

# McCutchen Group LLC

## PART 2A OF FORM ADV THE BROCHURE

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This brochure provides information about the qualifications and business practices of McCutchen Group LLC (“McCutchen Group” or “the Firm”). If you have any questions about the contents of this brochure, please contact us 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. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about McCutchen Group is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 - Material Changes

McCutchen Group's last update to Part 2A of Form ADV was in March 2019. Our business activities have not changed materially since the time of that update. Clients are encouraged to review this document in its entirety.

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## **Item 4 - Advisory Business**

McCutchen Group has been in business since April 2007 and is principally owned by Matthew McCutchen. McCutchen Group provides financial planning, consulting, and investment advisory services. Clients typically enter into one or more written agreements with the firm setting forth the terms and conditions under which these services will be rendered (collectively the “Agreement”).

As of December 31, 2019, the Firm had \$3,006,186,605 in assets under management, of which \$2,120,283,620 was managed on a discretionary basis and \$885,902,985 was managed on a non-discretionary basis.

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

McCutchen Group (and/or its affiliates) may provide its clients with a broad range of comprehensive financial planning, consulting and non-investment advisory services. These services include charitable planning, risk management, income tax coordination, and/or wealth transfer planning, among other consulting services that may be requested by clients and agreed to by McCutchen Group.

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. In some cases, McCutchen Group may recommend the services of itself, and/or other professionals to implement some of the recommendations. Clients are advised that a conflict of interest exists if McCutchen Group recommends its own services (if they are outside of the agreed upon financial advisory 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 the client’s 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**

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

McCutchen Group primarily allocates clients’ investment advisory 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 does not provide investment advice on particular individual securities.

McCutchen Group also may render investment advisory services to clients relative to variable

life/annuity products that they may own, their donor advised funds, IRAs, 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.

As mentioned above, McCutchen Group has both discretionary and non-discretionary assets under advisement. Generally, McCutchen Group will only implement investment decisions for discretionary clients after discussing the recommendations with the client.

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 to create a portfolio or an allocation where the investments are suitable for the client's 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.

### ***Use of Independent Managers***

As mentioned above, McCutchen Group generally recommends that clients authorize the 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, the client, and the Independent Manager or between the client and the Independent Manager. 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 may receive advisory fees based upon a percentage of the market value of the assets being managed by the designated Independent Managers as reported on the quarterly McCutchen Group performance report and/or a fixed retainer fee. McCutchen Group is not compensated by Independent Managers directly in any way for recommending their services.

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 characteristics to the extent available. Factors that McCutchen 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, generally are exclusive of, and in addition to, McCutchen Group's investment advisory fee set forth above.

In addition to McCutchen Group's written disclosure brochure, the client also receives the written disclosure brochure of the designated Independent Managers from those managers directly. Certain Independent Managers may impose more restrictive account requirements and varying billing practices than McCutchen Group.

### ***Management of Private Funds***

McCutchen Group is the managing member to McCutchen Group Investment Fund Series LLC Opportunistic Portfolios (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' assets are allocated 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 ("Advisers Act"), 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, and certain employees deemed "knowledgeable employees" as defined under Rule 3c-5 under the Investment Company Act of 1940.

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 degree of risk. All relevant information, terms and conditions relative to the Private Funds, suitability, risk factors, and potential conflicts of interest, are set forth in the applicable Confidential Memorandum (the "Memorandum"), Operating 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.

## **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 advisement.

### **Fixed Fees**

McCutchen Group may charge a fixed fee and/or hourly fee for services. These fees are negotiable, but generally range up to \$500,000 or more on a fixed fee basis, depending upon the level and scope of the services and the professional providing the financial planning and/or the consulting services.

Upon engaging McCutchen Group to provide services, the client generally enters into a written

Agreement with McCutchen Group setting forth the terms and conditions of the engagement. McCutchen Group's fixed fees are generally charged quarterly in advance. Either party may terminate the Agreement by written notice to the other. If the Agreement is terminated during a quarter, the fee will be prorated based on the number of days from the beginning of the quarter to the agreed upon termination date and any excess fees paid in advance will be promptly refunded to the client. In the unusual case where a client engages McCutchen Group to perform a one-time project, McCutchen Group may require one-half of the fixed fee payable upon entering the written Agreement. The balance is generally due upon delivery of the plan or completion of the agreed upon services.

### **Assets Under Advisement Based Fees**

McCutchen Group typically charges a fee based on the assets under advisement for services. The fee is based upon a percentage of the market value of the assets being advised by McCutchen Group (including any assets placed with Independent Managers), as agreed with the client. McCutchen Group's fee is exclusive of, and in addition to, fees charged by Independent Managers, 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.

Asset-based advisory fees are prorated and charged quarterly, in arrears, based upon the market value of the assets, agreed upon with the client, as reported on the last day of the previous quarter on the McCutchen Group quarterly performance report. The annual asset-based fee generally varies between 0.10% and 1.00%, depending upon a number of factors, including the market value of the assets under management and the type of investment advisory and financial services to be rendered. McCutchen Group does not currently charge any performance-based advisement fees.

### **McCutchen Group Private Fund Fees**

Investors in the Private Funds pay their standard fee (as described above) to McCutchen Group for their investments in the Private Funds. The Private Funds do not charge a separate fund management fee or performance-based fee to investors. However, the Private Funds do pay their own expenses (including, but not limited to, legal, accounting, fund administration, postage, travel related expenses to meet with the underlying managers, etc.), as well as any management and performance fees, and expenses charged by underlying managers in which each Private Funds invest. Expenses shared by more than one Private Fund are allocated equitably between the impacted funds, usually evenly, according to the expense. Additional information about the expenses paid by the Private Funds are set forth in the Offering Documents.

### **Fees Charged by Financial Institutions and Independent Managers**

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 advisory 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-dealers directed by the client, trust companies, banks etc. (collectively referred to herein as the “Financial Institutions”).

Clients incur certain charges imposed by the Financial Institutions and other third parties such as fees charged by Independent Managers, 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. Such charges, fees and commissions are exclusive of and in addition to McCutchen Group’s fee, and McCutchen Group does not receive any portion of such expenses that are incurred.

To the extent McCutchen Group recommends that clients invest in private funds managed by Independent Managers, such clients will pay advisory and performance-based fees to each Independent Manager in addition to the assets under advisement fee paid to McCutchen Group. Typically, the fees paid to Independent Managers for investments in private funds are based on the value of the private fund as of the end of the prior quarter. Additionally, these private funds will typically bear certain expenses of such funds. Additional information about the fees and expenses of such private funds managed by Independent Managers is available in the private placement memorandum or other offering documents for such fund.

McCutchen Group’s Agreement and the separate agreement with any Financial Institutions may authorize McCutchen Group to debit the client’s account for the amount of McCutchen Group’s fee and to directly remit that fee to McCutchen Group. Likewise, the agreement between the client and any Independent Manager may authorize the Independent Manager to debit the client’s account for the amount of the manager’s fee and remit that fee directly to the manager. Additionally, the agreement between client and any Independent Manager may also authorize the Independent Manager to charge certain expenses, which may be debited directly from the client’s assets. Any Financial Institutions recommended by McCutchen Group send statements to clients, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to McCutchen Group.

### **Fees for Advisory Services During Partial Quarters of Service**

When the initial period of investment advisory services is less than a full quarter, 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 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 of transferring securities. However, clients are advised that when transferred securities are liquidated, they may be subject to transaction fees at the broker level, 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.

McCutchen Group wishes to state that, at times, the fees charged may be higher or lower than normally charged in the industry, and it is possible the same, similar, or significantly different services may be available from other investment advisers at higher or lower rates.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

As referenced in Item 5, McCutchen Group does not currently charge any performance-based fees.

## **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**

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 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.

Other private investment vehicles recommended by McCutchen Group may have stated minimum investments that limit the participation by some clients. In the past, McCutchen Group has negotiated reduced minimums for some of these funds.



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

### **Methods of Analysis**

As an independent wealth advisor, 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 may include but are not limited to: 1) evaluation of the organization's history, stability, operations, ownership structure and investment focus, 2) evaluation of the experience of the investment team and their backgrounds in successfully implementing the strategy, 3) organizational support for the investment teams, 4) evaluation of incentive structures, 5) evaluation of the organization's core competency relative to other firms implementing similar strategies, 6) evaluation of investment philosophy and process and 7) evaluation of quality control, risk management and compliance procedures. Quantitative methods of analysis may include but are not limited to: 1) evaluation of overall performance of the strategy produced by the firm and team over various time periods and over various market cycles, 2) comparison of performance relative to competitors employing similar strategies over similar time periods, 3) 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 5) evaluation of fees compared to other managers employing similar strategies.

McCutchen Group primarily relies on asset valuations provided by custodians and Independent Managers, which McCutchen Group believes to be reliable and accurate, without valuing the assets independently. In some cases, valuations may be obtained from independent 3<sup>rd</sup> party sources, from clients directly, or reflect the principal investment amount or most recent valuation available adjusted for subsequent cash flows, if more current information is not available.

### **Investment Strategies**

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 presents 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 portfolios 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**

### ***General Risk of Loss***

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

### ***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 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 intraday. 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.

### ***Use of Independent Managers***

McCutchen Group may recommend the use of Independent Managers for certain clients. Such recommendations rely, 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 Funds***

McCutchen Group may recommend the investment by certain clients in privately placed collective investment vehicles. 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. These vehicles 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 may be 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.

### ***Long-Term Investment Philosophy***

McCutchen Group's investment philosophy is based on a long-term investment approach. As such, McCutchen Group may not make immediate changes to clients' portfolios in the event of extreme market dislocation.

## **Item 9 - Disciplinary Information**

McCutchen Group 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**

In the Private Funds where McCutchen Group will serve as general partner and/or investment adviser, McCutchen Group may make investments in those funds available to qualified clients whose investment strategies are consistent with those of the Private Funds. It may appear that McCutchen Group would be incentivized to recommend the Private Funds to clients; however, McCutchen Group and its employees will not receive any additional compensation for doing so or for selling interests in such Private Funds.

McCutchen Group and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

McCutchen Group employees and certain family members living in the same household ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with McCutchen Group's policies and procedures. Additionally, to the extent permitted by McCutchen Group's Code of Ethics, as described below, certain Associated Persons may make investments in private investments alongside of clients, or that were recommended to them by clients. Such investments are subject to McCutchen Group's pre-clearance requirements, further described below.

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 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, limited offerings, and private placements. In addition, Access Persons are prohibited from effecting any transactions in ETFs that are commonly recommended to clients during certain periods of the month when McCutchen Group conducts its scheduled blocked trading of those ETFs for clients.

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 on McCutchen Group's Restricted List.

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; (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds; and (v) interests in 529 college savings plans.

Clients and prospective clients may contact Seth Leaptrot at 206.816.6850 to request a copy of McCutchen Group's Code of Ethics.

## **Item 12 - Brokerage Practices**

As discussed 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 some 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.

Clients are generally not permitted to direct McCutchen Group to use a particular Financial Institution to execute some or all transactions for the client. In general, McCutchen Group has authority to direct trades in brokerage accounts at Schwab and, in limited cases, at Fidelity Investments. Therefore, if a client chooses to use another Financial Institution, the client must instruct the specific Financial Institution in these instances.

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, 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.

Trades placed by McCutchen Group on clients’ behalf are reviewed before execution and again after settlement, to ensure trade accuracy. If trade errors are discovered, McCutchen Group will seek to correct the error promptly in a way that mitigates any losses to the client.

To the extent McCutchen Group recommends an investment opportunity to clients that is limited in size such that not all of the interested clients are able to receive their full requested allocation, McCutchen Group will first attempt to negotiate a larger allocation with the investment manager to accommodate all interested clients. If the allocation is still less than the full amount of client interest, McCutchen Group will generally allocate the limited opportunity on a pro rata basis among all interested clients, or follow other procedures to ensure clients are treated fairly and equitably in the allocation of any limited investment opportunity.

Exceptions to the above guidelines must be approved on a case-by-case basis by the CCO, but in any case, must ensure that the alternate method of allocation does not result in McCutchen Group favoring one client over another.

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

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 advisory services to clients that maintain assets at Schwab. The software and related systems support may benefit McCutchen Group, but not its clients directly.

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. The firm may also receive the following benefits from Schwab: educational conferences and events; technology, compliance, legal, and business consulting; and publications and conferences on various topics, such as business management.

## **Item 13 - Review of Accounts**

For those clients to whom McCutchen Group provides investment advisory services, McCutchen Group monitors those portfolios as part of an ongoing process while regular account reviews are conducted typically on a quarterly or semi-annual 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 an Investment Analyst or a member of the Investment Committee. 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.

Clients are provided with quarterly account statements from the custodian and have the option to receive trade confirmation notices 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 typically includes 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.

Clients who are invested in the Private Funds will receive annual audited financial statements for such funds.

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

As mentioned in Item 12 above, 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 does not directly or indirectly compensate any third-party for client referrals.



## **Item 15 - Custody**

### **Fee Debit**

Client assets for which McCutchen Group is deemed to have custody are held in custody by unaffiliated, qualified custodians, either broker/dealers or banks, but 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 advisory fee to McCutchen Group in accordance with applicable custody rules.

The Financial Institutions recommended by McCutchen Group send statements 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.

### **Standing Letters of Authorization**

McCutchen Group is deemed to have custody as a result of standing letters of authorization ("SLOAs") in place from clients that allow McCutchen Group to direct the custodian to send client funds based on the SLOA. Advisers relying on SLOAs to make certain disbursements on behalf of the client may avoid obtaining a surprise asset verification if each such client provides written instructions to the custodian regarding specific transactions that the client authorizes the custodian to disburse upon request of McCutchen Group and provides McCutchen Group with written instructions that explicitly describe the specific transactions that the client authorizes McCutchen Group to disburse. Further, the custodian must verify these instructions when executing each transaction and confirm these instructions at least annually with the client. McCutchen Group has no ability to change any routing information regarding such disbursements and the client can terminate such relationship at any time.

### **Private Fund**

McCutchen Group acts as investment adviser to Private Funds and due to McCutchen Group's role as the general partner and/or managing member of the Private Funds, the Firm is deemed to have custody of client assets. As such, McCutchen Group engages an independent public accountant registered with, and subject to regulatory inspection by, the Public Company Accounting Oversight Board (PCAOB) to conduct an annual audit of the Private Funds. The audited financial statements are prepared in accordance with generally accepted accounting principles and are distributed to each investor within 180 days after the Fund's fiscal year-end.

### **Surprise Independent Examination**

To the extent that McCutchen Group is deemed to have custody over certain clients' cash, bank accounts or securities for reasons other than those discussed above, the Firm is required to engage an independent accounting firm to perform a surprise annual examination of those



assets and accounts over which it maintains custody. Any related opinions issued by an independent accounting firm are filed with the SEC and are publicly available on the SEC's Investment Adviser Public Disclosure website.

## **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 in the agreement between McCutchen Group and the client and/or in the client's application or agreement with a Financial Institution. Even where McCutchen Group is granted discretion, investment decisions are generally made in consultation with the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). McCutchen Group may take 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 Independent Managers to be hired or fired;
- The ability to instruct Independent Managers on client's behalf; and
- Transfer between like registered accounts.

## **Item 17 - Voting Client Securities**

McCutchen Group typically does not vote client securities (proxies) on behalf of its clients in the normal course of business. If McCutchen Group receives any proxy materials on behalf of clients, the Firm will promptly forward such materials to the client or trustee, or request that Schwab send the materials to each applicable client directly.

McCutchen Group does not direct clients' participations in class actions. The CCO will determine whether to return any documentation inadvertently received regarding clients' participation in class actions to the sender, to forward such information to the appropriate clients, or another course of action deemed appropriate by the CCO.

## **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.

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