

# Disclosure Brochure

April 1, 2013

## **McCUTCHEN GROUP LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of McCutchen Group LLC (hereinafter "McCutchen Group"). If you have any questions about the contents of this brochure, please contact Matthew McCutchen at (206) 816-6850. 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 McCutchen Group LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

McCutchen Group LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This Item discusses only the material changes that have occurred since McCutchen Group's last annual update filed March 30, 2012. McCutchen Group does not have any material changes to disclose in relation to this Item.

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## Item 4. Advisory Business

McCutchen Group provides financial planning, consulting, and investment management services. Prior to engaging McCutchen Group to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with the firm setting forth the terms and conditions under which services will be rendered (collectively the “*Agreement*”).

McCutchen Group has been in business since April 2007 and is principally owned by Matthew McCutchen. As of December 31, 2012, the Firm had approximately \$1.5 billion in assets under management, of which roughly \$748 million was managed on a discretionary basis and \$751 million was managed on a non-discretionary basis.

This Disclosure Brochure describes the business of McCutchen Group. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of McCutchen Group’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on McCutchen Group’s behalf and is subject to McCutchen Group’s supervision or control.

### **Financial Planning and Consulting Services**

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McCutchen Group may provide its clients with a broad range of comprehensive financial planning and consulting services. These services include charitable planning, risk management, income tax coordination, wealth transfer planning.

In performing its services, McCutchen Group is not required to verify any information received from the client or from the client’s other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. McCutchen Group may recommend the services of itself, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if McCutchen Group recommends its own services. The client is under no obligation to act upon any of the recommendations made by McCutchen Group under a financial planning or consulting engagement or to engage the services of any such recommended professional, including McCutchen Group itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of McCutchen Group’s recommendations. Clients are advised that it remains their responsibility to promptly notify McCutchen Group if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising McCutchen Group’s previous recommendations and/or services.

### **Investment Management and Wealth Management Services**

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Clients may engage McCutchen Group to manage all or a portion of their assets on a discretionary or non-discretionary basis.

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McCutchen Group primarily allocates clients' investment management assets among *Independent Managers* (as defined below), mutual funds, exchange-traded funds ("ETFs"), and private placement securities in accordance with the investment objectives of the client. McCutchen Group also provides advice regarding other investments held in clients' portfolios.

McCutchen Group also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, McCutchen Group either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

McCutchen Group tailors its advisory services to the individual needs of clients. McCutchen Group consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. McCutchen Group's objective is that investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify McCutchen Group if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon McCutchen Group's investment advisory services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in McCutchen Group's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## **Use of Independent Managers**

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As mentioned above, McCutchen Group recommends that clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between McCutchen Group or the client and the designated *Independent Managers*. McCutchen Group renders services to the client relative to the discretionary and/or non-discretionary selection or recommendation of *Independent Managers*. McCutchen Group also monitors and reviews the account performance and the client's investment objectives. McCutchen Group receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers* and/or a fixed retainer fee.

When recommending or selecting an *Independent Manager* for a client, McCutchen Group reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that McCutchen

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Group considers in recommending an *Independent Manager* include: investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, McCutchen Group's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by McCutchen Group, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to McCutchen Group's written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than McCutchen Group. In such instances, McCutchen Group may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

If McCutchen Group refers a client to an *Independent Manager* where McCutchen Group's compensation is included in the advisory fee charged by such *Independent Manager* and the client engages the *Independent Manager*, McCutchen Group is compensated for its services by receipt of a fee to be paid directly by the *Independent Manager* to McCutchen Group in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee is paid solely from the *Independent Manager's* investment management fee, and does not result in any additional charge to the client.

### **Management of Collective Investment Vehicle**

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McCutchen Group is the investment manager to McCutchen Group Investment Fund Series LLC Opportunistic Funds (the "*Private Funds*"), Delaware Series Limited Liability Companies. Interests in the *Private Funds* are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended. The *Private Funds* currently rely on an exemption from registration under the Investment Company Act of 1940, as amended. McCutchen Group has discretionary authority to determine the broker or dealer to be used by the *Private Funds*. The *Private Funds* attempt to diversify each series' portfolio by allocating such series' assets among *Independent Managers* that McCutchen Group believes are skilled portfolio specialists with exceptional investment skills in specific sectors, markets or styles and who have the flexibility to utilize sophisticated investment management techniques.

Participation as an investor in the *Private Funds* is restricted to investors that are qualified clients pursuant to the requirements under Rule 205-3 under the Investment Advisers Act of 1940, as well as are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, and "qualified purchasers" as defined under the Investment Company Act of 1940, as amended.

To the extent certain of McCutchen Group's individual advisory clients qualify, they will be eligible to participate as investors of the *Private Funds*. Investment in the *Private Funds* involves a significant

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degree of risk. All relevant information, terms and conditions relative to the *Private Funds*, including the compensation received by McCutchen Group, suitability, risk factors, and potential conflicts of interest, are set forth in the applicable Confidential Memorandum (the “*Memorandum*”), Operating Agreement (the “*Agreement*”), and Subscription Agreement (together, the “*Offering Documents*”), which each investor is required to receive and/or execute prior to being accepted as an investor in the *Private Funds*.

While the *Private Funds* are generally McCutchen Group’s client, the term “client(s)” sometimes refers to the investors in the *Private Funds*.

McCutchen Group will devote its best efforts with respect to its management of both the *Private Funds* and its individual client accounts. Given the above discussion relative to the objectives, suitability, risk factors, and qualifications for participation in the *Private Funds*, McCutchen Group may give advice or take action with respect to the *Private Funds* that differs from that for individual client accounts. To the extent that a particular investment is suitable for both the *Private Funds* and certain individual client accounts, such investments will be allocated between the *Private Funds* and the individual client accounts pro rata based on the assets under management or in some other manner which McCutchen Group determines is fair and equitable under the circumstances to all of its clients.

## Item 5. Fees and Compensation

McCutchen Group offers its services on a fee basis, which may include fixed fees, as well as fees based upon assets under management

### Financial Planning and Consulting Fees

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McCutchen Group may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally can range up to \$400,000 on a fixed fee basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services.

Prior to engaging McCutchen Group to provide financial planning and/or consulting services, the client is required to enter into a written agreement with McCutchen Group setting forth the terms and conditions of the engagement. McCutchen Group's financial planning and consulting fees shall generally be charged quarterly in advance. Either party may terminate the agreement by written notice to the other. In the unusual case where a client engages McCutchen Group to perform a one-time project, McCutchen Group requires one-half of the financial planning / consulting fee payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### Investment Management Fee

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McCutchen Group provides investment management services for an annual fee based either upon a percentage of the market value of the assets being managed by McCutchen Group or as a flat annual fee, depending on a number of individual circumstances. McCutchen Group's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. McCutchen Group does not, however, receive any portion of these commissions, fees, and costs. McCutchen Group's annual fee is prorated and charged quarterly, in arrears, based upon the market value of the assets being managed by McCutchen Group on the last day of the previous quarter. The annual fee varies (between 0.10% and 1.00%) depending upon the market value of the assets under management and the type of investment management services to be rendered.

McCutchen Group, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).



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## **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), McCutchen Group generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("*Schwab*") for investment management accounts.

McCutchen Group may only implement its investment management recommendations after the client has arranged for and furnished McCutchen Group with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Schwab*, any other broker-dealer recommended by McCutchen Group, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers* (as defined below), custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to McCutchen Group's fee.

McCutchen Group's *Agreement* and the separate agreement with any *Financial Institutions* may authorize McCutchen Group or *Independent Managers* to debit the client's account for the amount of McCutchen Group's fee and to directly remit that management fee to McCutchen Group or the *Independent Managers*. Any *Financial Institutions* recommended by McCutchen Group have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to McCutchen Group.

## **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between McCutchen Group and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. McCutchen Group's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to McCutchen Group's right to terminate an account. Additions may be in cash or securities provided that McCutchen Group reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to McCutchen Group, subject to the usual and customary securities settlement procedures. However, McCutchen Group designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. McCutchen Group may consult with its clients about the options and ramifications

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of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

### **Item 6. Performance-Based Fees and Side-by-Side Management**

McCutchen Group does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7. Types of Clients

McCutchen Group provides its services to individuals, investment limited liability companies, trusts, estates, charitable organizations, corporations and business entities.

### **Minimums Imposed By Independent Managers**

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McCutchen Group does not impose a minimum portfolio size or minimum annual fee. Certain *Independent Managers* may, however, impose more restrictive account requirements and varying billing practices than McCutchen Group. In such instances, McCutchen Group may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

In addition, the *Private Funds* may impose a minimum investment in order to become an investor in a particular series. The minimum is described in the *Offering Documents*.

## Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

### Methods of Analysis

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As an independent wealth advisor, The McCutchen Group allocates capital across a wide variety of independent managers that in turn implement investment strategies on behalf of clients. Though there are specific and detailed methods of analysis for each strategy, in general, both qualitative and quantitative methods are used to evaluate the investment acumen of each firm and the capabilities of the investment professionals implementing the strategy. Qualitative methods of analysis include but are not limited to: 1) an evaluation of the organizations' history, stability, operations, ownership structure and investment focus, 2) evaluation of the experience of the investment team and the backgrounds in successfully implementing the strategy, 3) organizational support for the investment teams, 4) evaluation of incentive structures, 5) evaluation of the organizations core competency relative to other firms implementing similar strategies, 6) evaluation of investment philosophy and process and 7) an evaluation of quality control, risk management and compliance procedures. Quantitative methods of analysis include but are not limited to: 1) an evaluation of overall performance of the strategy produced by the firm and team over various time periods and over various market cycles, 2) a comparison of performance relative to competitors employing similar strategies over similar time periods, 3) a evaluation and comparison of return and risk in both up and down markets or across various time periods, 4) sector, country and/or other strategy specific attribution analysis and 4) an evaluation of fees compared to other managers employing similar strategies.

### Investment Strategies

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McCutchen Group works with each client to understand their overall financial goals, return expectations, risk tolerance, liquidity needs, tax and wealth transfer objectives, portfolio constraints and unique circumstances. In conjunction with these goals and objectives, McCutchen Group determines which asset classes are appropriate for inclusion for the client. Utilizing a Mean Variance Optimization ("MVO") process, McCutchen Group proceeds to present the client with diversified portfolio options designed to meet stated objectives over a long time horizon. McCutchen Group then discusses the potential returns and risks associated with each MVO portfolio and one of the mixes is agreed upon, which in turn becomes the Investment Policy Portfolio ("IPP").

McCutchen Group discusses the investment options available to implement the IPP. Depending on the asset class and client specific requirements, McCutchen Group could recommend one or a combination of the following types of investment vehicles: separate accounts, mutual funds, exchange traded funds, comingled funds, limited partnerships or other investment vehicles.

Once the IPP and specific investment vehicles are determined, the portfolio is monitored over time against client objectives and asset class benchmarks. The above process is memorialized with a client specific Investment Policy Statement ("IPS") and is reviewed and updated periodically as client goals, McCutchen Group recommendations or client preferences change.

## Risks of Loss

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### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Market Risks*

The profitability of a significant portion of McCutchen Group's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that McCutchen Group will be able to predict those price movements accurately.

### *Use of Independent Managers*

McCutchen Group may recommend the use of *Independent Managers* for certain clients. McCutchen Group will continue to complete due diligence of such managers, but such recommendations relies, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, McCutchen Group does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

### *Use of Private Collective Investment Vehicles*

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McCutchen Group may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called “hedge funds”). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Item 9. Disciplinary Information**

McCutchen Group is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. McCutchen Group does not have any required disclosures to this Item.



### **Item 10. Other Financial Industry Activities and Affiliations**

McCutchen Group is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. McCutchen Group does not have any required disclosures to this Item.

## Item 11. Code of Ethics

McCutchen Group and persons associated with McCutchen Group (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with McCutchen Group’s policies and procedures.

McCutchen Group has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). In accordance with Section 204A of the Investment Advisers Act of 1940 (the “Advisers Act”), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by McCutchen Group or any of its associated persons. The *Code of Ethics* also requires that certain of McCutchen Group’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in McCutchen Group’s *Code of Ethics*, none of McCutchen Group’s *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of McCutchen Group’s clients.

When McCutchen Group is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when McCutchen Group is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact McCutchen Group to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, McCutchen Group generally recommends that clients utilize the brokerage and clearing services of *Schwab*.

Factors which McCutchen Group considers in recommending *Schwab* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Schwab* enables McCutchen Group to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Schwab* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by McCutchen Group's clients comply with McCutchen Group's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where McCutchen Group determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. McCutchen Group seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other *Financial Institutions* with whom McCutchen Group and the *Financial Institutions* have entered into agreements for prime brokerage clearing services. McCutchen Group periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct McCutchen Group in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and McCutchen Group will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by McCutchen Group (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, McCutchen Group may decline a client's request to direct brokerage if, in McCutchen Group's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless McCutchen Group decides to purchase or sell the same securities for several clients at approximately the same time. McCutchen Group may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among McCutchen Group's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders

been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among McCutchen Group's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that McCutchen Group determines to aggregate client orders for the purchase or sale of securities, including securities in which McCutchen Group's *Supervised Persons* may invest, McCutchen Group generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. McCutchen Group does not receive any additional compensation or remuneration as a result of the aggregation. In the event that McCutchen Group determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, McCutchen Group may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist McCutchen Group in its investment decision-making process. Such research generally will be used to service all of McCutchen Group's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because McCutchen Group does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

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McCutchen Group may receive from *Schwab*, without cost to McCutchen Group, computer software and related systems support, which allow McCutchen Group to better monitor client accounts maintained at *Schwab*. McCutchen Group may receive the software and related support without cost because McCutchen Group renders investment management services to clients that maintain assets at *Schwab*. The software and related systems support may benefit McCutchen Group, but not its clients directly. In addition, *Schwab* may pay, from year to year, for certain expenses related to performance, accounting and/or research vendors. The payment of these expenses by *Schwab* is not directly linked to client

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transactions. In fulfilling its duties to its clients, McCutchen Group endeavors at all times to put the interests of its clients first. Clients should be aware, however, that McCutchen Group's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence McCutchen Group's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, McCutchen Group may receive the following benefits from *Schwab* through its Schwab Institutional division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services the Schwab Institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### Item 13. Review of Accounts

For those clients to whom McCutchen Group provides investment management services, McCutchen Group monitors those portfolios as part of an ongoing process while regular account reviews are conducted typically on a quarterly basis. For those clients to whom McCutchen Group provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of McCutchen Group’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with McCutchen Group and to keep McCutchen Group informed of any changes thereto. McCutchen Group contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom McCutchen Group provides investment advisory services will also receive a report from McCutchen Group that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from McCutchen Group.

Those clients to whom McCutchen Group provides financial planning and/or consulting services will receive reports from McCutchen Group summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by McCutchen Group.

### **Item 14. Client Referrals and Other Compensation**

McCutchen Group is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, McCutchen Group is required to disclose any direct or indirect compensation that it provides for client referrals.

### Item 15. Custody

McCutchen Group's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize McCutchen Group through such *Financial Institution* to debit the client's account for the amount of McCutchen Group's fee and to directly remit that management fee to McCutchen Group in accordance with applicable custody rules.

The *Financial Institutions* recommended by McCutchen Group have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to McCutchen Group. In addition, as discussed in Item 13, McCutchen Group also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from McCutchen Group.



### Item 16. Investment Discretion

McCutchen Group may be given the authority to exercise discretion on behalf of clients. McCutchen Group is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. McCutchen Group is given this authority through a power-of-attorney included in the agreement between McCutchen Group and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). McCutchen Group takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made;
- The *Financial Institutions* to be utilized; and
- The *Independent Managers* to be hired or fired.

### Item 17. Voting Client Securities

McCutchen Group may vote client securities (proxies) on behalf of its clients. When McCutchen Group accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in McCutchen Group's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in McCutchen Group's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact McCutchen Group to request information about how McCutchen Group voted proxies for that client's securities or to get a copy of McCutchen Group's Proxy Voting Policies and Procedures. A brief summary of McCutchen Group's Proxy Voting Policies and Procedures is as follows:

- McCutchen Group has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to McCutchen Group's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, McCutchen Group devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct McCutchen Group's vote on a particular solicitation but can revoke McCutchen Group's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that McCutchen Group maintains with persons having an interest in the outcome of certain votes, McCutchen Group takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### **Item 18. Financial Information**

McCutchen Group does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, McCutchen Group is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. McCutchen Group has no disclosures pursuant to this Item.

## **MCCUTCHEN GROUP LLC**

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