

Partner Fund Management, L.P. Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of Partner Fund Management, L.P. (“PFM”). If you have any questions about the contents of this brochure, please contact us at 415-281-1000. 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 PFM is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Material Changes

PFM's last update to Part 2 of Form ADV was made in August 2010. PFM's business activities have not changed materially since then. However, in 2010 the SEC required significant changes to the content and format of Part 2 of Form ADV. This brochure, which reflects those changes, is materially different from brochures used by PFM in prior years.

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Item 4. Advisory Business

PFM provides investment advice and management to individually managed accounts, including non-U.S. investment funds. PFM holds a limited power of attorney to act on a discretionary basis with client funds. Client funds are deposited in either a brokerage firm or a bank custodian account.

PFM was founded in September 2004 and is primarily owned by Christopher M. James. As of December 31, 2010, PFM managed \$2,711 million on behalf of six clients. PFM only manages assets on a discretionary basis, but PFM's discretionary authority is limited as described in Item 16.

PFM invests primarily in publicly-traded equity and equity-related securities. Additional information on PFM's investment strategies and the types of securities PFM may trade is provided in Item 8. Trading takes place in U.S. and non-U.S. markets. PFM is authorized to enter into any type of investment transaction that it deems appropriate, as long as such transactions are allowed by the client's account agreement.

PFM does not usually customize its services for client accounts. PFM generally manages each account according to the strategy selected by the client or (in the case of a non-U.S. investment fund, the investment strategy set forth in its Private Offering Memorandum).

Item 5. Fees and Compensation

PFM charges an annual asset management fee of .75%, 1%, 1.5% or 2% of assets under management. This annual fee varies depending on other qualities of the account, such as liquidity and performance fees. For example, investors may pay a lower management fee in an account that offers less frequent opportunities to redeem assets. The asset management fee is typically calculated quarterly based on the net market value of the client's account at the beginning or end of the period (depending on the provisions of each client's account agreement), and is paid in quarterly installments. PFM generally deducts management fees and performance fees directly from client accounts. Management fee payments are usually paid in advance, unless a different schedule has been negotiated.

PFM typically receives a performance fee equal to 17.5%, 20% or 25% of net profits of the account (including both realized and unrealized gains and losses). Like with PFM's management fees, investors may pay a lower performance fee in an account that offers less frequent opportunities to redeem assets. Performance fees are assessed annually in arrears, and are only applied to profits that exceed any cumulative losses experienced by the account.

Some accounts do not pay performance fees but instead issue options allowing PFM to purchase up to 17.5% or 20% of the shares of the applicable account. The options may be exercised at the price of the shares on the date the options were granted, so that PFM receives up to 17.5% or 20% of the net profits related to that account. Initially, the options are exercisable three years after they are issued, and then either annually or every subsequent three years after that. PFM complies with Rule 205-3 under the Investment Advisers Act of 1940, as amended, to the extent required by applicable law.

PFM is compensated based on trading profits (both realized and unrealized), which may create an incentive for PFM to make investments that are riskier or more speculative than it might otherwise do. PFM's clients are subject to costs associated with PFM's trading strategies such as brokerage commissions and transaction costs. Additional information on PFM's brokerage practices is provided in Item 12. PFM's clients are also subject to fees and expenses related to custody and administration of accounts, as well as certain legal, audit and possibly investment-specific costs.

A client may terminate an individually managed account by giving between 30 and 90 days' written notice (depending on the provisions of each client's account agreement), unless a different notice period has been negotiated. Generally, all prepaid but unearned advisory fees are refunded to the client on termination of an account. Refunds would be calculated based on the percentage of the period remaining at the time of termination relative to the total amount of fees prepaid for the period.

PFM believes that its fees are competitive with fees charged by other investment advisers for comparable services. However, comparable services may be available for lower fees.

The disclosure in this Item 5 along with the disclosure in Item 12 allow a client or investor that is subject to the Employee Retirement Income Security Act of 1974 and that invests in one of PFM's investment funds to use the "alternative reporting option" to report PFM's compensation as "eligible indirect compensation" on the Schedule C of the plan's Form 5500 Annual Return/Report of Employee Benefit Plan.

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

PFM currently manages only accounts that pay performance-based compensation as described in Item 5. It does not manage accounts that do not pay performance-based compensation.

Item 7. Types of Clients

PFM's clients are investment funds and other accounts such as individually managed account clients. Individually managed account clients may include high net worth individuals, institutions, trusts, endowments and pension plans.

PFM generally requires a minimum investment of \$5,000,000 for the "Diversified" and "Meritage" funds, but for the "Healthcare" funds PFM generally requires a \$2,000,000 minimum investment. Minimum investment amounts for individually managed account clients may vary. These minimums may be waived by PFM.

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

Methods of Analysis

PFM's team of investment analysts performs bottom-up analysis across industry sectors and geographies to identify trends, to develop core investment themes, and to identify stocks expected to perform significantly better (for long positions) or worse (for short positions) than consensus expectations. For example, thematic core long positions should typically exhibit the potential for strong, multi-year secular growth driven by multiple products in multiple geographies. An analyst will be assigned one or more industries or market sectors and will evaluate companies within his or her assigned area through extensive research directly with the companies and also generally with customers, suppliers, government regulators, competitors, investors and industry analysts. PFM's portfolio managers encourage inter-industry cooperation among analysts. As one company's business often overlaps with another's, the analyst will often find assistance from another PFM colleague who has information about a company's customers, suppliers and competitors. PFM's overall method of analysis is generally referred to as fundamental research.

Ideas are ultimately fed to a portfolio manager who makes the final decision regarding portfolio positions. PFM looks for catalysts to help decide which asset classes and/or geographies will most efficiently express fundamental views on portfolio companies and also mitigate overall risk. Net and gross exposures are actively managed by using structural parameters that emphasize liquidity and investment flexibility. PFM believes that both its selection of outstanding investment professionals and their cooperative research effort will combine to generate a superior investment approach.

Investment Strategies

PFM invests in and trades securities, consisting primarily of equity and equity-related securities that are traded publicly in U.S. and non-U.S. markets. PFM also may invest in preferred stocks, convertible securities, warrants, rights, options (including covered and uncovered puts and calls and over-the-counter options), swaps, swaptions and other derivative instruments, bonds, other fixed income securities and debt instruments, non-U.S. currencies, futures, options on futures, commodity interests, money market instruments, cash and cash equivalents. PFM also engages in short selling, margin trading, hedging and other investment strategies.

PFM may invest in securities of any market capitalization and securities of either a “growth” or “value” nature. PFM believes that due to the investment team’s thematic research approach and demand for liquidity, mid- and large-cap “growth” stocks may sometimes constitute a large portion of client portfolios.

PFM’s main investment strategies are currently (1) diversified global, known as “Diversified”, (2) concentrated, diversified global, known as “Meritage”, and (3) “Healthcare”. There are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. PFM may use any trading or investment techniques in the management of client accounts. There are no limits on the types of securities in which PFM may take positions on behalf of its clients, the types of positions that it may take, the concentration of its investments or the amount of leverage that it may use. Depending on conditions and trends in securities and commodities markets and the economy generally, PFM may pursue any objectives or use any techniques that it considers appropriate and in clients’ interest.

Risk Factors

Investing in securities involves risk of loss that clients should be prepared to bear. Below is a brief summary of some of the risks that investors should consider before investing in any account that PFM manages, including individually managed accounts and offshore investment funds. These types of risks could materially and adversely affect investment performance, and any account or any security held in an account may lose value and could cause investors to lose substantial amounts of money.

1. Client accounts may not achieve their investment objectives. A strategy may not be successful and investors may lose some or all of their investment.
2. Investor sentiment on the market, an industry or an individual stock, bond or other security is not predictable and can adversely affect an account’s investments.
3. An account may hold securities that lose value and may short securities that gain value, leading to losses in that account. Short sales have a theoretically unlimited risk of loss as the price of a security sold short increases.
4. Management and stockholders of an issuer may sue short sellers to prevent short sales of the issuer’s securities. PFM could be subject to such actions, even if they are baseless, and clients could incur substantial costs defending them.

5. PFM may not be able to obtain complete or accurate information about an investment and may misinterpret information it does receive. PFM also may receive material, non-public information about an issuer that prevents it from trading securities of that issuer for a client when the client could make a profit or avoid losses.
6. An account may hold positions in securities of small, unseasoned companies that are less actively traded and more volatile than those of larger companies.
7. An account may hold a large position in an issuer's securities but not have any control over the issuer's management. Large positions in an issuer's securities may be relatively illiquid and may depress the market for those securities.
8. PFM may engage in hedging, which may reduce profits, increase expenses and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, which can lead to losses on both transactions. PFM is not obligated to hedge a client's portfolio positions, and it frequently may not do so. Failure to hedge may result in losses larger than would be experienced if a position was hedged.
9. An account may have higher portfolio turnover and incur higher transaction costs than a similar account managed by another investment adviser.
10. PFM may use leverage by borrowing on margin, selling securities short and trading futures, other commodity interests and derivatives. Leverage may increase volatility and risk of loss. Commodity interests and derivative instruments can be difficult to value, and an incorrect valuation could result in losses.
11. An account may enter into repurchase agreements or reverse repurchase agreements, which have risks similar to margin trading and leveraging strategies.
12. An account may sell covered and uncovered options on securities. The sale of uncovered options could result in unlimited losses.
13. Counterparties such as brokers, dealers, futures commission merchants, custodians and administrators with which PFM does business on behalf of clients may default on their obligations. For example, a client may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.
14. An account may hold securities of non-U.S., private and government issuers which may be subject to risks such as political risks, economic conditions of the country in which the issuer is located, limitations on foreign investment in any such country, currency exchange risks, withholding taxes, limited information about the issuer, limited liquidity, and regulatory oversight which is limited or not well understood.
15. Changes in economic conditions can adversely affect investment performance. Volatile securities markets may lead to investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.

16. An account may hold positions that are or become illiquid, in which case PFM may not be able to sell such positions.
17. An account may invest in restricted securities that are subject to long holding periods or that are not traded in public markets. These securities are difficult or impossible to sell at prices comparable to the market prices of similar publicly-traded securities and may never become publicly traded.
18. An account's investments may not be diversified. Therefore, a loss in any one position, industry or sector may cause significant losses to the account.
19. PFM values the positions held in client accounts, even if no public market exists for them. If PFM's valuation is inaccurate, it might receive more compensation than that to which it is entitled. Also, a new investor in a fund might receive an interest that is worth less than the investor paid, and an investor that is withdrawing assets might receive more than the amount to which the investor is entitled, to the detriment of other investors.
20. PFM and its affiliates and agents generally are not responsible to any client or investor for losses incurred in an account unless the loss is the result of a breach of PFM's fiduciary duty to the client or investor.
21. There is not and will not be an active market for fund interests. It may be impossible to transfer any such interests, even in an emergency.
22. A fund may not be able to generate cash necessary to satisfy investor redemptions. Substantial redemptions in a short period could force PFM to liquidate investments rapidly, which may depress the value of those investments, and may so reduce the size of a fund that it cannot generate returns or reduce losses.
23. A fund may limit or suspend redemptions of an investor's assets from the fund.
24. A fund may establish a reserve for contingencies if PFM considers it appropriate. Investors may not withdraw or redeem assets covered by that reserve until it is lifted.
25. If PFM and its affiliates manage a large amount of assets, it may become difficult for PFM to find attractive investments for the accounts.
26. The attorneys who represent PFM or its principal do not represent clients or investors. Clients and investors must hire their own counsel for legal advice and representation.
27. A fund may dissolve or expel any investor at any time, even if such actions adversely affect one or more investors.
28. PFM, an administrator or any government agency may freeze assets they believe a client holds in violation of anti-money laundering laws or rules or on behalf of a suspected terrorist, and may transfer such assets to a government agency. You will be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations.

29. The funds intend to reinvest substantially all income and gain and do not intend to make distributions. Therefore, an investor may have taxable income from a fund without a cash distribution to pay the related taxes.
30. Federal, state and international governments may increase regulation of investment advisers, private investment funds, securities and derivatives, which may increase the time and resources that PFM must devote to regulatory compliance, to the detriment of investment activities.
31. PFM is not registered with the SEC as a broker-dealer or with the Commodity Futures Trading Commission as a commodity pool operator. The equity interests in the funds are not registered under the Securities Act of 1933, and the funds are not registered investment companies under the Investment Company Act of 1940. PFM believes that none of these registrations is required because exemptions are available under applicable law. If a regulatory authority deems that any of these registrations is required, PFM and any fund could be subject to expensive legal action and potential termination. In addition, investors in the funds do not have certain regulatory protection that they would have if these registrations were in place.
32. PFM's activities could cause adverse tax consequences to clients and investors, including liability for interest and penalties.
33. PFM's activities may cause an account that is subject to the Employee Retirement Income Security Act of 1974 to engage in a prohibited transaction under that Act.
34. PFM and its affiliates may spend time on activities that compete with the management of accounts without accountability to investors. Other activities may include investing for other clients and PFM and its affiliates own accounts. If PFM receives better compensation and other benefits from other activities, it has incentive to allocate more time to those other activities. These factors could influence PFM not to make investments on a client's behalf even if such investments would benefit the client.
35. PFM may provide certain investors or clients more frequent or detailed reports, special compensation arrangements and redemption rights that it does not provide to other investors or clients.
36. The assets of an individually managed account are generally held in a custodial account in the name of the direct beneficial owner rather than in a pooled investment fund, although they are generally managed the same way as the pooled investment funds. Clients with individually managed accounts have access to that custodial account and are able to see the holdings of their accounts. As a result, these clients will receive information not available to pooled investors, which could be an advantage in determining to withdraw assets from their account or terminate their investments. Clients in individually managed accounts may generally withdraw their assets or close their accounts on a more favorable basis than pooled fund investors. The liquidation of any such account, or even a portion of one, could disadvantage other clients.

The above is only a summary of some of the important risks that a client or investor may encounter. Potential investors in a fund should review that fund's private offering memorandum carefully and completely, and consult with their professional advisers before deciding whether to invest. A potential client or investor should discuss with PFM's representatives any questions that such person may have before opening an account or investing in an offshore investment fund.

Item 9. Disciplinary Information

PFM and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Item 10. Other Financial Industry Activities and Affiliations

PFM is affiliated with and shares offices with two other investment advisers, Partner Investment Management, L.P. ("PIM") and Partner Advisory Services, L.P. ("PAS", and together with PIM, the "Related Advisers"), each of which is registered as an investment adviser with the U.S. Securities and Exchange Commission. The Related Advisers provide services to different types of clients and may pursue different investment strategies. PIM and PAS each leases employees from PFM. Those employees provide administrative, back office and investment research services. PFM receives investment sub-advisory services from PAS. PFM and the Related Advisers maintain joint compliance policies and procedures.

Investment funds managed by Goldman Sachs Asset Management International, an affiliate of The Goldman Sachs Group, Inc. ("Goldman"), hold a passive minority revenue share interest in PIM, PAS and Partner Asset Management, LLC ("PAM"), a Delaware limited liability company and an affiliate of PFM. None of these investment funds, Goldman or any of their affiliates has any rights over the management or policies of PIM, PAS or PAM or their affiliates or has any right to vote any of their interests in PIM, PAS or PAM or any of their affiliates and, therefore, each disclaims control of PIM, PAS or PAM and their affiliates. Before PIM, PAS or PAM can undertake certain significant activities that fall outside the normal course of business, the investment funds have the right to consent to such activities. These activities do not include portfolio management activities.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

PFM has adopted a Compliance Manual and Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, as amended, which establishes standards of conduct for PFM's and its affiliates' personnel. The Compliance Manual and Code of Ethics includes general requirements that PFM's personnel comply with their fiduciary obligations to clients and applicable securities laws. The Code of Ethics contains specific requirements relating to, among other things, personal trading, insider trading and the receipt of material non-public information, conflicts of interest and confidentiality of client information.

The Code of Ethics prohibits personal securities transactions except that (1) if pre-cleared and approved, personnel may purchase and sell non-sector and non-industry specific ETFs, non-sector specific closed-end mutual funds, and private investments, and (2) without having to pre-clear, personnel may purchase and sell money market instruments, open-end mutual funds (or their non-

US equivalents), government securities and securities purchased pursuant to a dividend reinvestment plan. If an employee owns securities when they join PFM, they may keep these securities and may sell those securities subject to pre-clearance on a case-by-case basis. Personnel may not buy or sell a position in a personal account until five business days after orders for client accounts in that security (or a related security) have been filled and there is no buying or selling program in progress or under consideration, subject to certain de minimus thresholds. All purchases are subject to a thirty day holding period. Personnel must have duplicate copies of all trade confirmations and brokerage statements sent directly to PFM's Chief Compliance Officer, and the Code of Ethics requires the Chief Compliance Officer to review those reports.

PFM personnel may not engage in principal transactions between a personal account and a client account without the consent of that client. PFM may not engage in a principal transaction with a client without the consent of that client.

The Compliance Manual and Code of Ethics requires supervised persons to report any violations of the Code of Ethics promptly to PFM's Chief Compliance Officer. All personnel receive a copy of the Compliance Manual and Code of Ethics and any amendments to it, and must acknowledge in writing having received the materials. Quarterly, all personnel must certify that they have complied with the Compliance Manual and Code of Ethics during that period. Clients and prospective clients may obtain a copy of PFM's Code of Ethics by contacting Compliance at (415) 281-1000.

Conflicts of Interest

PFM prefers investors to invest in its pooled investment funds instead of in an individually managed account because of the reduced expenses and administrative burdens of managing a fund compared to an individually managed account. Performance compensation PFM receives from some funds may get a more favorable tax treatment than that from an individually managed account. Fund investors have less transparency and liquidity than individual account clients. In addition, if a fund investor also has an individually managed account with PFM that uses a similar investment strategy, the investor may use knowledge about the portfolio to decide if and when to invest or withdraw from the fund at times when other fund investors would have made similar decisions had they had similar transparency.

PFM and its affiliates have fiduciary duties to all their clients, but the interests of those clients may sometimes conflict with one another. Because PFM manages more than one account, there may be conflicts of interest related to the time devoted to managing any one account or the allocation of investment opportunities among all accounts that it manages. PFM selects investments for each client based solely on investment considerations for that client. Different clients may have differing investment strategies and expected levels of trading. PFM may buy or sell a security for one client but not for another, or may buy (or sell) a security for one client while simultaneously selling (or buying) the same security for another client. PFM attempts to resolve all such conflicts fairly as much as possible. PFM may give advice to a client or take an action on behalf of a client that differs from the advice given or the timing or nature of an action taken on behalf of another client, so long as it is PFM's policy to allocate investment opportunities fairly and equitably over time as much as possible. PFM is not obligated to acquire for any account any

security that another client may also acquire if, in PFM's absolute discretion, it is not practical or desirable to do so.

The partners, officers, employees and affiliates of PFM also may engage in securities transactions for their own accounts. These transactions may or may not be considered for clients. PFM has no fiduciary duty to present transactions to clients, even if those transactions that may be appropriate for them as investment opportunities.

With respect to clients that are pooled investment funds, PFM may provide certain investors more frequent or more detailed reports of the client's portfolio holdings that it does not provide to all investors.

Different accounts managed by PFM have different portfolio managers. Each portfolio manager works independently to achieve the investment objectives of the accounts he manages. As a result, different portfolio managers may make different investment or sale decisions about the same security, use different levels of leverage or take more or less concentrated positions in a particular security. The differences will likely result in different returns for investors in the different accounts. The accounts managed by one portfolio manager may underperform the accounts managed by the other portfolio managers.

PFM has discretion in determining which investments are made by its clients, sold to others or made by it or its affiliates, with or without the participation of any other person. PFM or its affiliates may be able to obtain more favorable compensation, cost reimbursement or risk-sharing arrangements in connection with some investments if the client account does not participate. Therefore, PFM may be influenced to cause a client not to make such investments even though participation might benefit that client. PFM or its affiliates may also make any investment, whether or not in competition with a client or in a manner that would limit or eliminate a client's opportunity to make the investment, without any accountability to that client.

Item 12. Brokerage Practices

PFM generally allocates client portfolio transactions to securities brokers and futures commission merchants ("FCMs") on the basis of best execution. When analyzing whether a broker or FCM provides best execution, PFM considers the commission rate that would be charged but also considers, among other things, whether that firm provides or pays the costs of certain services that benefit PFM and its affiliates and clients. These services may include, among other things:

- proprietary research services,
- conferences and meetings with company management and other relevant parties,
- economic and market information,
- portfolio strategy advice,
- industry and company comments, technical data, recommendations, general reports, and consultations,
- performance measuring data,
- on-line pricing, special execution capabilities, block trading and block positioning capabilities, and offering to PFM or its affiliates on-line access to computerized data regarding clients' accounts,

- willingness to execute related or unrelated difficult transactions in the future, order of call, and willingness to commit capital,
- knowledge of other buyers and sellers,
- reputation, financial strength and stability, confidentiality,
- efficiency of execution and error resolution,
- the availability of stocks to borrow for short trades,
- clearance, settlement, custody, recordkeeping and similar services, and
- other matters involved in the receipt of brokerage services generally.

Clients pay for the above research and other services with “soft” or commission dollars. A client may pay a higher brokerage commission or a commission markup for a transaction than they might pay with another broker or FCM because of the value of the brokerage, research, other services and soft dollar relationships provided by that broker or FCM to PFM. PFM may also execute a client’s brokerage transactions through brokers and FCMs who refer prospective investors to PFM’s pooled investment funds and thus clients’ commission dollars may compensate brokers for such referrals. However, PFM does not specifically direct brokerage to any broker in exchange for client or investor referrals.

During PFM’s last fiscal year, it acquired the following types of products and services with client brokerage commissions or markups:

- trade execution and brokerage services,
- proprietary and third party research reports and analyses,
- company and stock trading advice,
- trade order management and execution systems,
- inclusion at industry conferences or broker-arranged meetings with company executives,
- consulting from sector, industry, company and product experts,
- software and tools which analyze industries, sectors and fundamental data related to securities, and
- data used in the portfolio management and trade execution processes.

Section 28(e) of the Securities Exchange Act of 1934 provides a “safe harbor” to investment advisers who use clients’ commission dollars to obtain investment research and brokerage services, if the research and brokerage assists the investment adviser in investment decision-making. The “safe harbor” is a complicated area of regulation, and a thorough explanation is not attempted in this document.

Conduct outside of the safe harbor of section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. If PFM uses commission dollars to pay for products or services that provide administrative or other non-research assistance to PFM or its affiliates, such payments may not fall within the safe harbor of section 28(e). In addition, PFM may receive soft dollar credits on principal, as well as agency, securities transactions with brokers and FCMs.

PFM's relationships with brokerage firms and FCMs that provide soft dollar services influence PFM's judgment in allocating brokerage transactions. This creates a conflict of interest in using the services of those brokers and FCMs to execute client brokerage transactions. Clients pay brokerage fees that benefit PFM and the Related Advisers if soft dollars are used to pay expenses that are not otherwise reimbursable by those clients. PFM generally tries to allocate brokerage transactions to clients fairly by considering the amount and nature of research, execution and other services provided by brokers and FCMs as well as the extent to which clients rely on such services. PFM believes that such an allocation of brokerage transactions is fair and helps clients obtain research and execution and other benefits. However, PFM may use the investment information and other services that it receives from brokers and FCMs in servicing all its clients or the clients of the Related Advisers. PFM may not use all the information and other services it receives in connection with the accounts that PFM manages. PFM believes that these relationships are beneficial to it and its clients, but client trades executed through these firms or any other brokerage firm or FCM may or may not be at the lowest commission rate otherwise available. Prospective clients who consider such soft dollar practices material to their investment decision should request PFM's most recent information on soft dollar practices.

As noted above, investment funds managed by Goldman Sachs Asset Management International, an affiliate of Goldman, hold a passive non-controlling minority revenue share interest in PIM, PAS and PAM. Goldman is a global, full-service investment banking, broker-dealer and financial services organization. To the extent permitted by the Advisers Act and other law, as applicable, PFM's clients enter into securities or other investment transactions in which an affiliate of Goldman (a "Goldman Affiliate") acts on a principal or agency basis or otherwise provides services for which they are compensated (including as executing or clearing broker (including prime broker), dealer, futures commission merchant, counterparty, agent, administrator, lender, or otherwise). The Goldman Affiliate may retain all such compensation, commissions, fees or profits it earns from these transactions. For example, a Goldman Affiliate may serve and receive compensation as broker or dealer in an equity or debt securities transaction, derivative counterparty, futures commission merchant or administrator or other back or middle office service provider. In addition, PFM's clients may trade securities with broker-dealers that are not Goldman Affiliates, but for which a Goldman Affiliate acts as a market maker or which is executed on the floor of an exchange or is matched without PFM's knowledge with an order from Goldman or its clients, or in connection with which a Goldman Affiliate receives compensation through its role as a lead underwriter, manager, lender, agent or administrator in a syndicate. To the extent permitted by the Advisers Act and other law, as applicable, PFM's clients may invest in securities and investments issued, sponsored or underwritten by a Goldman Affiliate (or entities under its control). Entering into transactions with a Goldman Affiliate in which Goldman or such Goldman Affiliate directly or indirectly financially benefit, or which result in other potential commercial advantages to Goldman or such Goldman Affiliate, may give rise to conflicts of interest with respect to PFM's exercise of investment discretion and brokerage discretion.

PFM allocates investment opportunities, including new issues, to clients based on the unique characteristics of each client. PFM may aggregate sale and purchase orders of securities, including new issues, held by a client with similar orders being made simultaneously for PFM's other clients if PFM believes such aggregation is reasonably likely to benefit its clients overall. For example, PFM may determine that those clients will benefit from relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of

these and other factors. In many instances, PFM purchases or sells securities, including new issues, for a client simultaneously with the purchases or sales of like securities for other clients. Such transactions may be at slightly different prices, because of the volume of securities purchased or sold. If this happens, a client will pay (or receive) the average transaction price of all securities purchased (or sold) in such transactions. As a result, the price may be less favorable to a client than it would be if other transactions were not executed at the same time. Executed transactions, including partial executions and new issues allocations, will generally be allocated to clients on a pro rata basis based on the initial order size for each client. As a result, the actual sale or purchase allocated to each client may be less than if no other transactions were executed.

PFM's clients' investment programs include trading as well as investments, and short-term market considerations frequently are involved. The turnover of each client's portfolio, and the resulting brokerage, custodial and other transaction costs and expenses, may be substantially greater than the turnover rates (and transaction costs) of other types of investment vehicles.

Item 13. Review of Accounts

Christopher M. James, the Chief Investment Officer of PFM, is the portfolio manager of all accounts that use the "Diversified" and "Meritage" investment strategies.

Brian D. Grossman is the portfolio manager of PFM's accounts that employ PFM's "Healthcare" strategy.

Each portfolio manager continuously reviews the accounts he manages. Asset allocation, cash management, market prospects and individual issue prospects are considered. Particular attention is given to changes in company earnings, industry outlook, market outlook, and price levels.

A statement reporting performance and risk and exposure metrics for the month is provided to investors each month.

Audited financial statements are provided annually to investors.

Item 14. Client Referrals and Other Compensation

Other than the previously described products and services that PFM may receive from a broker, PFM does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

PFM does not directly or indirectly compensate any person for client referrals.

Item 15. Custody

All client assets are held in custody by unaffiliated broker/dealers or banks who serve as the custodian. However PFM may have access to client assets when it or an affiliate serves as the General Partner of the fund.

Investors will not receive statements from the custodian. Instead the funds are subject to an annual audit and the audited financial statements are distributed to each investor. The audited

financial statements will be prepared in accordance with generally accepted accounting principles (“GAAP”) and distributed within 120 days of the account’s fiscal year end.

Item 16. Investment Discretion

PFM manages investments fund and accounts on a discretionary basis only. PFM has discretionary authority to manage investment accounts on behalf of clients pursuant to a limited power of attorney in each client’s account agreement. Such discretion is limited by the requirement that clients advise PFM of:

- the investment objectives of the account;
- any changes or modifications to those objectives; and
- any specific investment restrictions relating to the account.

A client must promptly notify PFM in writing if the client considers any investments recommended or made for the account to violate these objectives or restrictions. A client may at any time direct PFM to sell any securities or take such other lawful actions so that the account will comply with the client’s investment objectives. In addition, a client may notify PFM at any time not to invest any funds in the client’s account in specific securities or specific categories of securities.

Item 17. Voting Client Securities

Institutional Shareholder Services, Inc. (“ISS”), a subsidiary of MSCI Inc., provides research, recommendations and voting services on proxy voting issues. Voting decisions are made on behalf of each of PFM’s accounts based on the best interests of those accounts. In determining whether a proposal serves the best interests of an account, PFM considers ISS’s recommendations as well as other factors specific to a proposal, such as:

- its economic effect on shareholder value,
- any threat to existing shareholders’ rights,
- the dilution of existing shares,
- the effect on management or director accountability to shareholders, and,
- if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual.

PFM will not vote a proxy if PFM believes that it is appropriate to abstain.

PFM’s proxy voting policy is to generally vote with management. This policy is based on PFM’s fundamental investment research and knowledge of the management of the companies held in the accounts. In cases where ISS’s recommendations deviate from those of management, PFM will determine a vote on a case-by-case basis after reviewing analysis provided by ISS and management. In general, recommendations made by ISS which are based on generally-accepted principles of good corporate governance will be followed. In cases such as where a proposal may require management to go beyond the requirements of applicable law, where no evidence of a

governance issue appears to exist, or where deemed appropriate based on PFM's research on the company or issue involved, PFM will generally vote with management.

If PFM determines that its proxy voting policies do not adequately address a material conflict of interest with a client, PFM will, in its exclusive discretion, either (a) direct ISS to vote its proxy in accordance with ISS's recommendation or (b) notify the client of the conflict, and provide copies of available proxy solicitation materials and PFM's intended response and request that the client consent to PFM's intended response. If the client consents to PFM's intended response or fails to respond to the notice within a reasonable period of time specified in the notice, PFM will vote the proxy as described in the notice. If the client objects to PFM's intended response, PFM will vote the proxy as directed by the client.

A client can obtain a copy of PFM's proxy voting policy and a record of votes cast by PFM on behalf of that client by contacting Compliance at (415) 281-1000.

Item 18. Financial Information

PFM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

Privacy Policy

PFM is committed to protecting your privacy and maintaining the confidentiality and security of consumer financial information. Please take the time to read and understand the privacy policies and procedures PFM has implemented to safeguard your non-public personal information. Non-public personal information means any personally identifiable financial information and any list, description, or other grouping of consumers derived using any non-public personal information.

Information Collected

PFM and the funds PFM manages must collect certain personally identifiable financial information about its clients and investors in order to provide financial products and services. The personally identifiable information that PFM gathers during the normal course of doing business with you may include:

- Information PFM receives from you on subscription agreements or other forms;
- Information about your transactions with PFM, our affiliates, or others; and/or
- Other interactions with PFM, our affiliates or our service providers (for example, discussions with our staff or Administrator).

Information Disclosed

PFM does not disclose any non-public personal information about our clients and investors or former clients or investors except as permitted or required by law, or as necessary to provide PFM's services. In accordance with Sections 248.13 through 248.15 of Regulation S-P, PFM may disclose the information we collect, as described above, to certain non-affiliated third parties such as, but not limited to, attorneys, accountants, auditors and persons or entities that are assessing PFM's compliance with industry standards. PFM may share such information in connection with the administration and operation of our investment funds, or with companies that assist us with investor communications or processing your transactions. We enter into agreements with all non-

affiliated third parties that prohibit such third parties from disclosing or using the information other than to carry out the purposes for which PFM discloses the information.

Confidentiality and Security

PFM protects your non-public personal information by maintaining physical, electronic and procedural safeguards. Within PFM we restrict access to non-public personal information to only those employees who need to know such information in order to manage your securities account or the fund in which you have invested.

Further Information

PFM reserves the right to change this Privacy Policy at any time. The examples of information collected contained within this notice are illustrations and are not intended to be exclusive. This notice complies with Regulation S-P, the Securities and Exchange Commission's rule regarding the privacy of consumer financial information.

Please contact PFM if you have any questions.