



# **GIFFORD FONG ASSOCIATES**

## **ADV Part 2A Brochure**

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This brochure provides information about the qualification and business practices of Gifford Fong Associates. If you have any questions about the contents of this brochure, please contact us at: 925-299-7800, or by [info@gfong.com](mailto:info@gfong.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.

GFA is a Registered Investment Adviser. Registration of an investment adviser does not imply any level of skill or training.

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

January, 2018

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## ■ **Material Changed**

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### *Annual Update*

Yes

### *Material Changes since the Last Update*

Since the last update on Jan 15, 2013, changes to the Hourly Consulting rates increased in October 2013.

October, 2014	- updated ADV Part 2A, provided more detailed information
January, 2015	- updated ADV Part 2A, provided more detailed information
March, 2015	- Annual Amendment Review
June, 2015	- Removed Steven Fong as Executive Director
January, 2016	- Annual Amendment Review
January, 2017	- Hourly consulting rates increased
May, 2017	- Amended – removed David Chin and added Xulin (Cathleen) Li
June, 2017	- Amended – added Steven Fong, CFO
January, 2018	- Annual amendment Review, Shuqi (Annie) Pan, Financial Engineer

## ■ **Advisory Business**

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### *Firm Description*

Our Asset Management group is uniquely positioned to provide customized portfolio solutions according to its clients' investment objectives. The use of its own proprietary investment technology enables the firm to achieve above benchmark returns for a particular risk level. Since October 2006, our team has been led by H. Gifford Fong as the portfolio manager and manages client relationships. Other GFA services and products available since 1974 include: Portfolio Optimization and Management, Independent Valuation, Fixed Income Analysis, Credit Risk Analysis, Derivative Analysis, Evaluation Audit Support, and Litigation Support. The other services and products provide a unique insight of the current market conditions and our staff has extensive training and experience in finance, mathematics, statistics, and computer science to assist in the interpretation of the market conditions.

### *Principle Owners*

Harry Gifford Fong	President and Shareholder
Steven Fong	Chief Financial Officer and Shareholder
Timothy Fong	Shareholder
Vivian Fong	Shareholder

### *Types of Advisory Services*

GFA offers a variety of equity and fixed income investment strategies for institutional investors and provides solutions for investors to optimally construct and rebalance portfolios.

### *Tailored Relationships*

Our relationships with our clients are tailored to their needs. We can strictly follow their investment guidelines and with the focus on our expertise in investment research, we are able to design the relationship to effectively and efficiently meet our client's requests.

### *Agreements*

Formal agreements are established with each client to avoid any confusion as to what will be provided and all related costs.

### *Financial Planning Agreement*

We do not provide Financial Planning Services.

### *Comprehensive Financial Agreement*

We do not provide Comprehensive Financial Services.

### *Retainer Agreement*

We currently do not have any Retainer Agreements.

### *Investment Management Agreement*

Formal agreements are established with each client to avoid any confusion as to what will be provided and all related costs.

Assets under management are \$ 281,053,821.08 on a discretionary basis as of December 2017.

## ■ **Fees and Compensation**

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### *Description*

Asset Management Fees are based on Assets under management. Special projects are based on estimated hours using our hourly rate schedule.

### **ASSET MANAGEMENT FEE SCHEDULE**

Gifford Fong Associates (hereafter referred to as the MANAGER) and *Client* agrees to the following fee schedule:

1. *Client* shall compensate MANAGER for its services hereunder at the following annual rate:

If the assets in the Account are in excess of \$50 million, the fee shall be as follows:

0.50 of 1% on all assets in the Account.

If the assets in the Account are less than or equal to \$50 million, the fee shall be as follows:

0.60 of 1% on the first \$25 million of the assets in the Account; and  
0.50 of 1% on the next \$25 million of the assets in the Account.

2. Fees shall be payable quarterly in arrears upon receipt of an invoice from MANAGER. The invoice shall set forth the amount of the fees owed by *Client* and the valuation of assets in the Account as of the average of the closing asset value of the last day of each month in the quarter, divided by 3, multiplied by the fee schedule, and then that annual calculation is divided by 4 to obtain the quarterly calculation.
3. MANAGER warrants that the fees provided for herein are the lowest rates made available by MANAGER to similarly situated clients with a similar size account and for services substantially the same as those provided by MANAGER to *Client*.

# GIFFORD FONG ASSOCIATES

Hourly Consulting Rates  
Effective January 1, 2017

Labor Category	Per Hour Charge
Data Analyst	\$190.00
Admin/Clerical	\$190.00
Tech Specialist	\$210.00
Admin Accounting	\$210.00
Research Intern	\$245.00
Financial Analyst	\$245.00
Senior Financial Analyst	\$290.00
Programmer	\$290.00
Research Assistant	\$400.00
Research Associate	\$550.00
Financial Engineer	\$550.00
Senior Software Engineer	\$550.00
Director	\$630.00
Research Consultant	\$760.00
Principal	\$970.00

Hourly rates are for labor only. Administrative expenses such as photocopies, postage, telephone/fax charges, computer and technology usage, research and library databases and similar expense items will be billed at a rate of 2% of fees. Hourly rates are subject to periodic review and may change without prior notice.

## *Expense Ratios*

0.50% for 2017

(5B) Client may select to have fees deducted from assets or billed on a quarterly basis.

(5C) In addition to the fees incurred from the above schedule, Client is responsible for fees incurred related to custodian fees, mutual fund expenses and other related transaction costs.

## ■ **Performance – Based Fees**

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No fees charged based on performance.

## *Sharing of Capital Gains*

We do not share in Capital Gains.

## ■ **Types of Clients**

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### *Description of Clients*

Institutional Public Insurance Fund.

### *Account Minimums*

\$10 Million.

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

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### *Methods of Analysis*

Quantitatively driven, highly risk controlled approach designed to achieve incremental return over and above a specified benchmark. This strategy is based on the highest quality investment technology for portfolio structuring.

### *Investment Strategies*

The process employed can customize the product to achieve a wide range of risk exposures and equity mandate objectives.

### *Risk of Loss*

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

## ■ **Disciplinary Information**

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### *Legal and Disciplinary*

We have not been the subject of any legal or disciplinary actions.

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

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## *Financial Industry Activities*

GFA publishes the Journal of Investment Management (JOIM) and sponsors the JOIM Conference Series which bridge the theory and practice of investment management. Further information, [www.joim.com](http://www.joim.com).

### *Affiliations*

We have no affiliations.

## ■ **Codes of Ethics, Participation or Interest in Client Transactions & Personal Trading**

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### *Code of Ethics*

GFA has adopted a Code of Ethics to ensure full conformity to the rules and regulations of the many governing bodies to which we are a subject to. Their focus is also on encouraging sound investment principles and the highest ethical standards. A copy of the Code of Ethics will be provided to clients and prospective clients upon request.

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### *Participants or Interest in Client Transactions*

No conflicts of interest. Securities traded are blacklisted for all employees for a period of two days.

## ■ **Brokerage Practices**

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Gifford Fong Associates is not a broker dealer. We provide our own research and only require brokers to provide execution of trades. We will use those brokers as directed by our client.

## ■ **Review of Accounts**

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### *Periodic Reviews*

The portfolio manager and analyst will review the portfolio on a weekly basis. Sector allocation and tracking error are reviewed to determine if an adjustment is required to maintain strategic parameters. In addition to the weekly reviews, other factors such as changes to the benchmark or periods of high volatility will trigger actions to review the portfolio.

Monthly reports of the current holdings and return are provided to the client. Quarterly reports are provided to include the monthly holdings, returns, changes and a market commentary. Reports can include additional information at the client's request.

## *Regular Reports*

Quarterly.

## ■ **Client Referrals and Other Compensation**

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### *Incoming Referrals*

Upon request.

### *Referrals Out*

We have no referrals out.

### *Other Compensation*

No other forms of compensation.

## ■ **Custody**

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### *Account Statements*

From Custodian.

### *Performance Reports*

From Custodian and Gifford Fong Associates.

### *Net worth Statements*

From Custodian.

## ■ **Investment Discretion**

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### *Discretionary Authority for Trading*

We have discretionary trading authority based on our proposed investment strategy.

### *Limited Power of Attorney*

No.

## ■ **Voting Client Securities**

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### Proxy Voting

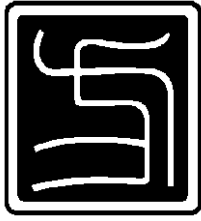
Gifford Fong Associates can accept the fiduciary responsibilities to voting proxies. GFA has guidelines to votes regarding the usual voting position on certain recurring proxy issues. These recurring issues include: analyst independence, auditors, board of directors, independent directors, capital structure, corporate governance and director responsibilities, disclosure and operational transparency, executive and director compensation, general voting provisions, equal employment, and EEO reporting. Conflicts of interest are voted to ensure the best interest of the client. Full disclosure of GFA's proxy voting and guidelines are available upon request.

## ■ **Financial Information**

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### *Financial Condition*

There are no impairments likely to affect our ability to meet any contractual commitment to our clients. Gifford Fong Associates has never been the subject of a bankruptcy petition.



**GIFFORD FONG ASSOCIATES**  
**Part 2B of Form ADV**  
**Brochure Supplement**

**GIFFORD FONG ASSOCIATES**

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GFA is a Registered Investment Adviser. Registration of an investment adviser does not imply any level of skill or training.

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## **Educational Background and Business Experience**

### **Supervised Persons**

#### **H. Gifford Fong**

Born: 1944

#### **Education Background:**

University of California, Berkeley

B.S., M.B.A., and J.D. Law

#### **Business Background:**

Gifford Fong Associates  
President

1974 - present

Management Sciences Division of Morgan Olmsted  
Kennedy and Gardner  
Managing Director of Fixed Income Research and Product Development

1972-1974

H. Gifford Fong is President of Gifford Fong Associates, a firm specializing in fixed income, derivative product and asset allocation analysis. Independent valuation, model validation and portfolio strategy analysis are areas of emphasis. He is a graduate of the University of California where he earned his B.S., M.B.A. and J.D. (law).

Mr. Fong is the editor of the Journal Of Investment Management (JOIM); founder of the JOIM Conference Series; member of the Corporation Visiting Committee for the MIT Sloan School of Management; former member of the North American Executive Board of the MIT Sloan School; member of the Advisory Board of the Finance Faculty of the MIT Sloan School; founding sponsor, member of the Steering Committee of the Masters in Financial Engineering Program at the University of California at Berkeley; member, Haas Hall of Fame, Haas School of Business, University of California at Berkeley; member of the Academic Advisory Board of the Consortium for Systemic Risk Analytics; former member of Advisory Board of the MIT Center for Finance and Policy; former member of the Advisory Board of Trustees, University of California, Berkeley Foundation; former editor of the Financial Analysts Journal; former member of the Board of Directors and Program Chairman of the Institute for Quantitative Research in Finance; former member of the Advisory Group of the University of California Regents Committee on Investments; former Vice Chair and member of the Research Committee of the Research Foundation of the CFA Institute and a contributor to a number of professional books and journals.

In addition, Mr. Fong is co-author of "Fixed-Income Portfolio Management," a book published by Dow Jones-Irwin, co-author of "Advanced Fixed Income Portfolio Management, The State of the Art," a book published by Probus Publishing, editor of "The Credit Market Handbook: Advanced Modeling Issues," a book published by Wiley Finance, editor of "The World of Hedge Funds: Characteristics and Analysis" and "The World of Risk Management," books published by World Scientific. He is also the author of numerous professional journal publications. Mr. Fong has received a number of honors, including the Institute for Quantitative Research in Finance Award and the Financial Analysts Journal Graham and Dodd Award of Excellence. He also is on a number of boards of directors of non-related companies and non-profit institutions.

**Steven Fong, CEO**

Born: 1972

**Education Background:**U.C. Berkeley Haas School of Business  
Massachusetts Institute of TechnologyBS in Finance  
MBA**Business Background:**Gifford Fong Associates  
Chief Executive Officer  
Executive Director2017 - present  
2009 - 2015

Mr. Fong's duties include responsibilities for overseeing management functions such as asset allocation, performance attribution, and reporting for institutional clients; working with Client Services team to communicate portfolio performance, positioning and investment outlook to clients, prospects and consultants; working closely with GFA's Investment Team to ensure intimate knowledge on specific holdings, the investment process and trade rational – acting as a proxy for the portfolio manager in all sales and client service capacities; addressing client service escalations and inquiries; overseeing RFP responses, review and contribute to creation of product materials; representing GFA and its investment approaches in a variety of forums including conferences, final presentations, client update meetings, and onsite due diligence meetings; maintaining an awareness of asset management peers (firms, strategies, performance, etc.); working closely with senior management team in their efforts to maximize prospect pipeline and formulate new business strategy through product positioning and product development.

Prior to GFA, he has held senior level finance positions at Visa USA, Fisher Investments, and Goodwill Industries of San Francisco, focusing on budgeting, financial modeling, and strategic planning activities.

**H. Clifford Fong**

Born: 1948

**Education Background:**

University of California, Berkeley

B.S. in Accounting

**Business Background:**Gifford Fong Associates  
Compliance Officer

1979 - present

ACME Transportation, Inc  
Controller

1978-1979

**Xulin(Cathleen) Li**

Born: 1990

**Education Background:**

Pepperdine University M.S. in Applied Finance and Global Business

**Business Background:**

Gifford Fong Associates

Research Analyst

2016-2017

Research Analyst Intern

2018 - present

**Shuqi(Annie) Pan**

Born: 1987

**Education Background:**

B.A. in Applied Mathematics and Economics from the University of California Berkeley

Master of Financial Engineering from U.C. Berkeley Hass School of Business

**Business Background:**

Gifford Fong Associates

Quantitative Financial Analysts

2013 - 2015

Financial Engineer

2017 - present

Ms. Pan current contributions to asset management include researching and developing in-house portfolio optimization tools, supporting portfolio analytics projects and portfolio performance reporting.

**Disciplinary Information**

Neither Gifford Fong Associates nor any Supervised Persons have been involved in any activities resulting in material or legal disciplinary disclosure.

**Other Business Activities**

Other business activities include valuation and analysis of a wide range of derivatives and complex fixed-income securities such as Auction Rate Securities (ARS) and Structured Products (CDO, ABS, MBS, etc.) and we provide litigation support services.

**Additional Compensation**

No Supervised Person receives any formal economic benefit from activities related to investment management or brokerage outside of regular salaries or bonuses.

## **Supervision**

H. Gifford Fong supervises all persons named in this Form ADV Part 2B Investment Adviser Brochure Supplement. H. Gifford Fong supervises these persons by holding regular staff, investment and other ad hoc meetings. Clifford Fong regularly reviews client reports, emails, and trading, as well as employees' personal securities transaction and holdings reports.

H. Gifford Fong or Clifford Fong may be reached at (925) 299-7800.