



**GURTIN FIXED INCOME MANAGEMENT, LLC**

**dba GURTIN MUNICIPAL BOND MANAGEMENT, a PIMCO company**

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This brochure provides information about the qualification and business practices of Gurtin Fixed Income Management, LLC dba Gurtin Municipal Bond Management, a PIMCO company. 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 dba Gurtin Municipal Bond Management, a PIMCO company is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). CRD #143597

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

March 31, 2020

## Material Changes

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### Material Changes since the Last Annual Amendment

The material changes since our last annual updating amendment Part 2A dated March 31, 2019 are as follows:

**Other Financial Industry Activities and Affiliations.** Updated to provide information regarding PIMCO's acquisition of Gurtin.

**Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.** Updated to provide additional information relating to Gurtin's Code of Ethics and the delegation of personal trade monitoring to PIMCO.

**Potential Conflicts Relating to Advisory Activities.** Updated to provide additional information regarding potential conflicts of interest involving advisory affiliates.

### Full Brochure Availability

The Firm Brochure for Gurtin Fixed Income Management, LLC dba Gurtin Municipal Bond Management, a PIMCO company, is available by contacting Puja Madan, Chief Compliance Officer, at 858.436.2200.

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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 dba Gurtin Municipal Bond Management, a PIMCO company ("Gurtin") is an SEC registered investment advisor specializing in municipal bond portfolios for high net worth and ultra-high net worth individuals nationwide. As of January 2, 2019, Gurtin became an affiliate and wholly owned subsidiary of Pacific Investment Management Company, LLC. PIMCO is a leading global investment management firm founded in Newport Beach, California in 1971, with more than 2,800 employees in offices in Newport Beach, Austin, Bermuda, Chicago, Hong Kong, London, Milan, Munich, New York, Sao Paulo, Singapore, Solana Beach, Sydney, Taipei, Tokyo, Toronto, and Zurich.

Gurtin was founded on a simple premise: Do what you do best, and never settle. Adhering to this tenet, we offer a singular focus on preserving principal while aiming to maximize tax-free income through innovative yet sustainable municipal bond investment strategies that are backed by rigorous in-house research and proprietary technology.

In addition to traditional ladder portfolios that aim to protect principal and provide consistent income streams, our solutions also include innovative separately managed account strategies and mutual funds, with goals that range from maximizing total return to investing in bonds that finance projects with a positive social and environmental impact.

Through our focused expertise in investment-grade bonds, our innovative spirit, and our boutique-level client service, we seek to provide a tailored municipal investment experience and to maximize risk-adjusted returns for both individual investors and the 150-plus investment advisors, family offices, and investment consultants we partner with nationwide.

### Principal Owners

As of January 2, 2019, PIMCO became the sole owner of Gurtin. Bill Gurtin and Michael Johnson continue as managers of the firm in the role of Founder and Chief Risk Officer, respectively.

### Types of Advisory Services

Gurtin 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 and provides periodic reports and newsletters on current issues in the market. We specialize in building and managing municipal bond 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 is also engaged as a sub-adviser by other investment advisers to manage client accounts and to provide advisory investment services to multiple U.S. registered mutual funds. The sub-advised and individual accounts are managed by Gurtin according to the goals and objectives of the client and the mutual funds are managed in accordance with goals and objectives detailed in the respective fund's offering documents. Gurtin is compensated for our advisory services rendered in accordance with the fee schedule as outlined in the *Fees and Compensation* section. Gurtin manages the sub-advised, direct, and mutual fund accounts in a manner consistent with our fiduciary duties to all client accounts.

Gurtin provides portfolio management services as a sub-advisor to wrap fee programs sponsored by unaffiliated third-parties. Gurtin has entered into advisory agreements with sponsors to provide discretionary investment advisory services to the sponsor's clients, and each client has an agreement with the respective sponsors. Clients of the sponsors receive a package of services from the sponsors and the sponsors typically assist the client with various investment matters. Client information is channeled to Gurtin through the sponsors, and Gurtin relies on the sponsors to forward current and accurate client information on a timely basis to assist in the management of the client's wrap accounts. Gurtin does not manage wrap fee accounts differently from how Gurtin manages all other similarly invested accounts subject to certain wrap fee account restrictions and does not execute trades for accounts managed under the wrap fee program with or through the wrap fee sponsor. Gurtin receives a portion of the wrap fee for its services from the sponsors based upon assets under management. Clients should consider whether it is suitable for the client to enter a wrap fee program, and should take into account factors, including but not limited to, the applicable wrap fee, account size, anticipated account trading activities, the client's financial needs, other circumstances and objectives, and the value of the services provided. In some instances these services may be obtained at a lower aggregate cost if purchased separately. Gurtin is responsible for directing trades to brokers or dealers that it believes are capable of providing best execution in accordance with Gurtin's policies and procedures which may cause Gurtin to incur commissions paid by a client that could affect client's overall costs.

Gurtin regularly publishes research papers, monthly municipal market updates, credit research reports, white papers, and blog posts on Gurtin's blog, *The Muniverse*, located on the firm's website [www.gurtin.com](http://www.gurtin.com), authored by Gurtin employees. Additionally, Gurtin also occasionally provides educational seminar/workshop/webinars. These publications and educational sessions are provided free of charge to Gurtin's clients and many are available publicly at <https://gurtin.com/publications> and disseminated on Gurtin's Twitter account @followGurtin or PIMCO's twitter account @PIMCO, at no cost. We also use LinkedIn for dissemination of the aforementioned publications and educational sessions.

### **Tailored Relationships**

Gurtin 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, 2019, Gurtin had total discretionary assets under management (AUM) equaling \$15.28 billion, and as of December 31, 2018, Gurtin had \$39 million non-discretionary assets. We did not include assets of clients contracted with PIMCO.

## **Fees and Compensation**

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### **Description and Fee Schedule**

Gurtin receives management fees from the client based upon a percentage of the client's assets under management no more than what is outlined below:

## Advisory Firm Clients

| Municipal Strategy                                     | Account Minimum | Fee Type | Up to \$5MM | \$5 to \$10MM | \$10 to \$25MM | \$25 to \$50MM | \$50 to \$100MM | \$100 to \$250MM | \$250 to \$500MM | \$500MM to \$1B | Over \$1B |
|--|-----------------|----------|-------------|---------------|----------------|----------------|-----------------|------------------|------------------|-----------------|-----------|
| Ladder (Traditional or Social Advancement)             | \$250K          | Flat     | 14 bps      | 14 bps        | 14 bps         | 14 bps         | 12 bps          | 10 bps           | 10 bps           | 9 bps           | 5-8 bps*  |
| Intermediate Value (Traditional or Social Advancement) | \$500K          | Flat     | 35 bps      | 30 bps        | 25 bps         | 20 bps         | 17.5 bps        | 15 bps           | 15 bps           | 15 bps          | 15 bps    |
| Opportunistic Value                                    | \$2MM           | Flat     | 45 bps      | 35 bps        | 25 bps         | 25 bps         | 22.5 bps        | 20 bps           | 20 bps           | 20 bps          | 20 bps    |
| Stability  | \$1MM           | Blended  | 25 bps      | 20 bps        | 15 bps         | 15 bps         | 12 bps          | 12 bps           | 12 bps           | 12 bps          | 12 bps    |
| Total Return   | \$2MM           | Flat     | 35 bps      | 30 bps        | 25 bps         | 20 bps         | 17.5 bps        | 15 bps           | 15 bps           | 15 bps          | 15 bps    |
| Defeasement  | \$1MM           | Flat     | 10 bps      | 10 bps        | 10 bps         | 10 bps         | 10 bps          | 10 bps           | 10 bps           | 9 bps           | 5-8 bps*  |
| Tax Liability  | \$1MM           | Flat     | 6 bps       | 6 bps         | 6 bps          | 6 bps          | 6 bps           | 6 bps            | 6 bps            | 6 bps           | 6 bps     |

  

| Government Strategy | Account Minimum | Fee Type | Up to \$5MM | \$5 to \$10MM | \$10 to \$25MM | \$25 to \$50MM | \$50 to \$100MM | \$100 to \$250MM | \$250 to \$500MM | \$500MM to \$1B | Over \$1B |
|---------------------|-----------------|----------|-------------|---------------|----------------|----------------|-----------------|------------------|------------------|-----------------|-----------|
| Cash Management     | \$250K          | Blended  | 10 bps      | 10 bps        | 8 bps          | 8 bps          | 6 bps           | 6 bps            | 6 bps            | 6 bps           | 6 bps     |
| Enhanced Liquidity  | \$1MM           | Blended  | 15 bps      | 12 bps        | 11 bps         | 11 bps         | 10 bps          | 10 bps           | 10 bps           | 10 bps          | 10 bps    |
| Ladder              | \$1MM           | Flat     | 12 bps      | 12 bps        | 12 bps         | 12 bps         | 10 bps          | 8 bps            | 8 bps            | 7 bps           | 5 bps     |
| Defeasement         | \$1MM           | Flat     | 8 bps       | 8 bps         | 8 bps          | 8 bps          | 8 bps           | 8 bps            | 8 bps            | 7 bps           | 5 bps     |
| Tax Liability       | \$1MM           | Flat     | 4 bps       | 4 bps         | 4 bps          | 4 bps          | 4 bps           | 4 bps            | 4 bps            | 4 bps           | 4 bps     |

The account minimums are \$250,000 for the Municipal Ladder – Short and Municipal Ladder – Limited Strategies, \$500,000 for the Municipal Ladder – Intermediate Strategy, and \$1,000,000 for the Municipal Ladder – Ultra Short strategy. Account minimums are \$250,000 for the Municipal Social Advancement Ladder – Short and Municipal Social Advancement Ladder – Limited Strategies, \$500,000 for the Municipal Social Advancement Ladder – Intermediate Strategy, and \$1,000,000 for the Municipal Social Advancement Ladder – Ultra Short strategy. Management fees for the Municipal Ladder, Municipal Social Advancement Ladder, and Municipal Defeasement strategies are aggregated across all Municipal and Government Ladder, Municipal Social Advancement, Municipal Stability, Municipal Stability Crossover, Municipal Opportunistic Value, Municipal Intermediate Value, Municipal Total Return, Municipal and Government Defeasement, and Municipal Tax Liability accounts with an Advisory Firm. The fee for the Municipal Ladder, Municipal Social Advancement Ladder, and Municipal Defeasement strategies above \$1B are as follows: 8 bps for \$1B-\$2B; 7 bps for \$2B-\$3B; 6 bps for \$3B-\$4B; 5 bps for \$4B and above. Management fees for all other strategies are aggregated across all accounts within the respective strategy, across a given client family group. Fees for the Municipal Intermediate Value and Municipal Total Return strategies are capped at a ceiling of 25 bps for clients of RIAs with \$100MM+ invested in aggregate across both strategies, across their entire client base. As of April 1, 2018, the Municipal Intermediate-Term, Municipal Limited-Term, Municipal Short-Term, and Municipal Ultra Short-Term composites have been renamed the Municipal Ladder – Intermediate, Municipal Ladder – Limited, Municipal Ladder – Short, and Municipal Ladder – Ultra Short composites, respectively. As of April 1, 2018, the Municipal Social Advancement Intermediate-Term, Municipal Social Advancement Limited-Term, Municipal Social Advancement Short-Term, and Municipal Social Advancement Ultra Short-Term composites have been renamed the Municipal Social Advancement Ladder – Intermediate, Municipal Social Advancement Ladder – Limited, Municipal Social Advancement Ladder – Short, and Municipal Social Advancement Ladder – Ultra Short composites, respectively.

The account minimums are \$1,000,000 for the Government Ladder – Limited, Government Ladder – Short, and Government Ladder – Ultra Short strategies, and \$2,000,000 for the Government Ladder – Intermediate strategy. Management fees for the Government Ladder and Government Defeasement strategies are aggregated across all Municipal and Government Ladder, Municipal Social Advancement, Municipal Stability, Municipal Stability Crossover, Municipal Opportunistic Value, Municipal Intermediate Value, Municipal Total Return, Municipal and Government Defeasement, and

Municipal Tax Liability accounts with an Advisory Firm. Management fees for all other Government strategies are aggregated across all accounts within the respective strategy, across a given client family group.

## Non-Advisory Firm Clients

| Municipal Strategy                                     | Account Minimum | Fee Type | Up to \$5MM | \$5 to \$10MM | \$10 to \$25MM | \$25 to \$50MM | \$50 to \$100MM | \$100 to \$250MM | \$250 to \$500MM | \$500MM to \$1B | Over \$1B |
|--|-----------------|----------|-------------|---------------|----------------|----------------|-----------------|------------------|------------------|-----------------|-----------|
| Ladder (Traditional or Social Advancement)             | \$3MM           | Flat     | 20 bps      | 17bps         | 14 bps         | 14 bps         | 12 bps          | 8-10 bps*        | 6-8 bps*         | 5 bps           | 5 bps     |
| Intermediate Value (Traditional or Social Advancement) | \$500K          | Flat     | 40 bps      | 35 bps        | 30 bps         | 25 bps         | 22.5 bps        | 20 bps           | 20 bps           | 20 bps          | 20 bps    |
| Opportunistic Value                                    | \$2MM           | Flat     | 50 bps      | 40 bps        | 30 bps         | 30 bps         | 27.5 bps        | 25 bps           | 25 bps           | 25 bps          | 25 bps    |
| Stability  | \$1MM           | Blended  | 30 bps      | 25 bps        | 19 bps         | 19 bps         | 15 bps          | 13 bps           | 13 bps           | 13 bps          | 13 bps    |
| Total Return   | \$2MM           | Flat     | 40 bps      | 35 bps        | 30 bps         | 25 bps         | 22.5 bps        | 20 bps           | 20 bps           | 20 bps          | 20 bps    |
| Defeasement  | \$1MM           | Flat     | 12 bps      | 12 bps        | 12 bps         | 12 bps         | 12 bps          | 12 bps           | 12 bps           | 12 bps          | 12 bps    |
| Tax Liability  | \$1MM           | Flat     | 8 bps       | 8 bps         | 8 bps          | 8 bps          | 8 bps           | 8 bps            | 8 bps            | 8 bps           | 8 bps     |

  

| Government Strategy | Account Minimum | Fee Type | Up to \$5MM | \$5 to \$10MM | \$10 to \$25MM | \$25 to \$50MM | \$50 to \$100MM | \$100 to \$250MM | \$250 to \$500MM | \$500MM to \$1B | Over \$1B |
|---------------------|-----------------|----------|-------------|---------------|----------------|----------------|-----------------|------------------|------------------|-----------------|-----------|
| Cash Management     | \$250K          | Blended  | 12 bps      | 12 bps        | 10 bps         | 10 bps         | 8 bps           | 8 bps            | 8 bps            | 8 bps           | 8 bps     |
| Enhanced Liquidity  | \$1MM           | Blended  | 18 bps      | 15 bps        | 13 bps         | 13 bps         | 12 bps          | 12 bps           | 12 bps           | 12 bps          | 12 bps    |
| Ladder              | \$1MM           | Flat     | 16 bps      | 14 bps        | 12 bps         | 12 bps         | 11 bps          | 7-9 bps*         | 5-7 bps*         | 5 bps           | 5 bps     |
| Defeasement         | \$1MM           | Flat     | 10 bps      | 10 bps        | 10 bps         | 10 bps         | 10 bps          | 10 bps           | 10 bps           | 10 bps          | 10 bps    |
| Tax Liability       | \$1MM           | Flat     | 6 bps       | 6 bps         | 6 bps          | 6 bps          | 6 bps           | 6 bps            | 6 bps            | 6 bps           | 6 bps     |

The account minimums are \$3,000,000 for all Municipal Ladder and Municipal Social Advancement Ladder strategies. Management fees for the Municipal Ladder and Municipal Social Advancement Ladder strategies are aggregated across all Municipal Ladder and Municipal Social Advancement Ladder accounts within a client family group. Management fees for the Municipal Intermediate Value and Municipal Social Advancement Intermediate Value strategies are aggregated across all Municipal Intermediate Value and Municipal Social Advancement Intermediate Value accounts within a client family group. The fee for the Municipal Ladder and Municipal Ladder Social Advancement Ladder accounts above \$100MM is as follows: 10 bps for \$100MM-\$150MM; 9 bps for \$150MM-\$200MM; 8 bps for \$200MM-\$300MM; 7 bps for \$300MM-\$400MM; 6 bps for \$400MM-\$500MM; 5 bps for \$500MM and above. Management fees for all other strategies are aggregated across all accounts within the respective strategy, across a given client family group. As of April 1, 2018, the Municipal Intermediate-Term, Municipal Limited-Term, Municipal Short-Term, and Municipal Ultra Short-Term composites have been renamed the Municipal Ladder – Intermediate, Municipal Ladder – Limited, Municipal Ladder – Short, and Municipal Ladder – Ultra Short composites, respectively. As of April 1, 2018, the Municipal Social Advancement Intermediate-Term, Municipal Social Advancement Limited-Term, Municipal Social Advancement Short-Term, and Municipal Social Advancement Ultra Short-Term composites have been renamed the Municipal Social Advancement Ladder – Intermediate, Municipal Social Advancement Ladder – Limited, Municipal Social Advancement Ladder – Short, and Municipal Social Advancement Ladder – Ultra Short composites, respectively.

The account minimums are \$1,000,000 for the Government Ladder – Limited, Government Ladder – Short, and Government Ladder – Ultra Short strategies, and \$2,000,000 for the Government Ladder – Intermediate strategy. The fee for Government Ladder accounts above \$100MM are as follows:



9 bps for \$100MM-\$150MM; 8 bps for \$150MM-\$200MM; 7 bps for \$200MM-\$300MM; 6 bps for \$300MM-\$400MM; 5 bps for \$400MM and above. Management fees for all Government strategies are aggregated across all accounts within the respective strategy, across a given client family group.

The fees and expenses related to the Gurtin sub-advised mutual funds are detailed in the respective fund's offering documents.

### **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 respective fee schedule to the average daily value of the account as of the close of the last day of such quarter. In certain strategies, the management fee is calculated by applying the fee schedule above to the client's target/committed amount intended for management. 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. Clients can elect to have Gurtin direct their custodian to deduct the fees from the client's account assets or to have Gurtin invoice them for fees earned. In either case, an invoice will be provided to the client detailing the fee. Where Gurtin is authorized to direct the Client's custodian to deduct fees from the client's account assets, please see "Custody" for additional information.

Our standard investment management agreement provides that the client relationship 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 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.

Account value will be as reported by the custodian holding the account or by Gurtin in good faith, shall not be reduced by any margin balance, but shall include any credits from short sales. Transactions that have not settled prior to the last trading day of a calendar quarter may be included in either the current or the following calendar quarter, as determined by Gurtin in a consistent manner.

Gurtin hereby notifies its clients that it has adopted a policy, effective September 30, 2008, whereby it will not charge its quarterly management fee if a client's account is 100% invested in money market funds for the entirety of a quarter although this policy is subject to change in Gurtin's sole discretion without prior notification to clients. Fees charged by a money market fund still apply. Consult the money market fund's prospectus for more information about its fees. If your Account is 100% invested in money market funds for the entirety of a quarter and Gurtin does not charge its quarterly management fee, Gurtin will not provide a performance report for the specific quarter. However, you will still receive a statement from your Custodian in the manner agreed upon with your Custodian.

In certain circumstances, Gurtin will agree to negotiate its fees with individual clients or advisory firms and may charge different clients receiving the same services different fees. Gurtin offers a standard discounted fee schedule to clients of Advisory firms who utilize Gurtin. In addition, certain employees or former employees of PIMCO investing in a separate account managed by Gurtin pay reduced management fees in connection with their investment. The above fee schedule is the firm's standard fee schedules generally charged to individual clients absent negotiable circumstances.

### Other Fees

In connection with Gurtin'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. See the *Brokerage Practices* of this Brochure for more information on how Gurtin selects the broker-dealers to be used.

## Performance Fees & Side-by-Side Management

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Gurtin does not accept performance-based fees or any fee which is 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's clients consist of individuals, high net worth individuals, charitable organizations, investment companies, pooled investment vehicles, pensions, retirement and profit sharing plans (but not plan participants), corporations and other businesses, and insurance companies.

### Account Minimums for Individual Clients and for Clients of Advisory Firms

See Fee Schedule under *Fees and Compensation*. Minimums may be lower than the above for customized accounts. Gurtin may waive the account minimum or require a higher or lower minimum upon prior written notice. These minimums may be waived or modified as Gurtin deems appropriate with respect to each individual account and client.

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

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### Methods of Analysis & Investment Philosophy

Gurtin is steadfast in the belief that fixed income should represent the low risk 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 by minimizing credit risk exposure. In structuring our portfolios, we perform our own in-depth fundamental analysis to identify what we believe are the most resilient sectors based upon ability to generate revenue, financial flexibility, and downside risk. We then perform granular research on the obligors within sectors to identify what we believe are the highest quality bonds, followed by ongoing 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. Gurtin is generally not required to consider the tax status or tax needs of a client when managing investments, although it may choose to do so.

### **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 we believe are sustainable, and exhibit the best risk-adjusted after-tax yields. Our top-down research process involves a broad-based global analysis of macroeconomic factors, industry trends, and investment themes, as well as a determination of which types of security structures we believe will outperform given strategy objectives. Our economic outlook and structural analyses are used as the basis for our bottom-up investment strategy, in which we incorporate fundamental credit analysis to ensure high portfolio credit quality and attractive risk adjusted after-tax returns.

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.

### **Buy / Sell Discipline**

#### **Buying**

We purchase, among other securities, high grade domestic Municipal, US Government, US Government Agency securities, and short-term money market securities for our portfolios; we do not purchase derivative instruments or commodity interests. We broadly diversify our portfolios, generally averaging 30-40 issues per portfolio, although this number may be lower or higher based on the size of the account as we place priority on balancing diversification and liquidity.

Using our market knowledge, research capabilities, and quantitative analysis, we only buy bonds that we believe are attractively priced relative to the fixed income market. We are 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. We do not have a size requirement for our bond purchases. We can buy smaller blocks if they are attractively priced as well as very large blocks (multiple millions) of bonds.

Social Advancement portfolios utilize our proprietary technology and credit research to enable discovery of high-quality municipal bonds with which we identify as having a social advancement purpose while maximizing risk adjusted, after tax yield. The Social Advancement strategy generally avoids projects that primarily benefit the private sector or have clear negative social or environmental consequences. Bonds purchased for Social Advancement are still subject to our standard credit discipline. An individual security is eligible for inclusion in the Social Advancement strategy, and its sub-classifications, based on several factors including, but not limited to, the security's use of proceeds. Gurtin uses its best efforts to identify securities, where, in our opinion, a substantial portion of the proceeds satisfy the goals of the Social Advancement strategy. The determination by us of a security meeting the internal requirements for classifications as "Social Advancement", or its sub-classifications, is solely based on information provided by an issuer in official statements at the time of the initial security's issuance (including any refundings). No examination or audit is conducted on actual use of proceeds.

## Selling

We sell any bonds that do not meet our credit quality threshold. In addition to selling securities due to credit deterioration; we will also sell bonds opportunistically to enhance portfolio yields and when client liquidity needs arise. For certain strategies, such as Municipal Intermediate Value and Total Return strategy, we proactively sell bonds prior to maturity in accordance with the strategy objectives.

## Cross Trading

In light of the unique attributes of the municipal market, we will use cross trades under certain circumstances to minimize transaction costs and provide best execution for both parties. We will only engage in a cross trade when it complies with our policies and procedures, when it is not prohibited by applicable client restrictions or under applicable law and regulations, and when we believe the transaction is in the best interests of both the buying and selling account.

A cross trade is a transaction in which Gurtin matches a buy order for one client account with a sell order for another client account through an unaffiliated third-party trading platform. Not all sell transactions are crossed where there is an associated Gurtin buy order as transactions will be executed at the highest bid price received on the third-party platform. Each client account will be responsible for the customary fees associated with the cross trade.

A cross trade can benefit clients on both sides of the trade by minimizing the need to find another buyer or seller, minimizing attendant market impact, and minimizing brokerage commissions and other fees that may apply. We will not utilize cross trades for any ERISA client. Gurtin may cause a client account to participate in a cross trade with another client account when, for example, one account is selling security positions to raise cash while another account is buying the same securities.

We receive no compensation when engaging in cross trades other than our customary advisory fee. Clients have the option to opt out from engaging in cross trades at the time of executing the investment management agreement or at a later date upon written notification to the firm.

Due to legal, practical or account-specific restrictions on cross trades, these trades may not be available in some circumstances, and Gurtin has no obligation to effect any cross trade for any client under any circumstances.

## **Investment Strategies**

Through a deep, highly specialized expertise in municipal bonds, Gurtin is able to offer a range of innovative municipal strategies with varying objectives, durations, and benchmarks; additionally, we offer a range of government strategies for liquidity management. Our range of investment strategies is built to match individual investors' unique needs and circumstances. We understand that even as investors seek to maximize total return, they ultimately look to their municipal investments as the portion of their overall investment portfolio that provides wealth preservation. With the belief that credit and quantitative research are critical to achieving this goal, these core competencies are integral components of our portfolio management process.

Our passion for municipal bond management fuels our innovative creativity and outside the "style" box thinking. Extending beyond the industry-standard ladder municipal bond strategies, Gurtin additionally offers municipal bond strategies that are uniquely focused on maximizing after-tax, risk-adjusted returns while minimizing portfolio volatility in the potentially volatile municipal bond market, as well as credit

research-based municipal strategies that seek to outperform the market by taking a disciplined yet contrarian approach to the highly inefficient municipal market – investing in what Gurtin sees are high quality investment grade but which the market misunderstands.

#### Municipal Strategies:

- *Stability*: This strategy is designed to maximize risk-adjusted, after-tax returns in a portfolio with little correlation to riskier asset classes, even during periods of interest rate volatility, by using proprietary market research to identify bonds that are less sensitive to rising interest rates and maintaining a flexible approach to portfolio duration. Stability is suitable for investors who want to maximize tax exempt income but are also sensitive to negative returns and declines in portfolio value. In order to achieve the objective of stability even in the face of rising interest rates, portfolios managed under this non-laddered strategy can vary from short- to intermediate-term average duration, depending on the interest rate environment.
- *Stability Crossover*: This crossover strategy invests in both taxable and tax-exempt securities, and is designed specifically for investors who are subjected tax brackets below the highest marginal rate, such as the Alternative Minimum Tax (AMT), and who seek to maximize risk-adjusted, after-tax returns in a portfolio with little correlation to riskier asset classes, even during periods of interest rate volatility. Stability Crossover is suitable for investors who want to maximize tax exempt income but are also sensitive to negative returns and declines in portfolio value. In order to achieve the objective of stability even in the face of rising interest rates, portfolios managed under this non-laddered strategy can vary from short- to intermediate-term average duration, depending on the interest rate environment.
- *Ladder (Ultra-Short, Short-, Limited-, and Intermediate-)*: These strategies are designed to generate a consistent level of income in line with a benchmark of comparable duration while maintaining very high credit quality and are suitable for investors who have a neutral view on the direction of interest rates and seek predictable tax-exempt income. Maintaining a disciplined approach of continually reinvesting proceeds of maturing bonds, these strategies offer the industry standard of laddered portfolios that evenly stagger principal across maturities. The Ladder strategies can be structured of bonds over 0-18 months (Ultra-Short), 0-3 years (Short), 0-5 years (Limited)(firm is allowed to invest in bonds maturing slightly longer than 5 years), or 0-10 years (Intermediate).

*Intermediate Value*: This strategy is designed to generate a level of income more than a standard intermediate-term ladder. This strategy takes the standard laddered portfolio to the next level with a value-oriented approach that uses proprietary quantitative analysis and credit research to identify higher yielding bond structures with high quality investment grade credits that we believe the market misunderstand. Intermediate Value is suitable for investors seeking a level of tax-exempt income that generates 50+ bps of excess total return over a standard 1 – 10 year municipal ladder, with minimal duration extension compared to a traditional intermediate-term ladder.

- *Opportunistic Value*: This strategy is designed to generate a high level of income by taking an intelligently contrarian approach that is at once disciplined, value-oriented, and flexible – patiently waiting for opportunities to capture value on bonds which meet higher yield targets (target of 4-

5% after-tax yield) by using proprietary quantitative analysis and credit research to identify higher-yielding bond structures with high-quality investment grade credits that we believe the market misunderstands. as well as maintain a flexible approach to portfolio duration. Opportunistic Value is suitable for investors seeking a high level of tax-exempt income who are comfortable with interim interest rate fluctuations on bonds held to maturity. Portfolios managed under this non-laddered strategy may at times have a short, intermediate- or longer-term average duration, depending on where value is found.

- *Total Return* This strategy is designed to maximize the anticipated roll down return in the intermediate term portion of the yield curve by incorporating a structured active sell discipline aiming to lock in long-term capital gains and maximize total return through rolldown yield, with the goal of maximizing return in a shorter investment window.
- *Municipal Tax Liability*: This strategy is designed for investors who have recently undergone or expect to undergo a large liquidation event, and as a result, will have a predetermined tax liability amount within a finite investment period. The strategy takes a conservative approach and aims to limit downside risk if rates unexpectedly rise. Municipal Tax Liability can be composed of municipal and government securities.
- *Defeasement*: This is designed for investors with certain liquidity needs at a specified time greater than 15 months.

#### Municipal Strategy Overlays:

- *Social Advancement*: This overlay is designed to be an additional customization to our Municipal Intermediate Value and Municipal Ladder strategies to generate a consistent level of income in line with or exceeding a benchmark of comparable duration, while maintaining investment grade credit quality and giving investors an opportunity to advance social or environmental goals. The Social Advancement overlay (SA Overlay) is suitable for investors who have a neutral view on the direction of interest rates and seek predictable tax-exempt income, SA Overlay can be structured as California or National portfolios composed of laddered bonds over 0-3 years (Short), 0-5 years (Limited)(firm is allowed to invest in bonds maturing slightly longer than 5 years), or 0-10 or 1-15 years (Intermediate) as well as certain other structures upon request and agreement with Gurtin. All SA Overlay portfolios include, the option to invest in bonds with a broad array of social purposes or maintain a more targeted focus on education or the environment.
- *Fully Funded*: This overlay is designed to be an additional customization to our Municipal Opportunistic Value Strategy that will allow Gurtin, in its sole discretion, to invest a client's account in bonds that are in line with the Municipal Opportunistic Value Strategy as well as in absolute value yield targets to include bonds with attractive value relative to the market, effectively fully investing available cash in in a client's account with securities that continue within a client's existing Opportunistic Value strategy guidelines.

## Government Strategies:

- *Enhanced Liquidity:* This strategy is designed for investors with an investment horizon of no less than 9-12 months who desire liquidity with an enhanced yield over cash and relatively low mark to market volatility.
- *Cash Management:* This strategy is designed for investors with an investment horizon of no more than three months who have daily liquidity needs and no tolerance for mark-to-market volatility.
- *Governmental Tax Liability:* This strategy is designed for investors who have recently undergone or expect to undergo a large liquidation event, and as a result, will have a predetermined tax liability amount within a finite investment period. The strategy takes a conservative approach and aims to limit downside risk if rates unexpectedly rise. Government Tax Liability is composed of government securities.
- *Defeasement:* This is designed for investors with certain liquidity needs at a specified time greater than 15 months.
- *Ladder:* This strategy is designed for investors seeking a predictable income stream and low mark to market volatility. The Government Ladder are exclusively composed of government securities over 0-18 months (Ultra-Short), 0-3 years (Short), 0-5 years (Limited)(firm is allowed to invest in bonds maturing slightly longer than 5 years as of January 2017) , or 0-10 years (Intermediate).

## 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 generally in-line with or lower than the benchmark duration for certain strategies</li><li>• Purchase high-coupon, callable bonds during rising interest rate environments to dampen volatility for Municipal Stability, Municipal Stability Crossover, Municipal Intermediate Value and Municipal Opportunistic Value 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 enabled by our extensive in-house credit research capabilities</li></ul>  |
| Reinvestment  | Risk that reinvested money will earn a lesser rate of return  | <ul style="list-style-type: none"><li>• May favor investments with shorter durations during rising interest rate environments for actively managed strategies</li><li>• May 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>• Generally, invest in high-grade municipal securities, U.S. Government securities, U.S. Government Agency securities, and short-term money market securities</li> <li>• Utilize a standardized approach to credit risk management using forward-looking credit 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> |
| Errors in Tools and Models | Vendor data inaccuracies and technical/human errors could occur in the calculation of proprietary models | <ul style="list-style-type: none"> <li>• Maintain a testing and quality assurance program in the development process</li> <li>• Evaluate model assumptions and performance</li> </ul>  |
| Cybersecurity              | Networks and systems could be subject to breach and client data may be exposed                           | <ul style="list-style-type: none"> <li>• Maintain a Written Information Security Program and an Incident Response Plan</li> <li>• Conduct periodic risk assessments of information security controls and practices</li> </ul>  |
| Key Man                    | Important personnel could leave, retire, or be unable to perform duties                                  | <ul style="list-style-type: none"> <li>• Firm-wide risk assessment considers succession and transition planning</li> </ul>   |

#### Technical Tools and Quantitative Approach Risks

Gurtin's portfolio construction, management, and analysis process relies on the use of proprietary and non-proprietary data, software, and tools developed by our firm and personnel.

The quality of the securities selections produced by the portfolio construction process depends on a number of factors including the accuracy of voluminous data inputs into the quantitative models and tools used in the investment process, the mathematical and analytical underpinnings of the coding, the accuracy in translating those analytics into program code, the speed that market conditions change and the successful integration of the various quantitative models and tools in the portfolio selection process. This component of the investment process has elements that present the possibility for human and technical errors.

Because the financial markets are constantly evolving, most trading systems and models require enhancements. There is no guarantee that such enhancements to the various investment models will be implemented on a timely basis or that they will be successful. The use of a trading system or model that is not effective could at any time have a material adverse effect on the performance of an Account.

The successful deployment of the portfolio construction process could be severely compromised by unforeseeable software or hardware malfunction and other technological failures, power loss, software bugs, malicious code such as "worms", viruses or system crashers or various other events or circumstances within or beyond the control of Gurtin.

Gurtin makes efforts to protect against such events but there is no guarantee that such efforts will be successful.



### Risks of Errors

The nature of quantitative investment management processes and the use of tools and models is such that errors may be extremely hard to detect, and, in some cases, an error can go undetected for a long period of time. In many cases, it is not possible to fully quantify the impact of an error given the dynamic nature of the quantitative models and changing markets. While Gurtin has a number of controls designed to assure that the portfolio construction process operates as intended, analytical errors, software errors, development errors, and implementation errors as well as data errors are inherent risks, which could impact portfolio performance, reporting, and marketing materials utilized and distributed by Gurtin. Errors are addressed once they become known with effect being borne by Gurtin. Any transaction deemed to be a trade error will be governed by our internal policies and procedures.

### Cybersecurity Risk

In the course of conducting its business and in accordance with applicable law, Gurtin and its third-party service provider process, store and transmit electronic information, including personally identifiable information ("PII") about its clients and investors, including transaction information and know-your-customer information. While we and our providers have in place policies and procedures to protect this data from loss and security breaches, these procedures may not protect against all threats, and may not identify an intrusion until long after the incident as the nature of the threats changes frequently and detection software cannot always keep pace with these new developments. Further, bad actors often take measures to thwart detection, which can further impede identifying and remediating a breach. As a result, there can be no assurance that information about Gurtin's clients and investors, including their PII and transactions, will not be improperly accessed, used or disclosed.

Additionally, a significant breach of Gurtin's network could cause a disruption of business, financial loss, regulatory scrutiny and reputational harm which, in turn, could adversely affect clients, investors and Gurtin.

| Type of Risk        | Definition   | Risk Mitigation Method   |
|---------------------|--|--|
| Technical Risks     | Risk of errors in human or technology aspects of quantitative models or tools.   | <ul style="list-style-type: none"><li>• Models and tools are subject to testing and quality assurance.</li><li>• Models and tools are reviewed for accuracy and efficacy.</li></ul>  |
| Cybersecurity Risks | Possibility that the investment process, networks, or systems could be subject to malicious internal or external activity. | <ul style="list-style-type: none"><li>• A Written Information Security Program in place.</li><li>• Testing and monitoring are in place to prevent, detect, and respond to malicious activity.</li><li>• Staff trained on the risks and their responsibilities.</li></ul> |

## 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 or the integrity of Gurtin's management. Gurtin and its management personnel have no disciplinary history.

## Other Financial Industry Activities and Affiliations

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### Affiliations

Gurtin and our management personnel are not generally 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.

On January 2, 2019, Gurtin completed a sale to PIMCO such that Gurtin is now a wholly-owned subsidiary of PIMCO. Due to this ownership structure Gurtin is now affiliated with various wholly-owned subsidiaries and other controlled affiliates of PIMCO all of which are fully disclosed in Gurtin's ADV Part 1. Gurtin currently operates independently from PIMCO in many respects; however, certain operational and compliance functions have been integrated, and it is expected that various other functions will be further integrated over time. In addition, certain Gurtin and PIMCO personnel from time to time will share information, perceptions, advice and recommendations about market trends and outlook, the valuations and credit ratings of individual securities, investment strategies, and certain client engagement initiatives, except where prohibited by information barriers established by PIMCO and/or Gurtin or by applicable law or regulation. Gurtin employees do not currently provide direct portfolio management services to PIMCO clients (other than pursuant to separate sub-advisory agreements with Gurtin). Certain employees of Gurtin currently serve as secondees at PIMCO, and certain employees of PIMCO currently serve as secondees at Gurtin. As Gurtin and PIMCO become more integrated over time, they will share additional functions. For example, certain employees are expected to become dual employees such that they are providing services to both PIMCO and Gurtin. Because of the nature of the relationship and information that is shared, certain employees of Gurtin are considered to be "associated persons" of PIMCO and certain employees of PIMCO are considered to be "associated persons" of Gurtin. These relationships may present potential conflicts of interest relating to PIMCO's activities and the activities of its affiliates. Please see "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" for additional information.

Gurtin also currently provides advisory services to multiple U.S. registered mutual funds. As manager, Gurtin receives fees from the mutual funds based on assets under management. Given that clients do invest in the mutual funds, and to eliminate any conflicts, all mutual fund assets are deducted from a client's assets under management for purposes of calculating management fees.

### Industry Activity

Gurtin has been chosen as a fixed income advisor/sub-advisor by many registered investment advisory firms and U.S. registered mutual funds. For more information, please see *Types of Advisory Services* and *Fees and Compensation* sections. This does not create a conflict of interest as the accounts follow generally the same fee schedule and investment guidelines as other managed accounts.

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

In order to engage in sales and marketing of Gurtin's advised mutual funds certain Gurtin employees are registered representatives of PIMCO Investments, LLC along with being employees of Gurtin. None of the registered representatives receive additional commission or salary in connection with the mutual funds or as registered representatives of PIMCO Investments, LLC.

## **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 has adopted a Code of Ethics ("Code") expressing the firm's commitment to ethical conduct. Gurtin's Code of Ethics describes our fiduciary duties and responsibilities to our clients, and sets forth Gurtin's practice of supervising the personal investment transactions of all employees. Our employees are required to follow the Code, which sets out standards of conduct and helps us detect and prevent or address potential conflicts of interest. The Code covers personal investment transactions of all employees and their immediate family members, which includes most persons sharing the same household as the employee. Gurtin has delegated to PIMCO the monitoring of personal investment transactions under its Code. Although the Code permits employees to trade in securities for their own accounts, the Code contains preclearance procedures, reporting requirements and other provisions that restrict trading by employees. Employees are required to disclose their personal brokerage accounts upon commencing employment at Gurtin and must submit duplicate broker account statements and confirmations. PIMCO conducts an active monitoring program of personal trading that includes Gurtin employee personal trading. Employees must agree to use a broker-dealer that has been approved by PIMCO and must grant PIMCO access to personal brokerage account 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.

### **Blackout Periods**

Certain employees who are involved in executing client transactions or who are involved in researching or recommending securities are subject to more restrictive trading prohibitions when such employee or the firm is also trading in the security for clients.

### **Violations of the Code of Ethics**

Any employee who violates the Code may be subject to remedial actions including, but not limited to, profit disgorgement, a percentage reduction in discretionary performance compensation that would otherwise be awarded, censure, demotion, suspension or dismissal. Employees are also required to promptly report any violation of the Code of which they become aware. Employees are required to complete an annual certification regarding their compliance with the Code.

It is the expressed policy of Gurtin that no person employed by Gurtin 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.

### **Gifts and Entertainment**

Our Policy on Gifts and Entertainment limits the giving and receiving of certain meals, gifts and entertainment by our employees. Our personnel occasionally may participate in or provide entertainment for legitimate business purposes, subject to applicable law and limitations set forth in our policies.

### **Political Contributions**

Gurtin's policies prohibit Gurtin from making, soliciting or coordinating any political or charitable contributions for the purpose of obtaining or retaining potential or existing public clients or their personnel. Employees are permitted to make personal political or charitable contributions in accordance with applicable law and Gurtin's policies. Employees are required to obtain pre-approval before they (or their immediate family members) make, solicit, or coordinate any contributions to a political candidate, government official, political party or political action committee.

### **Potential Conflicts Relating to Advisory Activities**

Gurtin is a wholly-owned subsidiary of PIMCO, a leading global investment management firm that offers a wide variety of products and services to a diverse global client base. Because PIMCO has numerous affiliates, including Gurtin, potential conflicts of interest can arise in connection with Gurtin's advisory activities and the advisory activities of PIMCO and its other affiliates. These affiliates (or their clients) may take actions that are adverse to Gurtin's clients. As Gurtin and PIMCO generally make independent portfolio management decisions (although these processes will be integrated in the future in a manner that is consistent with applicable law), Gurtin will have limited or no ability to mitigate those actions or address those conflicts, which could adversely affect client performance. Additionally, we may give advice, and take action, with respect to a client that may compete or conflict with the advice or an investment action on behalf of another client or that our affiliates may give to, or take on behalf of their clients ("Affiliate Clients"). For example, we may take an investment position or action for one or more clients that may be different from, or inconsistent with, an action or position taken for one or more other clients or Affiliate Clients having similar or differing investment strategies. Accordingly, the results of our investment activities for a client may differ significantly from the results achieved by us or by our affiliates for Affiliate Clients. We will manage the assets of Gurtin's clients in accordance with the investment mandate and investment guidelines selected by such client.

The foregoing is not a complete list of conflicts to which Gurtin or clients may be subject. Any conflict of interest will be reviewed on a case-by-case basis. Any review will take into consideration the interests of the relevant clients, the circumstances giving rise to the conflict, applicable Gurtin policies and procedures, and applicable laws. Gurtin will attempt to resolve such matters fairly, but even so, clients should be aware that conflicts will not necessarily be resolved in favor of their interests.

## Brokerage Practices

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### Selecting/Evaluating Brokerage Firms

Unless otherwise provided in the investment management agreement, Gurtin 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, Gurtin considers 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, availability and price of securities, and the provisions of research and other services that, in our view, assist us in performing our duties under the investment management agreement and under the agreements with our other clients. Gurtin 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 participates in Schwab's prime brokerage platform and we may receive introductions from Schwab. However, we do not receive any compensation for any referral. We are independently owned and operated and not affiliated with Schwab.

### Research and Soft Dollars

When we receive research that is incidental to our trading activities, Gurtin 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. We make this determination through at least annual evaluations of our brokers at which time we take into consideration the items listed above. Because we do not have to produce or pay for the research, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or service rather than on our client's interest in receiving the most favorable transaction. This potential conflict is mitigated through our Best Execution policies and Broker Review procedures. Examples of the types of research services that are incidental to Gurtin's trading activities include: proprietary research of a broker, 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 and other independent investment advisors products and services that assist 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 management fees from 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 and are not provided to us based upon us giving particular investment advice, such as buying particular securities or products from Schwab Institutional.

### **Directed Brokerage**

Gurtin does not recommend, request or require that our clients direct us to execute transactions through a specified broker dealer. However, we will consider a client's written request on a case by case basis and make an exception if we believe it is in the client's best interest. If 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 and may be unable to participate in certain investment opportunities because the client's broker-dealer may not have access to certain securities, such as new issues or limited inventory bonds.

### **Order Aggregation and Allocation**

As part of our effort to obtain best execution, Gurtin aggregates trades in individual securities for as many accounts as practicable, except where subject to client direction constraints. The aggregation or blocking of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to clients. Our firm's policy is to aggregate client transactions where possible and when we believe it may be advantageous to clients. In these instances clients participating in any aggregated transactions and to the extent permitted by applicable law, allocation of the securities or instruments so purchased or sold, as well as the expenses incurred in the transaction, will be made by the Gurtin in the manner it considers to be equitable and consistent with its fiduciary obligations to clients. Each account that participates in a block trade receives its allocation based on factors such as suitability of the securities for the account, investment restrictions stated in guidelines of various legal documents, available cash balance in the account, etc. In some cases, aggregation may operate to a particular client's disadvantage. However, if Gurtin purchases the same bond with the same cusip at different times in the same day, we will not average the prices for the allocation of that cusip. We will use the price for each block and enter the cusip through our allocator. Each block of a cusip will be allocated with its purchase price and allocated at time of purchase. Occasionally it is not possible to receive the same price or execution on the entire volume of securities purchased or sold because of the prevailing trading activity. Gurtin does not currently aggregate any client orders with PIMCO clients but may do so in the future consistent with applicable law. Additionally, Gurtin and PIMCO generally make independent portfolio management decisions (although these processes will be integrated the future in a manner that is consistent with applicable law), and do not currently allocate investment opportunities to the other's clients or otherwise coordinate their trading activities. Therefore, clients of PIMCO and Gurtin may compete for investment or disposition opportunities, which could disadvantage Clients and/or Affiliate Clients.

### **Review of Accounts**

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#### **Periodic Reviews**

Accounts are reviewed at least quarterly in the context of each client's stated investment objectives and guidelines. Client accounts are reviewed by Bill Gurtin or Michael Johnson, as well as Gurtin's Risk, Compliance, Legal department and/or the Investment Research and Strategy department.

#### **Review Triggers**

In addition to the quarterly 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 a written statement after the close of each calendar month from the Custodian (or as agreed upon with the Custodian, but at least quarterly) showing all investments of the Account and their market values as of the close of business on the last Business Day of the calendar month.

Gurtin will provide a written quarterly report showing performance data and other portfolio analytics (e.g., duration of fixed income securities, ratings, etc.) during or at the end of such quarter, as appropriate.

### Client Referrals and Other Compensation

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#### Economic Benefits

In exchange for commissions generated by discretionary trading activity, Gurtin receives research services from a variety of brokerage firms. We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. See the *Brokerage Practices* section of this Brochure for a description of the services and benefits Gurtin receives from brokerage firms.

#### Third-Party Solicitors

Although not a general practice, Gurtin may, from time to time, pay compensation for client referrals. To the extent required by law, we require that the person referring a client to us (the "Referral Agent") enter into a written agreement with us. Under this written agreement, the Referral Agent would be obligated to provide all prospective clients or existing clients falling under the terms of the written agreement, with a separate disclosure document before an account is opened for such prospective client. This separate disclosure document provides the client with information regarding the nature of our relationship with the Referral Agent and any referral fees we pay to such Referral Agent. PIMCO employees may serve as Referral Agents for Gurtin. Similarly, Gurtin employees may serve as Referral Agents for PIMCO. In such circumstances, we will not necessarily provide the separate disclosure document mentioned above. However, Gurtin employees will provide the prospective client with information regarding Gurtin's relationship with PIMCO.

#### Custody

Gurtin clients' assets are housed in nationally recognized banks or brokerage firms, otherwise known as custodians. Gurtin has a limited power of attorney to place trades on the client's behalf. If authorized by the client, Gurtin may also have the authority to directly debit client accounts for quarterly fees and in some instances a client will provide authority to transfer assets to specific third-party accounts pursuant to a notarized wire transfer stating letter of authorization. In both cases Gurtin is deemed to have Custody of such client accounts. In such instances, Gurtin has implemented procedures designed to comply with applicable rules regarding custody of client assets. See the *Fees and Compensation* sections of this Brochure for more information on direct debiting.

Clients are free to select their custodian. Gurtin may advise that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab Institutional"), a registered broker-dealer or with Fidelity Brokerage Services LLC, a registered broker dealer, to maintain custody of clients' assets and to effect trades for their accounts, but that decision is solely that of the client. Clients

will receive either monthly or quarterly statements from the custodian. Gurtin urges clients to review and compare the account statements they receive from the qualified custodian with those they receive from Gurtin. 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 as their investment adviser, Gurtin and the client will enter into an investment management agreement. By signing this agreement, the client gives Gurtin 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 will not vote and will not accept authority to vote proxies on behalf of our clients except when requested by a client and accepted by Gurtin. With proxy voting, Gurtin will only vote proxies in accordance with its proxy policies which conform to SEC rule 206(4)-6. If a client makes the request and Gurtin accepts, then Gurtin gains complete discretion on such votes without influence and will make its vote determination based upon what is in the best interest of the client's portfolio. If any conflict of interest arises related to voting a proxy, Gurtin will (i) engage an independent third-party proxy service provider to obtain a vote recommendation; (ii) consult with the client or mutual fund board on how they wish to vote the proxy; or (iii) abstain from any such vote unless the conflict is resolved. Unless Gurtin has consented to voting proxies, all clients retain the responsibility for receiving and voting proxies for any and all securities maintained in their accounts which should be provided by either the custodians or transfer agents. Gurtin may, in its discretion, provide advice to clients regarding the voting of proxies. Clients may request a copy of Gurtin's proxy voting policies and procedures and/or a record of how their proxies were voted by contacting Puja Madan by phone at (858) 436-2200 or by email at: [pmadan@gurtin.com](mailto:pmadan@gurtin.com)

## **Financial Information**

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