

Item 1 – Cover Page**Pugh Capital Management, Inc.**

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March 27, 2023

This Brochure provides information about the qualifications and business practices of Pugh Capital Management, Inc. (“Pugh Capital”). If you have any questions about the contents of this Brochure, please contact us at 206-322-4985 or info@pughcapital.com. 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.

Pugh Capital is an investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”). Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Pugh Capital Management, Inc. also is available on the SEC’s website at www.adviserinfo.sec.gov. Our Registration Form ADV Part 1A and Brochure Form ADV Part 2A (this Brochure) may be found by searching on our company name or on our CRD number 111765. The SEC’s web site also provides information about any persons affiliated with Pugh Capital who are registered as investment adviser representatives of Pugh Capital.

Item 2 – Material Changes

Pugh Capital is required to update this Form ADV Part 2A (also referred to as our annual Brochure) at least annually and whenever any information in this Brochure becomes materially inaccurate.

Pugh Capital reports the following material change of this Brochure dated March 27, 2023, from our previous Brochure dated March 24, 2022. In Item 7, Types of Clients, Pugh Capital reflects a decrease in its account minimum from \$100 million to \$50 million.

Pursuant to SEC Rules, we will ensure that clients receive a summary of any material changes to this and subsequent Brochures within 120 days after the close of our fiscal year. We also will provide you with a new Brochure as necessary based on material changes or new information, at any time, without charge.

You may request a copy of our current Brochure at any time by contacting Deanna Hobson, Executive Vice President, Marketing and Client Service, at 206-322-4985 or info@pughcapital.com.

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Item 4 – Advisory Business

Pugh Capital is an independent, 100% employee- and founder-owned company with its principal place of business located in Seattle, Washington. Pugh Capital is an SEC registered investment adviser that was founded in Seattle, Washington in 1991. Pugh Capital does not own, and is not owned by, any other entities and is not affiliated with any other entities.

Pugh Capital offers discretionary investment advisory services relating to fixed income investments to institutional investors. Pugh Capital's key offerings currently include the following investment strategies which may be tailored to client-specific requirements: Core Fixed Income, Core Plus Fixed Income, Long Duration Strategy, Long Credit Strategy, and Long Corporate Strategy. Clients may impose restrictions on investing in certain securities or types of securities based on the strategies we offer.

Pugh Capital's advisory services encompass many types of fixed income investments including, but not limited to corporate bonds, residential and commercial mortgage-backed securities, government securities, asset-backed securities, and taxable municipal bonds.

Pugh Capital typically offers services to separately managed accounts but may act as an adviser or subadviser to pooled investment vehicles.

Our founders, Mary Pugh and Scott Greiwe, built the firm through capital infusions, the reinvestment of earnings, and through "sweat equity." They have endowed Pugh Capital with a client-centric culture with a shared goal to provide our clients with responsive client service and consistent, above-benchmark returns over a market cycle. We pursue these objectives through a disciplined approach to investment management. Pugh Capital's experienced professionals strive to achieve success for our clients, our company, and our community.

As a result of these efforts, the firm has grown its assets under management from \$5 million at its inception to \$9,930 million (\$9.9 billion) as of December 31, 2022, all of which is managed on a discretionary basis.

Item 5 – Fees and Compensation

Client contracts and the fees associated with the services provided by Pugh Capital are negotiated with each client individually. Investment advisory fees will be based on a schedule, such as the one below. Actual fees will vary client by client based on the assets under management managed by Pugh Capital for that client, the strategy or strategies selected by the client, and other factors.

The general annual fee structure for Pugh Capital is as follows:

Core Fixed Income Strategy:

<u>Assets Under Management</u>	<u>Annual Fee</u>
Up to \$100 Million	0.25%
Over \$100 Million	0.15%

Long Duration Strategy:

<u>Assets Under Management</u>	<u>Annual Fee</u>
Up to \$100 Million	0.26%
Over \$100 Million	0.18%

Core Plus Fixed Income, Long Credit Strategy and Long Corporate Strategy:

<u>Assets Under Management</u>	<u>Annual Fee</u>
Up to \$100 Million	0.275%
Over \$100 Million	0.20%

Unless otherwise requested by a client, fees for services provided by Pugh Capital will be billed and paid in arrears on a quarterly basis. Fees are billed to and paid by the client. Clients may choose to deduct the fees directly from their custodied accounts. However, in no instance will Pugh Capital deduct the fees itself from clients' accounts; rather, the client must authorize and direct such a withdrawal directly through its custodian.

Unless otherwise requested by a client, the fee will be based on the market value of the assets under management managed by Pugh Capital for that client. Management fees are not prorated for each capital contribution and withdrawal made during the applicable calendar quarter, unless so specified in the client contract. Modifications to the contract may be made as mutually agreed.

Accounts initiated or terminated during a calendar quarter will be charged a prorated fee based on the initiation or termination date. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Pugh Capital's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client directly or through its custodied account. These charges may be imposed by custodians, brokers, third party investment and other third parties and may include fees charged by managers, custodial fees, and other fees on accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Pugh Capital's fee, and Pugh Capital shall not receive any portion of these commissions, fees, and costs.

Pugh Capital may benefit from research provided to Pugh Capital by broker-dealers through whom Pugh Capital executes trades. Item 12 further describes the factors that Pugh Capital considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.

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

Pugh Capital does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

Pugh Capital provides investment advisory services to institutional clients in the U.S. such as:

- Corporations or other businesses
- Defined contribution and defined benefit pension plans
- Endowments and foundations
- Charitable organizations
- Federal, state and local/municipal entities
- Financial institutions

Pugh Capital requires a minimum account size of \$50 million for client accounts. The minimum account size may be waived under certain circumstances.

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

Investment Philosophy and Strategies:

Pugh Capital seeks to generate excess return through our active management process by capitalizing on inefficiencies in broad markets and individual security level as they arise. Our process includes in-depth market, sector, issuer, and security-level research which help shape our views in areas such as sector allocation, duration, yield curve management, issuer quality, and security analysis. This process ultimately informs our decisions around portfolio construction and active management of the portfolio.

Pugh Capital utilizes both a top-down and a bottom-up approach in our research. An important part of our process derives from our macroeconomic outlook and market conditions. In addition, we undertake extensive internal analysis (including reviewing external research) to identify what we believe are fundamental trends and valuations for each of the sectors within the investment grade universe. Pugh Capital's macro outlook together with our sector analysis, is used to determine desired weightings of each sector relative to the strategy's benchmark.

Once we have identified sector targets, and our strategy around sub-sector relative value (credit quality, OAS and maturity buckets), we then employ a bottom-up research approach to identify the most attractive individual securities by sub-sector or industries. We evaluate key trends and relative value across issuers. Since we are usually fully invested, this analysis is performed on existing holdings and new positions may require a swap within a sector or result from a change in sector allocation. New positions purchased which do not have an associated analyst issuer report will undergo analysis at the next review period.

Pugh Capital seeks to generate excess return by (A) identifying and overweighting those sectors that we expect will outperform the benchmark and (B) selecting those securities that represent the best credit and relative value given our outlook.

The firm's goals are to select those sectors and securities that will best enable us to meet a client's investment needs, and to provide consistent, risk-adjusted returns over a client's benchmark with an acceptable level of volatility and while managing trading costs and portfolio turnover.

Pugh Capital actively manages the non-cash portion of client portfolios. A portfolio's cash portion is typically small and considered a residual of the investment process. Clients may make arrangements with their custodians to sweep daily cash balances into short-term investment fund options. Pugh Capital

is not a party to these agreements and does not select or monitor the performance of these short-term investment funds.

Risks of Investing:

Investing in securities involves risk of loss that clients should be prepared to bear. Securities will fluctuate in value on a daily basis. Pugh Capital does not guarantee market value, investment returns or performance for any securities or strategies.

Risk management processes including diversification cannot eliminate the risk of losses nor assure the likelihood of a gain. Each investor should evaluate their ability to invest for the long-term, especially during periods of downturn or volatility in the market.

Investing in fixed income securities comes with certain risks. For example, idiosyncratic risks may arise from events affecting the issuer of fixed income securities, such as failing to meet its obligations to make payments to its bondholders (default risk), or a downgrade in its credit ratings, may cause a decline or loss in the value of its securities. High yield securities with lower credit ratings generally involve greater risk than higher-rated securities. In addition, participants in the fixed income markets, including Pugh Capital, rely on the accuracy and timeliness of information from issuers of securities, rating agencies, and other public sources of information. If this information is inaccurate or materially misleading, or if these entities engage in fraud or similar practices that undermine the fairness and efficiency of the capital markets, investments in securities may lose money.

In addition, the market values of fixed income securities are sensitive to prevailing interest rates. A rise in interest rates generally causes a decline in the value of fixed-income securities (interest rate risk). Expectations of higher inflation generally cause interest rates to rise. Fixed income securities of longer duration are more sensitive to this risk so may experience greater fluctuation in market values as a result. This risk is more significant for our Long Duration Strategy, Long Credit Strategy, and Long Corporate strategies.

Fixed income securities are also subject to general market risks, meaning a decline in the value of securities, due to factors that affect the overall market, which may include, but are not limited to, government actions, regulatory environment, investor behavior, and economic conditions.

Economic conditions may be influenced by liquidity risk, geopolitical risks, monetary and fiscal policy, interest rate risk, and inflation, among others. It may become difficult to purchase or sell at an advantageous time or price (liquidity risk) under adverse market or economic conditions independent of any specific adverse change in the conditions of a particular issuer. Liquidity risk has increased in recent years with the reduction in dealer market-making capacity. Fixed income securities are also subject to risks that may only affect a sector of the market, if they fall within the sector.

Mortgage-related and other asset-backed securities are subject to certain additional risks. Generally, rising interest rates tend to extend the duration of fixed-rate mortgage-related securities, making them more sensitive to changes in interest rates (extension risk). When interest rates decline, borrowers may pay off mortgages sooner than expected, and investors may have to reinvest at lower interest rates (prepayment risk). Certain types of asset-backed securities may also be subject to prepayment risk, as well as additional risks associated with the nature of the assets and the servicing of those assets. There is also a risk that Pugh Capital's investment style may underperform other investment styles or the overall market.

Performance Targets Disclosure:

Targeted return ranges are provided to relay information to institutional investors about how the investment strategy is intended to perform over a market cycle. Targets are informed by the performance of Pugh Capital portfolios or model portfolios designed to represent an intended strategy. Some important criteria and assumptions about events or other factors, that we believe to be reasonable based on our experience, were used to develop targets. These criteria and assumptions include changes in portfolio composition and asset allocation, changes in interest rates, and changes in credit conditions. Actual events or factors are difficult to predict and may differ from those assumed, and such differences may be material and are beyond the control of Pugh Capital. As a result, actual returns and results may vary significantly. Targets include the intent, belief, or current expectations for performance, which involve known and unknown risks and uncertainties, and investors should not place undue reliance on targets. In addition, targets have certain inherent limitations and may not reflect the effects of cash flows, trading costs, or liquidity constraints and do not reflect the effects of investment management fees or other costs. There can be no assurance that any portfolio will achieve its investment objective or any target. **In no case should any target be interpreted to be a prediction, projection, or guarantee of investment returns. Investing involves risk; principal loss is possible.** Targets are developed by Pugh Capital, have not been verified by a third party, and are subject to change.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Pugh Capital or the integrity of Pugh Capital's management. Pugh Capital has no legal or disciplinary disclosures to report regarding this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Pugh Capital is not engaged in any financial industry activities other than providing investment advice. Pugh Capital is an independent, 100% employee- and founder-owned firm. It does not have any corporate affiliate relationships. Pugh Capital generally does not recommend other investment advisers. To the extent that we do, we do not receive compensation for doing so.

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

Pugh Capital has adopted a code of ethics for all employees of the firm describing its high standard of business conduct and fiduciary duty to its clients (“Code of Ethics”). Pugh Capital’s Code of Ethics was adopted pursuant to Rule 204A-1 of the Investment Advisers Act of 1940. We believe that our most valuable assets include our reputation for integrity and professionalism. The confidence and trust of clients is valued and protected by Pugh Capital. The Code of Ethics includes provisions relating to, among other things, the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items (including “Pay-to-Play” restrictions), and personal securities trading procedures. All employees at Pugh Capital must acknowledge the terms of the Code of Ethics annually, or sooner if amended. Pugh Capital treats all employees as “access persons” for purposes of its Code of Ethics.

Each employee is responsible for ensuring that he or she does not violate the federal securities laws, the Code of Ethics, and any of the firm’s policies and procedures applicable to them individually or to all employees generally.

To help mitigate the potential for conflicts of interest and to seek to ensure that employees do not benefit from the short-term market effects of Pugh Capital’s investment decisions, the Code of Ethics requires every employee to pre-clear certain personal securities trades with the CCO and to report such trades quarterly to the CCO. With respect to personal trading, employees are subject to a “black-out period” of five business days, meaning that personal trading in certain securities in employees’ personal accounts (including the accounts of an employee’s spouse and minor children living with the employee) will not be approved for this period of time before or after potential or actual Pugh Capital investment transactions of the same securities in client portfolios.

The Code of Ethics also prohibits employees from making securities trades when in possession of material, nonpublic information relevant to the security.

Pugh Capital would be happy to provide a full copy of our Code of Ethics to any client or prospective client upon request.

It is Pugh Capital’s policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys any security from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer, which does not apply to Pugh Capital.

In addition to those restrictions on specific types of cross trades described above, Pugh Capital does not execute cross trades between client accounts.

Item 12 – Brokerage Practices

Best Execution; Markups/Markdowns; No Soft Dollar Arrangements:

It is the policy of Pugh Capital to seek to obtain best execution for its clients' transactions under the circumstances occurring at the time of the particular transaction. Best execution means the best overall qualitative execution to maximize value for our clients under the particular circumstances at the time of the transaction, taking into consideration various factors such as those included below:¹ These factors² include, but are not limited to:

- Price
- Likelihood of execution
- Likelihood of execution within a desired time frame
- Market conditions
- Ability of broker/dealer to execute in a desired volume
- Ability of broker/dealer to act on a confidential basis
- Creditworthiness of a broker/dealer in relationship to risk created by the transaction
- Willingness and ability of a broker/dealer to make a market in particular securities
- Operational coordination by a counterparty with Pugh Capital and the custodians of our clients, including ability to communicate, to settle trades reliably and to quickly and effectively resolve differences
- The broker/dealer's reputation for ethical and trustworthy behavior
- Client preferences/guidance (i.e. minority-owned, women-owned, regional-based, ERISA) for permissible broker/dealers
- Use of electronic platforms by a broker/dealer
- Willingness of a broker/dealer to commit capital to a particular transaction
- Ability of broker/dealer to execute difficult transactions in unique and/or complex securities
- Effectiveness of broker/dealer to transact bonds that are thinly traded at an appropriate price given the current circumstances
- Quality of research
- Trade idea generation
- New issue benefit
- Ability of broker/dealer to execute on a portfolio trade (or "basket") basis

The identification and consideration of the best execution various factors noted above means that it is possible that, while Pugh Capital will seek best execution, it may not necessarily be the lowest possible price in all situations.

Typically, there are no commissions paid on fixed income security trades; however, clients will pay markups and markdowns on trades that are reflected in prices of securities that are bought or sold. Commission rates paid, if any, will be negotiated by one of Pugh Capital's portfolio managers.

¹ Derived from SIFMA Best Execution Guidelines for Fixed Income Securities white paper, p. 1.

² Factors listed were substantially drawn from the white paper: Best Execution Guidelines for Fixed Income Securities released by the Asset Management Group ("AMG") of the Securities Industry and Financial Markets Association ("SIFMA"), issued January 2008 and updated September 2008.

Pugh Capital considers adherence to its best execution policy of paramount importance in executing trades. The firm believes that soft dollar arrangements may impair a firm's ability to provide best execution on all of its trades. As such, Pugh Capital has not entered into any soft dollar arrangements that require trades be executed with a given broker/dealer under a commitment or target amount of trades, and it is Pugh Capital's intention not to enter into any such contracts in the future. However, Pugh Capital does receive benefits such as access to analysts and traders and research reports prepared by broker/dealers that are generally available to their clients. These benefits are considered to be services provided by the broker/dealers in the regular course of business and are not provided pursuant to a soft dollar arrangement or commitment.

Other Broker/Dealer Selection Criteria; No Referrals:

As reflected in our Best Execution Policy, Pugh Capital believes that broker-dealer selection should be based on a broker-dealer's ability to enhance client portfolio performance and goals. In furtherance of that, Pugh Capital will consider factors that are important to our firm and our clients when selecting brokers/dealers and making trading decisions.

Pugh Capital and many of its clients value diversity and have a goal of increasing diversity within the financial community. As such, consistent with our values, we seek to provide opportunities for WMBE (Women- and Minority-Owned Business Enterprise) broker/dealers to have an active share of our trades, subject to our commitment to seek best execution as pursuant to the firm's Best Execution Policy.

Pugh Capital does not consider client referrals from a broker-dealer or third party as a factor in selecting or recommending broker-dealers and will not direct client transactions to a particular broker-dealer in return for any such benefit. Our clients' interest in seeking to receive best execution is of foremost importance to Pugh Capital.

Trade Allocation Policy:

When practical, Pugh Capital aggregates trades for multiple client accounts into a larger trade (or block) in an attempt to obtain a more favorable price for our clients. When aggregating trades, typically Pugh Capital obtains one price for the aggregated order and then allocates trades to client accounts immediately after the aggregated order is executed. Other benefits of order aggregation include efficiency and fairness considerations.

Regarding allocation in connection with the purchase of securities, Pugh Capital will not consistently over time favor one client over another. Pugh Capital will typically buy securities for several clients simultaneously, often grouped by strategy (i.e., Core, Core Plus, or Long). Before a trade occurs, the portfolio manager will preliminarily determine how much each client portfolio is expected to be allocated. Generally, the amount is based on a percentage of each client portfolio (pro-rata); however, exceptions may arise to this approach.

On an account level, in determining client allocations, Pugh Capital will consider factors including, but not limited to, investment objective, client guidelines (specific client limits may prevent or reduce a client allocation), a security's minimum denomination size (e.g. the denomination could be too large for certain accounts), cash availability, existing positions, and sector weightings. A small allocation or purchase amount may change the allocations.

In determining the strategy in which to place the allocation, Pugh Capital will consider factors including, but not limited to, risk profile, the size of the strategy, cash availability, sector weightings, and minimum

order sizes for client accounts. Final strategy allocation will be based on these factors and the portfolio manager's discretion.

Item 13 – Review of Accounts

Pugh Capital uses various systems, controls and supervisory measures to monitor adherence to each client's stated investment guidelines.

In addition, Pugh Capital's Portfolio Management Committee, which includes our co-CIOs, portfolio managers and director of research, meets monthly to review a variety of topics as they arise in relation to the economy, financial markets and positioning of client portfolios. Each portfolio's compliance with client policies is evaluated on an ongoing basis. The portfolio managers regularly review the portfolio holdings and characteristics. Performance versus client benchmarks is calculated and reviewed monthly.

Pugh Capital's standard reporting process for our clients includes a quarter-end packet that contains a qualitative review of the market and the portfolio along with a portfolio appraisal and the following reports: performance, realized gains and losses, purchase and sale, and fixed income distribution. On an annual basis or more frequently if desired, the firm makes available to all of its clients a conference call to provide an update on the portfolio, investment performance, strategy and current market outlook. In addition to our standard quarterly reporting, we work with each client to address their unique reporting needs and to ensure all reporting is received within the desired timeframe.

Item 14 – Client Referrals and Other Compensation

Pugh Capital does not directly or indirectly compensate any person who is not its supervised person for client referrals. The firm's marketing staff receives incentive compensation for some client referrals that result in new business.

Neither the firm nor its employees have any arrangements to receive cash or some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients.

Item 15 – Custody

Pugh Capital does not have custody of client assets. Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains the client's investment assets. Pugh Capital urges clients to carefully review such statements and compare such official custodial records to the account statements we provide to the client as described in Item 13 above. Our statements may vary from custodial statements based on accounting procedures, reporting dates, the cut-off time at which closing prices are determined, the pricing vendor utilized, or valuation methodologies of certain securities. You should contact Pugh Capital immediately if you do not receive account statements from your custodian on at least a quarterly basis.

Item 16 – Investment Discretion

Pugh Capital typically receives discretionary authority from a client at the outset of an advisory relationship to select the type of securities to be bought or sold, and to select the amount and date of execution of the transaction. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account as documented in each client's investment management agreement and their investment guidelines. The investment guidelines identify investment criteria and limitations or restrictions for the account, such as duration exposure, portfolio constraints, security restrictions, and other limitations or restrictions. Pugh Capital will not undertake any discretionary trading for a client until Pugh Capital has received an investment management agreement (including investment guidelines) signed by an authorized individual of the client.

For more information on Pugh Capital's investment philosophy, investment strategies, advisory services, and research, please see Item 8 above.

Item 17 – Voting Client Securities

Due to the fact that Pugh Capital specializes in the management of fixed income portfolios, our strategies do not hold securities with voting rights. Therefore, we do not vote shareholder proxies on behalf of our clients. In the unlikely event that a proxy is provided to the firm for a security, we will forward the proxy directly to the client.

Item 18 – Financial Information

As a registered investment adviser, we are required in this Item to provide you with certain financial information or disclosures about Pugh Capital's financial condition.

Pugh Capital has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its clients and has not been the subject of a bankruptcy proceeding.

Other Information:

Pugh Capital does not direct clients' or former clients' participation in class actions. In the event any class action documentation is inadvertently received, we will forward such information to clients or former clients, or return the documentation to sender, as appropriate.