



# **GIFFORD FONG ASSOCIATES**

## **ADV Part II Brochure**

### **GIFFORD FONG ASSOCIATES**

3658 Mt. Diablo Blvd., Suite 200

Lafayette, CA 94549

Tel: (925) 299-7800 • Fax: (925) 299-7815

Website: [www.gfong.com](http://www.gfong.com)

Email: [gfa@gfong.com](mailto:gfa@gfong.com)

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 [gfa@gfong.com](mailto:gfa@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.

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

March 4, 2012

# Table Of Contents

■ <b>Material Change</b>	<b>2</b>
<i>Annual Update</i>	2
<i>Material Changes since the Last Update</i>	2
<i>Full Brochure Available</i>	2
■ <b>Advisory Business</b>	<b>2</b>
<i>Firm Description</i>	2
<i>Principle Owners</i>	2
<i>Types of Advisory Services</i>	3
<i>Tailored Relationships</i>	3
<i>Agreements</i>	3
<i>Financial Planning Agreement</i>	3
<i>Comprehensive Financial Agreement</i>	3
<i>Retainer Agreement</i>	3
<i>Investment Management Agreement</i>	3
■ <b>Fees and Compensation</b>	<b>3</b>
<i>Description</i>	3
<i>Fee Billing</i>	4
<i>Other Fees</i>	5
<i>Expense Ratios</i>	5
■ <b>Performance – Based Fees</b>	<b>5</b>
<i>Sharing of Capital Gains</i>	5
■ <b>Types of Clients</b>	<b>5</b>
<i>Description of Clients</i>	5
<i>Account Minimums</i>	5
■ <b>Methods of Analysis, Investment Strategies and Risk of Loss</b>	<b>5</b>
<i>Methods of Analysis</i>	5
<i>Investment Strategies</i>	6
<i>Risk of Loss</i>	6

■ <b>Disciplinary Information</b>	<b>6</b>
<i>Legal and Disciplinary</i>	6
■ <b>Other Financial Industry Activities and Affiliations</b>	<b>6</b>
<i>Financial Industry Activities</i>	6
<i>Affiliations</i>	6
■ <b>Codes of Ethics, Participation or Interest in Client Transactions &amp; Personal Trading</b>	<b>7</b>
<i>Code of Ethics</i>	7
<i>Participants or Interest in Client Transactions</i>	8
■ <b>Brokerage Practices</b>	<b>8</b>
■ <b>Review of Accounts</b>	<b>8</b>
<i>Periodic Reviews</i>	8
<i>Review Triggers</i>	8
<i>Regular Reports</i>	8
■ <b>Client Referrals and Other Compensation</b>	<b>9</b>
<i>Incoming Referrals</i>	9
<i>Referrals Out</i>	9
<i>Other Compensation</i>	9
■ <b>Custody</b>	<b>9</b>
<i>Account Statements</i>	9
<i>Performance Reports</i>	9
<i>Net worth Statements</i>	9
■ <b>Investment Discretion</b>	<b>9</b>
<i>Discretionary Authority for Trading</i>	9
<i>Limited Power of Attorney</i>	10
■ <b>Voting Client Securities</b>	<b>10</b>
<i>Proxy Voting</i>	10
■ <b>Financial Information</b>	<b>10</b>
<i>Financial Condition</i>	10
■ <b>Brochure Supplement (Part 2A of Form ADV)</b>	<b>11</b>
<i>Advisory Personnel</i>	11

## ■ **Material Change**

---

### *Annual Update*

This is our initial filing. Annual updates will be made in the future

### *Material Changes since the Last Update*

None – This is our initial filing

### *Full Brochure Available*

Yes.

## ■ **Advisory Business**

---

### *Firm Description*

Gifford Fong Associates has been providing state-of-the-art research, consulting services and proprietary analytical tools to the financial and legal communities since 1974. GFA focuses on institutional asset management services, valuation and analysis of fixed-income and credit-sensitive portfolios, as well as litigation consulting. Specialized products are available for the investment management and auditing communities, and corporations using derivatives as part of their hedging activities. 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. GFA has relationships with major financial institutions around the world, including the most prestigious investment banks and investment management companies. Existing clients include banks, insurance companies, mutual funds, investment advisors and government agencies in the USA, Europe, Asia, and Australia. GFA services and products include: Portfolio Optimization and Management, Independent Valuation, Fixed Income Analysis, Credit Risk Analysis, Derivative Analysis, Evaluation Audit Support, and Litigation Support. Our staff has extensive training and experience in finance, mathematics, statistics, and computer science. Our team is led by H. Gifford Fong, Timothy Fong and David Chin are the portfolio managers and will manage the client relationship.

### *Principle Owners*

Harry Gifford Fong,	President and Shareholder
Steven Fong,	Executive Director and Shareholder
Timothy Fong,	Portfolio Manager and Shareholder
Vivian Fong,	Shareholder

### *Types of Advisory Services*

Valuation services, risk management consulting services, software solutions and investment advisory services.

### *Tailored Relationships*

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

### *Agreements*

Formal agreements are established with each client to avoid any confusion as to what will be provided and all related costs. See Appendix 1 for Sample Service Agreement.

### *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.

## ■ **Fees and Compensation**

---

### *Description*

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

## *Fee Billing*

### **ASSET MANAGEMENT FEE SCHEDULE**

Gifford Fong Associates (hereafter referred to as the MANAGER) and *Client* agree 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:

.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:

.60 of 1% on the first \$25 million of the assets in the Account; and  
.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 last business day of each quarter. The quarterly fee shall be calculated by applying the annual fee rate to the assets in the Account and dividing by four (4).
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 October 1, 2011

<u>Name</u>	<u>Per Hour</u>
Administrative	\$170
Financial Data Analyst	\$170
Accounting	\$190
IT Specialist	\$190
Research Intern	\$225
Programmer	\$255
Sr. Financial Analyst	\$255
Research Assistant	\$365
Administrative Consultant	\$490
Financial Engineer	\$490
Research Associate	\$490
Research Consultant	\$490
Senior Research Associate	\$490
Senior Software Engineer	\$490
Principal	\$800

### *Other Fees*

Out-of-pocket expenses, such as transportation, lodging, copies, express mail, telephone/fax charges, etc.

### *Expense Ratios*

0.51% - for 2011

## ■ **Performance – Based Fees**

---

No fees charged based on performance.

### *Sharing of Capital Gains*

We do not share in Capital Gains.

## ■ **Types of Clients**

---

### *Description of Clients*

Institutional Public Insurance Fund.

### *Account Minimums*

\$10 Million.

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

---

### *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 state-of-the-art 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**

---

### *Legal and Disciplinary*

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

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

---

### *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. Please go to [www.joim.com](http://www.joim.com) and [www.joimconference.com](http://www.joimconference.com) for further information.

### *Affiliations*

We have no affiliations.



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

### *Code of Ethics*

Gifford Fong Associates (GFA) compliance and business policies adhere strictly to sound investment principles, practices and the highest of ethical standards. These are intended to ensure full conformity to the rules and regulations of the many governing bodies to which we are subjected.

The prime responsibility for following the policies and procedures set forth in the subsequent sections rests with you. While the firm has a variety of supervisory procedures to oversee compliance, a conscientious and professional attitude on your part will ensure that we fulfill the many rules, regulations and business customs of the investment advisory business.

While every attempt has been made to have this list touch on all of the requirements, your good judgment is nevertheless required for the success of the firm's compliance program. You should be familiar with the procedures and policies set forth in this list and the Compliance Manual.

Employees are at no time to hold funds or securities for, or owe money or securities to customers. Any employee receiving any funds or securities must notify the office manager or supervisor immediately to ensure that it is forwarded within twenty-four hours.

The entry of orders is controlled by the rules of the various advisory agreements. In order to ensure accurate order transmission and compliance, great care should be used in preparing the order before transmission to the executing broker. A complete record of all orders placed shall be kept on file.

All confirmations received from executing brokers are to be reviewed on the same day they are received.

No business gifts or favors which would tend to influence the decisions of the person receiving them may be accepted. Even a nominal gift bought may not be accepted if it would appear to a reasonable observer that the gift would influence the business decision of the recipient. It is, of course, against company policy to offer or receive bribes or kick back payments of any sort.

No employee without full disclosure may hold a substantial interest in any other business enterprise that might represent a conflict of interest to the appearance of one.

a) GFA does not endorse or promote candidates for elective office. No employee may make use of knowledge acquired as a GFA employee concerning the Company's investment activities or the financial affairs of its clients and/or prospective client.

- b) No employee should ever feel obligated, out of a sense of loyalty to GFA or its management, to engage in any unlawful or improper.
- c) No access person shall purchase or sell directly or indirectly, any security in which he/she has or by reason of such transaction acquire, any direct or indirect beneficial ownership and which to his actual knowledge at the time of such purchase or sale:
- d) (i) is being considered for purchase or sale as a part of GFA's investment activities;  
or (ii) is being purchased or sold by GFA

No access person shall reveal to any other person (exception the normal course of his or her duties) any information regarding securities transactions by GFA or consideration by GFA.

Every employee shall have GFA added as an "Interested Party" to any securities account that the employee has any direct or indirect beneficial interest in and which the employee also has direct or indirect control.

---

#### *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**

---

Gifford Fong Associates is not a broker dealer.

#### ■ **Review of Accounts**

---

##### *Periodic Reviews*

Weekly.

##### *Review Triggers*

Changes in Index, periods of high volatility.

##### *Regular Reports*

Monthly.

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

---

### *Incoming Referrals*

Upon request.

### *Referrals Out*

We have no referrals out.

### *Other Compensation*

No other forms of compensation.

## ■ **Custody**

---

### *Account Statements*

From Custodian.

### *Performance Reports*

From Custodian and Gifford Fong Associates.

### *Net worth Statements*

From Custodian.

## ■ **Investment Discretion**

---

### *Discretionary Authority for Trading*

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

*Limited Power of Attorney*

No.

■ **Voting Client Securities**

---

*Proxy Voting*

Proxy voting will be executed based on the policies of the fund. Evidence of the vote will then be filed and made available for review.

■ **Financial Information**

---

*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.

## ■ Brochure Supplement (Part 2A of Form ADV)

---

### *Advisory Personnel*

#### **H. GIFFORD FONG**

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 Advisory Group of the University of California Regents Committee on Investments; 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; and member of the 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 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.

#### **DAVID CHIN**

David Chin serves as Manager of the Data Analyst Group and Portfolio Manager at Gifford Fong Associates, (GFA). He is a graduate of the California State University, Sacramento, where he earned his BS in Business Administration. Additionally, Mr. Chin is a graduate of the CFE Program at the Haas School of Business at the University of California at Berkeley

Mr. Chin's duties include the ongoing evaluation and optimization of all Equity Portfolios, evaluation of all data sources, the coordination with other departments, and the responsibility for data collection and processing. His activities include daily data updates, special requests from clients and other internal departments and support of the Applications Consulting Group.

**TIM FONG**

Tim Fong serves as Senior Portfolio Manager at Gifford Fong Associates, (GFA) since September 2011. He previously held the position of IT Manager for four years. Mr. Fong's current responsibility at GFA is managing equity portfolios for institutional clients.

Mr. Fong holds a MBA from Santa Clara University and a B.S. in Management Information Systems from San Jose State University.