

We work with you to implement the decisions made during the Design Phase of the consulting process. Our manager research team identifies investment managers that fit your requirements. We use our experience to identify other appropriate vendors such as corporate co-trustees, commission recapture brokers, and transition managers.

Successful implementation does not end with the selection of an investment manager. Our professionals are experts at utilizing our buying power within the market to negotiate favorable fee arrangements and appropriate contract language. We work with new managers and the custodian to minimize transition costs associated with a change in investment managers.

Finally, we amend the investment guidelines to reflect the revised nature of the portfolio.

### **Evaluate**

This is an ongoing process where we review the market environment, analyze the portfolio, and assess the various risks within the fund. You have access to our research and educational resources in a continuing effort to increase awareness of current fund management issues and increase your ability to effectively meet your fiduciary responsibility. We utilize our proprietary portfolio evaluation system that is linked to a reconciliation platform with leading custodial banks to provide the most timely and accurate information possible.

This final step leads back to the Assessment Phase of the consulting process. Successful fund sponsors continually seek improvement against the backdrop of changing circumstances. It is important that we are prepared to revisit previous investment decisions and proactively introduce new strategies and insights. Clients should be aware that even with in-depth portfolio analysis, implementation, and design, market factors are outside of anyone's control. These market factors affect the portfolio and the assets could lose value.

We take a long term approach to asset allocation, generally looking at decisions from a ten year perspective. We obtain capital market information such as index returns and characteristics from BNY Mellon. For comparative information versus similar portfolios, we subscribe to the BNY Mellon Trust Universe and the eVestment Alliance Style Universe. The BNY Mellon Trust Universe is made up of BNY Mellon, Northern Trust, and consulting firms from around the United States that pool performance data from their clients' custodial data. BNY Mellon maintains this pooled information.

We obtain information regarding the global macro-economic and market environment including issuer specific securities, market indices, mutual funds, and derivatives utilizing Bloomberg and eVestment

Alliance. We use the database of information in Bloomberg to monitor the economic and market environment; review and evaluate investment alternatives; and research characteristics of market indices and mutual funds. In addition to the research performed in Bloomberg, we use the eVestment Alliance database for screening purposes when identifying potential investment strategies. We also employ the eVestment Alliance database to monitor firm and strategy asset levels, investment team turnover, firm ownership and overall portfolio characteristics. We also gather data from Morningstar and Ibbotsen for various analyses. We use ex-ante covariance matrices and market data from BarraOne from MSCI to assist us in managing risk.

We work with you to determine the appropriate overall asset allocation model for your portfolio. This may involve investments in mutual funds, ETFs, index funds, and separately managed accounts that contain domestic and international equities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, government securities, real estate, and alternative investments including hedge funds, single strategy limited partnerships, and private equity. We use an optimization model to determine what, in our opinion, is the best combination of these asset classes for you at a risk level that you are comfortable with. Using this data, we perform investment manager searches to select the most appropriate managers for each asset class.

Even with portfolio diversification, asset allocation, and a long term approach, investing involves risk of loss that you should be prepared to bear. The use of this optimization model does not guarantee future results, performance or a particular outcome.

### **Discretionary Business**

#### **Design**

The first step in KEI's portfolio construction begins by designing a risk factor based diversified portfolio in consideration of the institution's liabilities, objectives, and risk tolerances. The primary market risk factor building blocks are interest rates, credit spreads, equity, inflation, and currencies. Step two encompasses our economic sensitivity analysis where the objective is to construct a portfolio for alternative economic environments: growth & prosperity, deflation, stagflation, and inflation. The third step protects against home country bias through geographical diversification. The last step in the diversification process is an assessment of the ex-ante return contribution where the objective is to reduce the portfolio's return reliance on price appreciation.

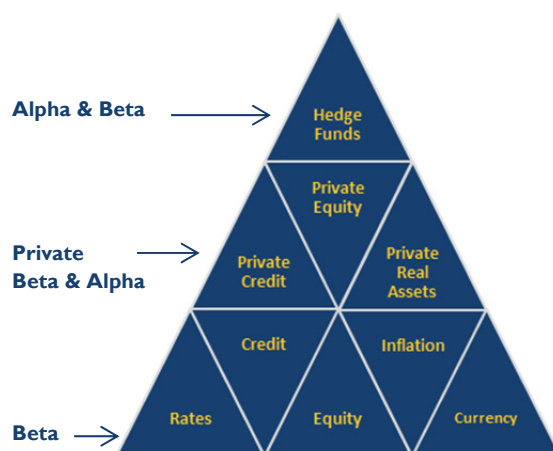
The final output is the Risk Benchmark, against which we will monitor and manage the actual portfolio. The Risk Benchmark is similar in concept to a policy's Strategic Asset Allocation; however, we are acutely aware that assets exhibit multiple risks and there is really no passive access to many private assets or investment strategies. Hence, it is virtually impossible to manage against a Strategic Asset Allocation benchmark that includes illiquid assets and strategies.

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With the Risk Benchmark as the compass, we then construct a model portfolio to incorporate valuation tilts. The model portfolio is then run through a series of risk tests to ascertain the extent of tail-risk, i.e. drawdown exposure. There may be instances where tail-risk hedging is appropriate given certain scenarios. Additionally, we will size the active risk budget to embody alpha producing and capital preservation strategies.

### Implementation

Implementation is often overlooked and underappreciated. Our approach begins by assembling a foundation of passive and quasi-passive smart beta components. Why spend precious capital on the elusive search for long-only alpha, especially when the alpha is relatively small and fleeting? Instead we judiciously allocate fees to private assets and hedge strategies where historically there are greater alpha opportunities. Our goal is investing with managers with a risk-based investment philosophy, capital preservation track record and high level of personal integrity.



### Risk of Loss

Portfolios designed to earn a higher return than short-term government treasury securities have the potential for loss. A 60% stock and 40% bond portfolios have exhibited losses greater than 30% from peak to trough. Our strategy reduces drawdown risk by building diversified portfolios, utilizing active risk budgeting and employing opportunistic tail risk hedging.

## DISCIPLINARY INFORMATION

Wurts & Associates and its management have not been involved in any investment related legal or disciplinary events material to a client or prospective client including criminal or civil action, administrative proceeding before any regulatory agency, or self-regulatory organization proceeding.

### OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS

Wurts does not receive compensation derived directly or indirectly from broker dealers, third party administrators or other outside financial service providers. Wurts does have a relying advisor called KEI Investments, LLC. All persons acting on the behalf of KEI are employees of Wurts. KEI is under joint management, operation, and registration as Wurts and maintains its investment advisory business in the same office location. The distinct company was formed to help differentiate the service product of the Strategic Partnership Program and create a retention strategy and ownership stake for key employees linked to the success of that entity. Wurts selects managers for its clients and KEI will manage client portfolios. This may create a conflict of interest. Wurts has responded to this potential conflict by creating policies and procedures to ensure that KEI services is not actively marketed to existing clients and all existing clients that select KEI as their investment advisor or money manager will be required to acknowledge in writing that the engagement was a result of a reverse inquiry on their part.

### CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

As a matter of policy and practice, and consistent with industry best practices and SEC requirements, we follow a written Code of Ethics covering all supervised persons. Our Code of Ethics requires high standards of business conduct, compliance with federal securities laws, reporting and recordkeeping of personal securities transactions and holdings, reviews, and sanctions. It allows employees to maintain personal securities accounts provided any personal investing by an employee in any accounts in which the employee has a beneficial interest, including any accounts for any immediate family or household members, is consistent with our duty to our clients and consistent with regulatory requirements. Each advisory employee must identify any personal investment accounts and report all reportable transactions and investment activity on at least a quarterly basis to the firm's Compliance Officer.

As this is only a summary of our policy, we would be happy to furnish a complete copy of our Code of Ethics to any client or prospective client upon request.

We do not have material interest in funds that we recommend, buy or sell. We do not invest in securities, other than government related securities, that we recommend to clients. Personal securities transactions for our employees may be similar or inconsistent with the investment advice given to clients.

### BROKERAGE PRACTICES

While the majority of our clients select their brokers or custodians, we will recommend a custodian or broker dealer based on your need for such services. We select broker dealers and custodians for our discretionary clients. We do not accept any direct or indirect compensation in connection with client transactions. Instead, we recommend specific custodian and broker dealers based on your need for such services. In choosing the custodians and brokers, we consider general reputation, size, activity within

the brokerage commission rebate business, and rebate rate. The broker-dealer and money manager retain the duty to ensure that the transaction costs (including price and commission per share) are competitive with those available to them through their brokerage channels. We cannot guarantee that execution costs charged by broker dealers recommended by us are lower than those which could be obtained in the marketplace by other broker dealers. Lower fees for comparable services may be available from other sources.

We review trade execution and fees periodically for trades we execute. We document the review. We do not receive commissions, soft dollars or other direct or indirect compensation for recommending a specific broker or custodian. We do not receive any portion of the trading fees.

Clients asset are managed in separate accounts with no aggregation with other client accounts.

### REVIEW OF ACCOUNTS

Maintaining a continuous review of your investment policies is part of our holistic consulting process. Each part of the process functions with another in order to achieve your investment objectives and requirements. During the “Design” phase of our process, we review the policies in place, how those policies were developed, and we evaluate how it affects the implementation of your investment strategy. Taking a step back, our entire methodology enables us to properly understand your unique issues, design an intelligent strategy that matches your specific requirements, prudently implement investment decisions, and evaluate the investment program’s effectiveness on an ongoing basis.

Our process begins with the assessment phase where our professionals seek to understand past investment decisions as well as the soundness of your plan. In the design phase, we evaluate the current investment strategy against alternatives to find the most efficient means to achieve your plan’s overall objectives. We then implement the strategic allocation through the application of our due diligence and contract negotiation resources. Lastly, we evaluate the portfolio to make sure that all of the components of the portfolio are properly fulfilling their role. This Consulting Process is circular as our advice will change as the capital markets evolve and the circumstances confronting your plan change.

Consultants typically meet with clients to review their investment programs on a quarterly or semi-annual basis. More frequent meetings are called when specific issues or needs arise. These may include qualitative developments with a client's investment manager, or other issues pertinent to portfolios.

Our investment performance evaluation services assist you with satisfying your fiduciary responsibility of monitoring your portfolio's performance. The written analysis report presented contains general market data about the recent developments within the various capital markets. It also includes relevant plan structure information designed to monitor the adherence to investment guidelines and strategy.

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Our system evaluates the total fund and each individual component against the most appropriate passive benchmarks and peer group universes. The report contains risk measurements using standard deviation, performance in up versus down markets, beta, alpha and R2. Other analysis includes portfolio characteristics for each manager and attribution system that explains the sources of portfolio performance. Reports may be presented on a quarterly or semi-annual basis. Clients also receive monthly statements of activity and portfolio positions from their bank or broker/dealer custodian.

### CLIENT REFERRALS AND OTHER COMPENSATION

We do not pay any third party for client referrals. We occasionally receive referrals from our investment management associates. Although these relationships do not affect our inclusion of money managers in client searches, they do represent a possible conflict of interest. However, we reject compensation from any source other than our clients.

### CUSTODY

We may be deemed to have custody of client assets when we accept discretionary authority over client accounts and when we debit fees directly from client accounts. This service insulates our clients from the administrative burden of wiring funds to approved outside entities and processing payment of our fees. We do not directly take possession of account assets. Qualified custodians hold all client funds and provide account statements. We encourage you to review your custodian statements and compare them to the performance reporting we provide.

### INVESTMENT DISCRETION

KEI's discretionary service offerings provide fiduciaries an integrated complete custom solution for managing all or a segment of their assets within agreed upon investment guidelines. Our services appeal to fiduciaries looking for full outsourcing as well as well-staffed investment teams looking to improve their governance and perspectives on risk.

First, we will design a portfolio through our proprietary risk factor methodology. Second, we will contrive a robust set of governance and investment policies for your organization. These policies are based on extensive research and experience from some of the world's leading experts.

Portfolios have become significantly more complex over the last 10-15 years, yet current practices regarding oversight have not adequately kept pace. Third, we will create a custom risk dashboard: Conventional wisdom still equates standard deviation to risk, which grossly underestimates the world of risks to monitor and manage. Our team includes global leaders in risk monitoring and risk management.

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The foundation of KEI's investment philosophy is built on three principles: risk, diversification and valuation. Our goal is to monitor and manage risks, as we believe it is unrealistic to manage returns. We also have found that there is no single-best measure of risk to focus on; investments need to be examined from various risk lenses.

Without a crystal ball to see the future, portfolios must be designed with "true" diversification. Most institutional portfolios exhibit little in the way of diversification; equity risk premium contributes 90% of the portfolio's overall risk, home country bias loads the portfolio with domestic assets, and the return opportunity is dominated by a growth and prosperity economic environment, i.e., low inflation and rising growth. This concept of "true" diversification will be critical throughout our client engagements.

Ultimately, the price you pay for an asset will have an impact on your return. Hence, we believe valuations matter and incorporate valuation tilts, opportunistic tail-risk hedging and active risk budgeting.

We assist some clients with the implementation of their investment policy and/or rebalancing of accounts on a non-discretionary or a discretionary basis. Discretionary clients sign a discretionary investment management agreement, designate us as the investment advisor with the broker-dealer, managers and custodian. This allows us to decide the funds to buy or sell, the amount of each fund bought or sold, the timing of the purchase, and the target allocation of the account in relation to the investment policy for the account. Discretionary authority also allows us to select the custodian or broker-dealer to be used and the authority to retain or terminate managers. Trades executed for discretionary clients can be done without discussion or authorization from the client.

For non-discretionary clients, we execute trades on behalf of clients with accounts on the Schwab institutional platform as a limited power financial advisor. Trades executed for non-discretionary clients are done as a limited power financial advisor and will only be placed upon receipt of a written authorization. This written authorization may be via email, fax, or letter. Trade orders are invalid if received via telephone or voice message. Upon receipt of written authorization, we implement trades as soon as reasonably possible but do not guarantee same-day execution. The timing of the trade is triggered by the written authorization of the client and market fluctuations may result in losses or increased price.

Discretionary and non-discretionary management are entirely voluntary and we will accommodate any reasonable authority or limitation you request.

ERISA clients that designate us as their advisor must add us as an additional insured on their ERISA bond and send a certificate of insurance to our Chief Compliance Officer. We only place trades in a few accounts on an infrequent basis. Therefore, we cannot typically aggregate or allocate trades. We will not assist clients with the purchase of securities issued in an initial public offering. We will not be liable to



clients for any loss resulting from an inaccurate or erroneous trade unless the loss is due to the gross negligence or intentional misconduct of Wurts or our employees.

### VOTING CLIENT SECURITIES

We may accept voting responsibility for discretionary clients. As a matter of policy and as a fiduciary to our clients we vote proxies consistent with the best economic interests of our clients. We maintain written policies and procedures as to the handling, research, voting and reporting of proxy voting. Our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies, disclose any potential conflicts of interest and maintain all relevant and required records.

In the absence of specific voting guidelines from the client, we vote all proxies from an issuer the same way for each client. Clients can place reasonable restrictions on our voting authority. We generally vote in favor of routine corporate housekeeping proposals such as the election of directors and selection of auditors. In reviewing proposals, we consider the opinion of management, the effect on management, the effect on shareholder value, and the issuer's business practices. We identify any conflicts of interest by reviewing our relationship with the issuer of each security to determine if any financial, business, or personal relationship exists. If a material conflict of interest exists, we will determine whether it is appropriate to disclose the conflict to the affected clients, to give the clients an opportunity to vote the proxies themselves, or to address the voting issue through other objective means such as voting in a manner consistent with a predetermined voting policy.

Specific information about our policies and procedures and the voting of proxies for your portfolio is available upon request to your consultant.

We will not vote proxies for non-discretionary clients. Clients will receive their proxies and other solicitations directly from their custodian or a transfer agent. We may provide opinions on how clients should vote their proxies but acknowledge that we may be unaware of all of the facts and circumstances that should be considered by a non-discretionary client.

### FINANCIAL INFORMATION

After over a quarter of a century in business we are financially stable with measured growth throughout our history. We do not require or solicit prepayment of fees. We have not been the subject of a bankruptcy petition at any time and are not aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.