

**GURTIN FIXED INCOME MANAGEMENT, LLC**

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This brochure provides information about the qualification and business practices of Gurtin Fixed Income Management, LLC. If you have any questions about the contents of this brochure, please contact us at 858-436-2200. 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 Gurtin Fixed Income Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Clients should be aware that the term "Registered Investment Adviser" does not imply any certain level of skill or training.

03/31/2011

## Material Changes

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### Annual Update

Gurtin Fixed Income Management, LLC ("Gurtin Fixed Income") is providing this information as part of our annual updating amendment which contains material changes from our last annual update. This section discusses only material changes since the last annual update which most recently occurred on 4/21/2010.

### Material Changes since the Last Update

The Securities and Exchange Commission adopted amendments to Part 2 of Form ADV effective October 2010. The newly revised Part 2 consists of Part 2A (the "Brochure") and Part 2B (the "Brochure Supplement"). Each update of the Brochure must now include a summary of all material changes since the last annual update.

This Brochure, dated March 31, 2011 is materially different in structure and contains certain new information that our previous brochure did not require. Following is a summary of additional material changes:

#### Investment Strategies:

As of January 2011, Gurtin launched a new investment product called the Tailored Duration Ladder Fixed Income. The Tailored Duration Ladder Fixed Income strategy is intended for investment advisers who desire the advantages of a laddered tax-exempt fixed income strategy coupled with the benefits of a custom built separately managed account, and enables the adviser to choose the level of volatility that best matches the client's risk profile.

#### Key Personnel:

As of June 30, 2010, the Director of Credit Research, Michael Johnson became a managing member of Gurtin Fixed Income Management, LLC. Additionally, Nancy Vo became the newly appointed Chief Compliance Officer effective March 31, 2011.

### Full Brochure Availability

The Firm Brochure for Gurtin Fixed Income Management, LLC is available by contacting Steve Simpson, President and Managing Director, at 858.436.2200.

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As part of our effort to obtain best execution, Gurtin Fixed Income aggregates trades in individual securities for as many accounts as practicable, except where subject to client direction constraints. Each account that participates in a block trade that is filled at several different prices through multiple trades will receive the average share price and will share the non-account specific transaction costs on a pro rata basis according to the size of each account, subject to other factors such as suitability of the account, investment restrictions stated in guidelines of various legal documents, available cash balance in the account, etc. In rare situations when Gurtin Fixed Income cannot purchase or sell the full amount of securities needed at one time, the securities will be allocated on a pro-rata basis and each account will receive the average purchase/sell price. The effect of aggregation may operate on some occasions to your disadvantage. Because of the prevailing trading activity, occasionally it is not possible to receive the same price or execution on the entire volume of securities purchased or sold. Block trading allows us to execute trades in a more timely, equitable manner and to reduce overall

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## Advisory Business

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### Firm Description

Based in San Diego, with an additional office in Chicago, Gurtin Fixed Income Management, LLC ("Gurtin Fixed Income") is an SEC registered investment advisor specializing in separately managed high grade tax-exempt and taxable fixed income portfolios for high net worth and ultra high net worth individuals and families.. We also work with many independent investment consulting and advisory firms and multi-family offices to build fixed income-related solutions that meet their clients' unique needs.

We do not define ourselves as either a "municipal" or "taxable" fixed income manager. Rather, we define ourselves as a fixed income manager that analyzes each client's tax and liquidity situation individually and focuses on identifying the securities that offer the highest after-tax yield with the lowest risk and volatility. In order to ensure that our portfolios maintain the highest credit quality, we employ an integrated portfolio management process that incorporates our deep credit research capabilities.

### Principal Owners

William Gurtin is the principal owner of Gurtin Fixed Income Management, LLC. Steven Simpson, Francis Michl, and Michael Johnson also serve as managing members of Gurtin Fixed Income Management, LLC.

### Types of Advisory Services

Gurtin Fixed Income provides asset management services on a discretionary and non-discretionary basis in accordance with the methods described in the Methods of Analysis, Investment Strategies and Risk of Loss section of this Brochure. We specialize in building and managing high grade tax-exempt and taxable fixed income portfolios. The client portfolios we manage are typically comprised of investment grade fixed income securities, including but not limited to, municipal securities, U.S. Government securities, U.S. Government-backed Agency securities, and short term money market securities.

Gurtin Fixed Income may also be engaged as a sub-adviser by other investment advisers to manage client accounts. The sub-advised accounts are managed by Gurtin Fixed Income according to the goals and objectives of the client. We are compensated for our advisory services rendered with respect to the sub-advised accounts in accordance with the fee schedule as outlined in the *Fees and Compensation* section. Gurtin Fixed Income manages the sub-advised accounts in a manner consistent with our fiduciary duties to all client accounts.

Gurtin Fixed Income also offers co-mingled funds as an investment product to qualified investors. Gurtin Fixed Income Management, LLC is the General Partner of Gurtin Fixed Income Funds GP, LLC and this may create a conflict of interest. For more information, please see the *Other Financial Industry Activities and Affiliations* section.

### Tailored Relationships

Gurtin Fixed Income will customize portfolios to meet the needs of our clients. For example, clients may impose restrictions on investing in certain securities or types of securities.

## Client Assets

As of December 31, 2010, Gurtin Fixed Income had total assets under management (AUM) equaling \$6,372,637,707.65.

## Fees and Compensation

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### Description and Fee Schedule

Gurtin Fixed Income receives management fees from the client based upon a percentage of the client's assets under management as outlined below:

	<b>Traditional Fixed Income Accounts</b>	<b>Cash Management Accounts</b>
	<b>Annual Management Fee</b>	<b>Annual Management Fee</b>
First \$5 million	.35%	.16%
Next \$5 million	.30%	.14%
Next \$40 million	.25%	.12%
Above \$50 million	.20%	.10%

Cash Management accounts are solely invested in short-term, liquid investments having maturities of less than one year, including money market funds, U.S. Government Treasury bills, bank certificates of deposit, bankers' acceptances, corporate commercial paper, and other money market instruments.

### Fee Billing

Unless otherwise provided in the investment management agreement, clients shall pay each calendar quarter a management fee equal to 1/4 of the annual management fee calculated by applying the fee schedule above to the average daily value of the account as of the close of the last trading day of such quarter. The quarterly fee will be billed in arrears for each calendar quarter and payable within 30 days after the client or custodian's receipt of the invoice. Generally, Gurtin Fixed Income deducts the fees from the client account assets; however clients may choose to have Gurtin Fixed Income invoice them for fees earned. In either case, an invoice will be provided to the client detailing the fee.

Our standard investment management agreement provides that it may be terminated at any time upon written notice. All earned, unpaid fees will be due and payable immediately upon termination of the investment management agreement. The amount of fees will be based on the average daily value of the account as of the last trading day before the investment management agreement terminates. Fees will be prorated for the number of days under management for the initial quarter and upon termination.

### Other Fees

In connection with Gurtin Fixed Income's advisory services, clients may incur and are responsible for the fees and expenses charged by their custodians and imposed by broker-dealers. Such fees may include, but are not limited to, custodial fees, transaction costs, fees for duplicate statements and transaction confirmations, brokerage commissions, and fees for electronic data feeds and reports.

## **Performance Fees & Side-by-Side Management**

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Gurtin Fixed Income does not accept performance-based fees or any fee which are based on a share of capital gains or capital appreciation of the assets of a client.

## **Types of Clients**

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### **Description**

Gurtin Fixed Income's clients consist of high net worth and ultra-high net worth individuals and families.

### **Account Minimums**

Gurtin Fixed Income's Traditional Fixed Income strategies generally require that the client maintain a minimum of \$3 million in assets. We may waive the account minimum or require a higher or lower minimum upon prior written notice. If the aggregate value of the client's accounts falls below the account minimum, Gurtin Fixed Income has the right to either require deposit of additional amounts to bring the value of the accounts up to the account minimum or close the accounts and send the proceeds to the client in accordance with the client's written delivery instructions. These minimums may be waived or modified as Gurtin Fixed Income deems appropriate with respect to each individual account and client. Gurtin Fixed Income requires the client to maintain a minimum of \$250,000 in assets under the Tailored Duration Ladder strategy.

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

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### **Methods of Analysis & Investment Philosophy**

Gurtin Fixed Income is steadfast in the belief that fixed income should represent the low risk, low volatility portion of a client's overall investment portfolio, and therefore, we will not sacrifice credit quality to achieve higher returns. We believe this is optimally achieved by building fixed income portfolios that are broadly diversified and maintain durations shorter than their benchmarks to limit volatility in our actively managed portfolios, and by minimizing credit risk exposure. In structuring our high quality portfolios, we perform our own in-depth fundamental analysis on the credit characteristics of bonds in the most resilient sectors based upon ability to generate revenue, financial flexibility, and downside risk. We then perform granular research within these sectors to identify the highest quality bonds, followed by ongoing aggressive surveillance on all bonds in our portfolios. In our efforts to preserve principal, we ensure proper diversification by setting clearly defined portfolio concentration limits on sector, state of issuance, and individual obligor.

All portfolios are separately managed and tailored to maximize after-tax return for the individual investor. As a result of our ongoing research, we seek to generate sustainable excess return over the appropriate benchmarks by taking advantage of various opportunities presented in the markets. For example, in the municipal fixed income market, our actively managed strategies may take advantage of the historically upward sloping yield curve, seasonal supply and demand imbalances, and the overvaluation of embedded call options.



Our primary objectives are to protect principal and maximize after-tax returns, which we achieve by minimizing portfolio volatility and maintaining high credit quality. While our investment philosophy has not changed since the firm's inception; however, the structure and duration of the specific securities that we purchase for our portfolios have changed as: 1) we have adjusted our interest rate outlook due to changes in the market environment, and 2) the relative value of appropriate securities has changed due to supply/demand considerations in the marketplace. We believe that this philosophy will continue to be successful in the future.

### **Portfolio Construction Process**

Our portfolio construction process begins with the development of a dynamic top-down analysis of the ever changing outlook for the economy, followed by a qualitative and quantitative bottom-up individual security selection process that focuses on securities that exhibit the best after-tax yields and volatility characteristics based upon our outlook. The Investment Committee develops the overall investment strategy, generates investment ideas, and determines the types of security structures that we believe will outperform in the future. The top-down research process performed by our Investment Committee involves a broad-based global analysis of macroeconomic factors, industry trends, and investment themes. The process ends in the formation of a formal economic outlook which is communicated by the Investment Committee to the portfolio management team and used as the basis for our bottom-up investment strategy along with the credit analysis of our credit research team to ensure portfolio credit quality and outstanding risk adjusted after-tax returns.

The portfolio management team begins with a universe of the fixed income sectors with the lowest credit risk and constructs and continuously monitors the portfolios based on these parameters; it is this continuous monitoring (and active management for our actively managed strategies) which adds the most value in the highly fragmented, increasingly credit sensitive fixed income market. In addition to being selected based on having satisfied a required level of creditworthiness, individual positions must be in stronger sectors, and weightings must ensure sufficient diversification of sector and issuer. In valuing securities, we look at the spread to MMD of securities based on our credit research team's intensive internal review of the credit; for example, for a security rated A+/A1 by the major ratings agencies but perceived to be a AA credit based upon our credit research team's review of the issuer's credit metrics (including financial position, tax base or service area, debt position, economy, and management), we would value the security based on the AA spread to MMD. Our research analysts' and portfolio managers' decisions are measured daily against the benchmark and with extreme precision; additionally, their decisions are discussed daily at the morning traders' meeting as well as in the weekly Investment Committee meetings.

Although portfolio management requires some degree of subjectivity in that it involves a considerable amount of expert judgment, we have worked to make our process as objective, consistent, and repeatable as possible by relying heavily upon quantifiable factors (such as credit requirements, bond structure, portfolio sector composition, etc.) for security selection. Additionally, although Fran Michl and Bill Gurtin are final decision makers, all investments must be approved by the credit research team prior to purchase; this provides a greater level of objectivity as the credit research team's purchase recommendations are not influenced by yield.

## Buy / Sell Discipline

### Buying

We exclusively purchase high grade domestic Municipals (minimum external credit rating of A- at purchase), US Governments, and US Government Agencies for our portfolios; we do not purchase derivative instruments. We broadly diversify our portfolios, generally averaging 30-40 issues per portfolio in our actively managed strategies (with a stated \$3MM minimum) and 10 issues per portfolio in our passively managed Tailored Duration Laddered Fixed Income strategy (with a stated \$250M minimum); minimums may be flexible for some strategies. Obligor concentration within portfolios is generally limited to 5% of portfolio value for non-state obligors and 10-15% of portfolio value for state obligors (but we may include a greater concentration on a select basis). Additionally, we diversify by state to ensure diversification within our National portfolios and diversify across the highest quality municipal sectors in our municipal fixed income portfolios. We do not have a maximum position size for Treasuries or Government Agencies, but generally attempt to diversify Agency holdings.

Using history as a guide, we only buy bonds that we believe are attractively priced relative to the fixed income market. We are very patient in our approach to investing in fixed income securities for our clients. We prefer to purchase bonds that offer strong liquidity for our clients. Due to the sheer size of our group (we do not have a size requirement for our bond purchases. We can buy odd lots if they are attractively priced as well as very large blocks (multiple millions) of bonds.

### Selling

We generally sell any bonds that exhibit undue credit risk prior to downgrade to BBB/Baa by selling all bonds with a cloud of uncertainty (e.g., City of San Diego, Jefferson County, Alabama). In addition to selling securities due to credit deterioration, we will also sell bonds opportunistically to enhance portfolio yields. For example, in certain environments, we will perform swaps to take advantage of the upward sloping municipal yield curve. Also, many of the high coupon callable bonds we purchase eventually become pre-refunded. We may sell these bonds to capture the gain in the security, and reinvest the proceeds in a higher yielding municipal security. (When a municipal bond is pre-refunded, the yield collapses to a level near the risk-free rate, increasing the price of the security.)

With access to competitive institutional bids, we typically have flexibility when raising cash or restructuring portfolios for our clients, and we are often able to sell bonds at relatively attractive prices for our clients.

## Investment Strategies

We tailor all of our strategies for individuals who are either full tax payers, subject to the Alternative Minimum Tax (AMT), or uniquely tax sheltered. Further, through extensive municipal credit research and surveillance, we seek to protect principal and generate alpha without sacrificing credit quality. All of our products focus exclusively on the sectors with the lowest credit risk; with the exception of the Tailored Duration Ladder Fixed Income strategy (which allows the adviser to choose the volatility level) and the Municipal Alpha Fixed Income strategy (which utilizes volatility surrounding misunderstood high quality credits to generate alpha), our strategies focus on maintaining low volatility as well.

Although no two individuals' investment needs and objectives are exactly the same, experience shows that there are groups of people who have certain factors in common which have enabled us to develop the following seven composite strategies that have historically fit the needs of our clients:

Traditional Fixed Income Strategies:

- **Core Intermediate Tax-Exempt Fixed Income Strategy:** Designed for taxable investors with a long-term investment horizon who seek to maximize after-tax returns with a lower degree of volatility than typical fixed income market strategies.
- **Core Intermediate AMT Fixed Income Strategy:** Crossover strategy (taxable and tax-exempt securities) designed specifically for investors with a long-term investment horizon who are subjected to the Alternative Minimum Tax (AMT) and who seek to maximize after-tax returns with a lower degree of volatility than typical fixed income market strategies.
- **Short Duration Fixed Income Strategy:** Designed for taxable and tax-exempt investors with an investment horizon of no less than 12-18 months who seek to maximize after-tax returns with a relatively low degree of volatility.
- **Enhanced Liquidity Fixed Income Strategy:** Designed for taxable and tax-exempt investors with an investment horizon of no less than 9-12 months who require some level of constant liquidity while desiring a portfolio that generates an enhanced yield over a cash portfolio.
- **Cash Management Strategy:** Designed for taxable or tax-exempt investors with an investment horizon of no less than 3-6 months who seek to maximize after-tax returns while maintaining a high degree of principal stability.

Muni Alpha and Tailored Duration Ladder Fixed Income Strategies:

- **Municipal Alpha Fixed Income Strategy:** Designed for taxable investors with a long-term investment horizon who seek to maximize after-tax returns via a duration extended slightly beyond that of our core intermediate strategies and a slightly lower average credit rating than that of portfolios managed using our core intermediate strategies.

Given the slightly increased credit risk associated with the Municipal Alpha strategy, this strategy is available to larger separately managed accounts which can achieve proper diversification as well as in a private fund structure; at this time, there are no plans for new fund launches or fund closures. Individuals invested in a high quality core fixed income strategy might reasonably consider their investment in the Municipal Alpha strategy as appropriate to represent a supplementary portion (approximately 15%) of their total fixed income portfolios; with this portion of their portfolio, clients are able to take on slightly longer duration to seek additional yield without assuming undue risk.

- **Tailored Duration Ladder Fixed Income Strategy:** Designed for advisers who seek the advantages of a standard ladder fixed income strategy and the ability to proactively select portfolio duration. Tailored Duration Ladder strategy portfolios can be structured as California,

New York, or National and is available under the following 3 separately managed strategies: 1-3, 1-5, or 1-10 Year municipal bond ladder.

### Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. We manage the risks associated with managed portfolios as shown below:

Type of Risk	Definition	Risk Mitigation Method
Interest rate	Risk of interest rate volatility	<ul style="list-style-type: none"> <li>• Maintain portfolio durations lower than the benchmark duration</li> <li>• Purchase high coupon, callable bonds during rising interest rate environments to dampen volatility for Traditional and Muni Alpha fixed income strategies</li> </ul>
Investment	Possibility that the investor will get back less than his or her original investment or expected return	<ul style="list-style-type: none"> <li>• Preserve principal through focus on high credit quality and low volatility</li> </ul>
Reinvestment	Risk that reinvested money will earn a lesser rate of return	<ul style="list-style-type: none"> <li>• Favor investments with shorter durations during rising interest rate environments for actively managed strategies</li> <li>• Take advantage of historically upward sloping municipal yield curve</li> </ul>
Liquidity	Spread between the bid and ask prices for a security being offered in the secondary market	<ul style="list-style-type: none"> <li>• Maintain forward-looking approach to credit to minimize illiquid holdings</li> <li>• Avoid holding odd lot positions whenever possible</li> <li>• Maintain strategic allocations to cash when appropriate</li> </ul>
Credit	Risk of default, credit spread widening, or downgrade	<ul style="list-style-type: none"> <li>• Invest solely in high grade municipal securities, US Government securities, and US Government Agency securities</li> <li>• Utilize a standardized approach to credit management using forward-looking analysis</li> <li>• Perform ongoing credit surveillance on all holdings</li> <li>• Opportunistically sell securities that we believe to be in weaker sectors or experiencing credit stress</li> </ul>
Call	Risk of early redemption	<ul style="list-style-type: none"> <li>• Purchase high coupon, callable bonds with structures that we are comfortable with whether or not they are called for Traditional and Muni Alpha fixed income strategies</li> </ul>

We actively manage risk throughout our portfolio management process. By comparing our performance against the benchmark daily, we can more immediately note discrepancies in the performance of our portfolio investments relative to the benchmark and Municipal Market Data (MMD), a high grade municipal bond index. This allows us to investigate the causes of the portfolio variance in order to identify potential sources of risk in individual credits or sectors. At the security level, we generate reports on a daily basis that provide bond credit ratings changes, corporate actions, and bond redemptions/calls. At the portfolio level, our portfolio analytics system, CMS BondEdge, enables us to review duration, convexity, and interest rate sensitivity for each portfolio.

We minimize much of the risk that our competitors expose their clients to in an attempt to increase yield. For example, many of our competitors will purchase some percentage of BBB or lower rated bonds, or purchase AMT private purpose municipal bonds to increase yield for their clients. As a high grade fixed income management group that focuses on protecting principal and maximizing after-tax returns for our clients, we will not subject our clients to these types of risks. We differentiate ourselves from our competitors quantitatively as well.

## **Disciplinary Information**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Gurtin Fixed Income or the integrity of Gurtin Fixed Income's management. Gurtin Fixed Income and our management personnel have no disciplinary history.

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

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### **Affiliations**

Gurtin Fixed Income and our management personnel are not engaged in any business or profession other than acting as an investment adviser. Nor do we offer to sell any type of product, other than investment advice concerning securities to clients.

William R. Gurtin, CEO, CIO and Managing Director, serves on the Schwab Advisor Services Advisory Board (the "Board"). As described under Brokerage Discretion & Recommendations Section of this Brochure, Gurtin Fixed Income may recommend that clients establish brokerage accounts with Schwab Advisor Services, a division of Charles Schwab & Co., Inc. to maintain custody of the clients' assets and effect trades for their accounts. The Board consists of approximately 20 representatives of independent investment advisory firms who have been invited by Schwab Institutional management to participate in meetings and discussions of Schwab Advisor Service's services for independent investment advisors and their clients. Board members serve for three-year terms. Mr. Gurtin's term ends in October 2012. Board members enter nondisclosure agreements with Schwab under which they agree not to disclose confidential information shared with them. This information generally does not include material nonpublic information about the Charles Schwab Corporation, whose common stock is listed for trading on the Nasdaq Stock Market (symbol SCHW). The Board meets in person approximately twice per year and has periodic conference calls scheduled as needed. Board members are not compensated by Schwab Advisor Services for their service, but Schwab Advisor Services does pay for or reimburse Board members' travel, lodging, meals and other incidental expenses incurred in attending Board meetings.

### **Industry Activity**

Gurtin Fixed Income sub-advises for a group of accounts under a sub-advisory relationship with several other investment advisors. This does not create a conflict of interest as the accounts follow the same fee schedule and investment guidelines as other managed accounts.

Gurtin Fixed Income solicits qualified investors to invest in securities that we have an interest in as we are the General Partner for the co-mingled funds offered. This may create a conflict of interest and for more detail, please see the *Code of Ethics* section.

Gurtin Fixed income also participates in Schwab's prime brokerage platform. For more information, please see the *Brokerage Practices* section.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### **Code of Ethics**

Pursuant to SEC rule 204A-1, Gurtin Fixed Income has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. Gurtin Fixed Income's Code of Ethics describes our fiduciary duties and responsibilities to our clients, and sets forth Gurtin Fixed Income's practice of supervising the personal securities transactions of supervised persons with access to client information. The Code also requires that all supervised persons act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. The Code of Ethics also includes the firm's policy prohibiting the use of material non-public information. Any individual who fails to abide by the firm's Code of Ethics may be subject to discipline. We will provide a complete copy of our Code of Ethics to any client, upon request to the Chief Compliance Officer at our principal address.

### **Participation in Client Transactions and Personal Trading Policies**

Individuals associated with Gurtin Fixed Income may buy or sell securities for their personal accounts identical to or different than those recommended to clients. To mitigate this conflict of interest all supervised persons are subject to our Code of Ethics, which requires such persons to provide an annual securities holdings report and quarterly transaction reports to the Chief Compliance Officer. In addition, such persons must obtain written approval from the Chief Compliance Officer prior to investing in any IPOs or private placements (limited offerings). It is the expressed policy of Gurtin Fixed Income that no person employed by us shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients.

Subject to the Code of Ethics, our employees are permitted to trade for their own accounts side-by-side and in block transactions with clients in the same securities, and at the same time. However, neither Gurtin Fixed Income nor its employees are permitted to trade for their own accounts on the same day in the same security with respect to which Gurtin Fixed Income receives from a client as an unsolicited order to buy or sell. For more information on our allocation practices, see the *Brokerage Practices* section of this Brochure.

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

Unless otherwise provided in the investment management agreement, Gurtin Fixed Income will have discretion to select broker-dealers to effect transactions for client's account. As a fiduciary, our policy is to seek to execute client securities transactions in a manner that the client's total cost or proceeds in each transaction are most favorable under the circumstances ("best execution"). In seeking best execution, we consider the full range of a broker's services, including the value of research provided, execution capability, commission rate, responsiveness, willingness to commit capital, creditworthiness and financial stability, clearance and settlement capability, and the provisions of research and other services that, in the our view, assist us in performing our duties under the investment management agreement and under the

agreements with our other clients. Gurtin Fixed Income may direct client transactions to brokers who provide useful research and brokerage services even though lower commissions may be charged by a broker who offers no research services and minimal securities transaction assistance. There is no assurance that the cost of commissions, mark-ups, mark-downs, and other execution costs will be the lowest possible, and it is likely that lower costs may be available for similar services. Gurtin Fixed Income participates in Schwab's prime brokerage platform and we may receive referrals from Schwab. However, we do not receive any compensation for any referral.

### Research and Soft Dollars

When we receive research that is incidental to our trading activities, Gurtin Fixed Income will comply with Section 28(e) of the Securities Exchange Act of 1934 (the "Act"). Under the Act, an investment adviser may pay more than the lowest available commission rate when executing client transactions in order to receive research and similar services from a broker if the adviser determines, in good faith, that the commissions charged by the broker are reasonable in light of the services provided. Disclose the incentive to receive the research. Examples of the types of research services that are incidental to Gurtin Fixed Income's trading activities include: proprietary research of a broker, ideas and market insight from brokers, and information relating to general market direction and activity. Research services may be useful in servicing all of our clients, and not all of such services may be useful for the account for which the particular transaction was effected.

Schwab Institutional makes available to Gurtin Fixed Income products and services that assist us in managing and administering clients' accounts, but which may not benefit clients' accounts. These products and services include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Gurtin Fixed Income's fees from its clients' accounts; and assist with back-office support, recordkeeping and client reporting. These products and services may be used to service all or a substantial number of our accounts, including accounts not maintained at Schwab Institutional.

### Directed Brokerage

Gurtin Fixed Income does not recommend, request or require that our clients direct us to execute transactions through a specified broker dealer, however we do accept and will place orders with brokerage firms pursuant to direction received in writing from the client ("directed brokerage"). In the event that a client directs us to use a particular broker or dealer, we will not have authority to negotiate commissions, obtain volume discounts, and best execution may not be achieved. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to other clients. Further, such clients will likely not participate in block trades executed through the broker that maintains our other client accounts, and as a result, the client will not benefit from the cost savings and other advantages of block trading.

### Order Aggregation

As part of our effort to obtain best execution, Gurtin Fixed Income aggregates trades in individual securities for as many accounts as practicable, except where subject to client direction constraints. Each account that participates in a block trade that is filled at several different prices through

multiple trades will receive the average share price and will share the non-account specific transaction costs on a pro rata basis according to the size of each account, subject to other factors such as suitability of the account, investment restrictions stated in guidelines of various legal documents, available cash balance in the account, etc. In rare situations when Gurtin Fixed Income cannot purchase or sell the full amount of securities needed at one time, the securities will be allocated on a pro-rata basis and each account will receive the average purchase/sell price. The effect of aggregation may operate on some occasions to your disadvantage. Because of the prevailing trading activity, occasionally it is not possible to receive the same price or execution on the entire volume of securities purchased or sold. Block trading allows us to execute trades in a more timely, equitable manner and to reduce overall commission charges to clients because transaction costs are generally shared on a pro-rated basis among all accounts included in the block.

## **Review of Accounts**

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### **Periodic Reviews**

Accounts are reviewed at least monthly in the context of each client's stated investment objectives and guidelines. Client accounts are reviewed by William Gurtin, Fran Michl, and/or Steve Simpson.

### **Review Triggers**

In addition to the monthly reviews, more frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, the market, or political or economic environment.

### **Regular Reports**

Clients will receive monthly or quarterly statements and confirmations from the custodians holding their accounts.

In addition, Gurtin Fixed Income will provide additional reports as provided in the investment management agreement. The additional reports consist of performance data and portfolio analytics that are delivered on a quarterly basis to clients.

## **Client Referrals and Other Compensation**

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### **Economic Benefits**

In exchange for commissions generated by discretionary trading activity, Gurtin Fixed Income receives research services from a variety of brokerage firms. See the *Brokerage Practices* section of this Brochure for a description of the services and benefits Gurtin Fixed Income receives from brokerage firms.

### **Third Party Solicitors**

Gurtin Fixed Income and our related persons do not directly or indirectly compensate any person for client referrals.

## **Custody**

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Our clients' assets are housed in nationally recognized banks or brokerage firms, otherwise known as custodians. Gurtin Fixed Income has a limited power of attorney to place trades on the client's behalf. If authorized by the client, Gurtin Fixed Income may also have the authority to directly debit client accounts for quarterly fees, and therefore is deemed to have Custody. See the *Fees and Compensation* sections of this Brochure for more information on direct debiting.

Clients are free to select their custodian. Gurtin Fixed Income may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab Institutional"), a registered broker-dealer, to maintain custody of clients' assets and to effect trades for their accounts. Client will receive either monthly or quarterly statements from the custodian. Clients should review and compare the account statements they receive from the qualified custodian with those they receive from Gurtin Fixed Income. For more information on the reports that you will be provided by us, see the *Review of Accounts* section of this Brochure.

## **Investment Discretion**

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### **Discretionary Authority for Trading**

When a client retains Gurtin Fixed Income as their investment adviser, Gurtin Fixed Income and the client will enter into an investment management agreement. By signing this agreement, the client gives Gurtin Fixed Income full discretion to select the securities that are bought or sold, the amount of securities bought or sold, the brokers through which securities are bought or sold, and the commission rates at which securities are bought and sold.

At all times investments will be made consistent with the client's profile and investment guidelines. Our authority is subject to conditions and restrictions imposed by the client.

## **Voting Client Securities**

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### **Proxy Voting**

Gurtin Fixed Income will not vote and will not accept authority to vote proxies on behalf of our clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in their accounts. We may, in our discretion, provide advice to clients regarding the voting of proxies.

## **Financial Information**

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Gurtin Fixed Income is not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to clients.

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