

**FIRM BROCHURE**  
Part 2A of Form ADV

March 19, 2025

**The Clark Group Asset Management**

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**Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of The Clark Group Asset Management. If you have any questions about the contents of this Brochure, please contact us at (949) 558-3898 and/or [eric@clarkgroupam.com](mailto:eric@clarkgroupam.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.**

**The Clark Group Asset Management is a registered investment adviser with the U.S. Securities and Exchange Commission; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.**

**Additional information about The Clark Group Asset Management and its investment adviser representatives also is available on the SEC’s website at [adviserinfo.sec.gov](http://adviserinfo.sec.gov).**

## ITEM 1: COVER PAGE

Please refer to the previous page.

## ITEM 2: MATERIAL CHANGES

The Clark Group Asset Management ("CGAM") is amending this Brochure to provide the following updated information:

*Item 4 – Advisory Business* – updated assets under management to reflect amount as of December 31, 2024.

The previous annual amendment of this Brochure was dated March 21, 2024.

Pursuant to SEC Rules, CGAM will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of CGAM's fiscal year, along with a copy of this Brochure or an offer to provide the Brochure. Additionally, as CGAM experiences material changes in the future, we will send you a summary of our "Material Changes" under separate cover. For more information about the firm, please contact [eric@clarkgroupam.com](mailto:eric@clarkgroupam.com).

Additional information about CGAM and its investment adviser representatives is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **ITEM 4: ADVISORY BUSINESS**

### **A. Description of Firm**

The Clark Group Asset Management is a Dana Point, California-based investment management firm founded in 2005 and registered with the U.S. Securities and Exchange Commission ("SEC") in 2012. CGAM offers customized investment management services to individuals, high net worth clients, pension and profit-sharing plans, trusts, estates, corporations, and other types of business entities. Some of the investment instruments CGAM advises its clientele on include, among other things, investment company securities, equity exchange-traded funds ("ETFs"), equities, and fixed income. CGAM periodically sends newsletters, e-mails, and other correspondence of general market information and items of interest to its clients and prospective clients on a complimentary basis. In addition, CGAM can occasionally hold complimentary informational/educational investment seminars for its clients and prospective clients.

CGAM currently is registered with the SEC as an investment adviser as a DBA under the legal name of Pachira Investments, Inc., conducting business in a number of states, which are reflected in Part 1 of our Form ADV, a copy of which can be found on [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The principal owners of CGAM are Ray Clark, who serves as the Firm's Founder and CEO, and Eric Cedergreen, President and Chief Compliance Officer.

### **B. Types of Advisory Services Offered**

CGAM provides its clientele with asset management services on a discretionary and non-discretionary basis. Through this process, complementary financial analysis services also are offered for client's long-term planning purposes.

#### Complimentary Financial Analysis

CGAM's investment advisory services are comprised of two stages. During the first stage, CGAM gathers essential information from the client in order to conduct a financial analysis of the client's current financial situation. At the conclusion of this assessment, CGAM will make certain investment recommendations based upon its findings and the client's expressed needs. In stage two, CGAM will implement those agreed upon recommendations and actively manage the client's account.

#### 1. Financial Analysis

CGAM's investment advisory services begins with a Financial Analysis. First, CGAM conducts a complimentary initial consultation during which time pertinent information about the client's financial circumstances and objectives is collected. Next, the Firm reviews and analyzes the information provided by the client and then offers recommendations designed with the intention of achieving the clients' stated financial goals and objectives.

The Financial Analysis is based on the client's financial situation at the time the analysis is conducted and is supported by the information disclosed by the client to CGAM. As the client's financial situation, goals, objectives, or needs change, the clients are strongly urged to promptly notify the Firm.

At the conclusion of the Financial Analysis, CGAM will make certain recommendations for short- and long-term planning and investments which can or will include advice regarding existing investment accounts and various asset allocation and risk management strategies. Clients are free at all times to accept or reject any or all recommendations made by the Firm. Clients retain the authority and discretion on whether or not to implement CGAM's recommendations.

All Financial Analyses are offered as a complimentary service to CGAM asset management clients.

## 2. Asset Management Services

After the client discusses the proposed recommendations by CGAM, CGAM will implement such recommendations as mutually agreed upon. The client will receive those advisory services as outlined within CGAM's investment advisory agreement and in Item 4.B of this Brochure. Please note that other investment advisers can offer similar services, with costs that are higher or lower than those obtainable from CGAM. Please refer to Item 5 below for important detailed information on fees.

CGAM provides its investment management service by offering clients a tailored investment management solution that encompasses domestic, international and emerging market equities consisting of common stocks, exchange traded funds ("ETFs"), exchange traded notes ("ETNs"), mutual funds, options and publicly traded real estate investment trusts ("REITs"). In addition, we may invest in fixed income instruments, including government bonds, municipal bonds, corporate bonds, high yield bonds, foreign bonds, CDs, ETFs, ETNs, mutual funds, short-term fixed income instruments and certain preferred stocks. Approximately 2% of a client's portfolio generally is held in cash. Based on market conditions and the client's risk tolerance, a client's cash position could significantly increase (e.g., and have a weighting of up to 100%).

Additionally, and when considered appropriate, taking into account a client's risk tolerance, and suitability information, the Firm can or will recommend the use of Private Equity/Private Funds, and individual private equity issues. The Private Funds recommended will usually be equity based however, other types of funds can be considered or used when appropriate.

CGAM manages all client assets on a fully discretionary basis and in some cases, on a non-discretionary basis. In exercising full discretionary authority CGAM selects, without first obtaining client's permission: the securities to be bought and sold; the amounts of securities to be transacted and whether it will be individually, or block traded. Discretionary authority can be subject to conditions imposed by a client. This can occur when a client restricts or prohibits transactions in a security for a specific company or for an industry sector. While CGAM generally allows clients to impose reasonable restrictions on the types of securities and/or industries they do not want to be included in their portfolio, each client assumes responsibility

for informing CGAM of any changes to these restrictions or to their overall investment objectives.

CGAM selects investments based on analysis performed by CGAM, and once implemented, are monitored to ensure the investments continue to meet CGAM's overall investment objective and criteria. For investment selection, CGAM advises on investments based upon research of market data and ongoing market and performance analytics. Once this fundamental analysis is completed, securities can be added to client portfolios and thereafter, are continuously monitored for imbalances or shifts.

### 3. Financial Planning Services

CGAM's financial planning services range from comprehensive financial planning to more focused consultations, depending on the needs of each client. Generally, CGAM evaluates the client's financial, business and investment information and makes recommendations designed with the intention of achieving the client's overall financial goals and objectives. Clients should understand that a conflict of interest exists because CGAM has an incentive to recommend its own investment management services as CGAM receives additional compensation for such services. Advice and recommendations can also be given on non-securities matters. Clients always have the right to accept or reject any or all recommendations made by CGAM. Should clients decide to act on such recommendations, clients always have the right to decide with whom they choose to do so.

Financial planning recommendations are based on the client's financial situation at the time the recommendations are provided and are based on the information provided by the client. In addition, certain assumptions can be made with respect to interest and inflation rates, use of past trends, performance of the market and economy. Past performance is in no way an indication of future performance and CGAM cannot offer any guarantees or promises that the client's financial goals and objectives will be met. As a client's financial situation, goals, objectives, or needs change, the client is strongly urged to promptly notify CGAM. For more information on the risks associated with investing, please refer to Item 8, below.

Please refer to Item 5 below for detailed information on fees and compensation for these services.

### C. Information Relating to All CGAM Services

The investment advice provided by CGAM is customizable, with each client's portfolio managed based upon the individual needs, objectives, and other financial goals of the client. At the onset of the client relationship, CGAM memorializes each client's investment objectives, risk tolerance, investment guidelines, time horizons and other important and necessary information in an Investment Profile Questionnaire. The information provided, together with any other information relating to the client's overall financial circumstances, will be used by CGAM to determine the appropriate portfolio asset allocation and investment strategy for each client.

CGAM will not assume any responsibility for the accuracy of the information provided by the client. CGAM is not obligated to verify any information received from the client or from the client's other professionals (*e.g.*, attorney, accountant, etc.) and is expressly authorized to rely on such information. Under all circumstances, clients are responsible for promptly notifying CGAM in writing of any material changes to the client's financial situation, investment objectives, time horizon, or risk tolerance. Additionally, and when considered appropriate, taking into account a client's risk tolerance, and suitability information, the Firm can or will recommend the use of Private Equity/Private Funds, and individual private equity issues. The Private Funds recommended will usually be equity based however, other types of funds can be considered or used when appropriate.

In the event that a client notifies CGAM of changes in the client's financial circumstances or to the information in their Investment Profile Questionnaire, CGAM will review such changes and recommend any necessary revisions to the client's portfolio. CGAM makes every effort to meet with clients in person or over the phone no less than annually to review the client's investment goals and current advisory portfolios. Advisory representatives are also available during normal business hours to consult with clients.

**D. Advisory Agreements**

Prior to engaging CGAM to provide investment advisory services, the client will be required to enter into one or more written agreements with CGAM setting forth the terms and conditions under which CGAM shall render its services (collectively the "Agreement"). In accordance with Rule 204-3 under the Investment Advisers Act of 1940, as amended ("Advisers Act"), CGAM will provide a brochure and one or more brochure supplements to each client or prospective client prior to or contemporaneously with the execution of an investment advisory agreement.

The Agreement between CGAM and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. CGAM's annual fee shall be prorated through the date of termination as defined in the Agreement and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

Neither CGAM nor the client can assign the Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of CGAM shall not be considered an assignment.

**E. Assets Under Management**

As of December 31, 2024, the following represents the amount of client assets under management by CGAM on a discretionary and non-discretionary basis:

Type of Account	Assets Under Management ("AUM")
Discretionary	\$245,913,192
Non-Discretionary	\$45,893,576
Total:	\$291,806,768

## ITEM 5: FEES AND COMPENSATION

### A. Advisory Fees

CGAM charges fees based on a percentage of assets under management. The fee charged by CGAM for its advisory services will be set forth in each client's written agreement with CGAM. Although CGAM believes its advisory fees are competitive, clients should be aware that lower fees for comparable services can be available from other sources.

#### Asset Management Fees

CGAM generally charges an annual asset management fee, which is a flat percentage rate determined upon engagement and based on the amount of a client's assets managed by the Firm. The percentage rate is negotiable and based on the following ranges:

Assets Under Management	Annual Advisory Fee
0 to \$499,999	Up to 2%
\$500,000 to \$999,999	Up to 1.75%
\$1,000,000 to \$2,999,999	Up to 1.50%
\$3,000,000 to \$9,999,999	Up to 1.25%
Over \$10,000,000	Up to 1.00%

When determining the amount of a client's assets under management, CGAM will consider all investment management accounts which constitute the "household" of the client's assets. Typically, a client's household consists of any spouse, parent, child, partner, or sibling.

The asset management fee is calculated and billed quarterly in advance based on the market value (including cash, cash equivalents, accrued interests and dividends, and any margin balance) of a client's assets under management ("AUM") as of the close of business on the last business day of the preceding calendar quarter.

Unless otherwise waived in CGAM's sole discretion, the Firm requires a minimum account size of \$250,000 to open an account. CGAM reserves the right to waive or reduce any account minimums, management fees and/or performance fees (as further described below) with respect to any client and for any of the Firm's employees and/or family members. Please note that the Firm has clients with similar portfolios which are assessed different fees based on a variety of factors, including account size, longevity of time as a CGAM client, investment strategy employed, potential for providing additional assets to CGAM to manage and amount of personalized servicing requested. All fees are subject to negotiation subject to CGAM's sole discretion. Furthermore, the Firm can negotiate fees with future advisory clients that are different than the fees discussed herein.

Should a client open an account during the quarter, management fees will be prorated for assets held for a partial quarter based on the number of days that the account was open during the quarter. In the event that CGAM's services are terminated mid-quarter, the annual fee shall be prorated through the date of termination as defined in the Agreement and any earned, unpaid balance will be immediately due and payable by client, and any pre-paid unearned fees will be promptly refunded to the client. CGAM does not prorate fees for any partial additions and



withdrawals made during each billing quarter.

If a client has a margin account, our asset management fee will be based on the full value of the account, including any margin balance. Clients need to be aware that having a margin balance increases the amount of fees paid to us. In addition, a client with a margin account is charged margin interest by the custodian on the margin balance in the client's account.

As authorized in the written client agreement, asset management fees are deducted from a client's managed account(s). At the beginning of each calendar quarter, CGAM sends a billing statement to each client's custodian for payment. Clients will receive a periodic (at least quarterly) account statement from the custodian, reflecting among other things, any advisory fees withdrawn by the custodian and paid to CGAM. Clients are urged to compare statements received by third parties, such as the client's custodian, with any statements sent by CGAM. For more information on the reports CGAM provides to clients, please refer to Item 13, below.

### Performance Based Fees

For certain qualified clients, as further defined in Item 6 below, CGAM offers a performance-based fee (i.e., a fee calculated based on a share of capital gains upon or capital appreciation of the assets or any portion of the assets of an advisory client). The performance fee is payable only if, and to the extent that, the net capital appreciation of the client's capital account exceeds the high-water mark established previously (as adjusted for additions and/or withdrawals of capital). The assessment of performance-based fees and any allocations based on performance will be done in accordance with all requirements for such compensation arrangements as specified under Rule 205-3 of the Investment Advisers Act of 1940 (the "Advisers Act") and rules promulgated thereunder, including the requirement that such fees can be charged only to "qualified clients" as that term is defined in Rule 205-3(d). For clients receiving performance-based fees who terminate their Agreement with the Firm during a performance period, the Firm can or will, in its sole discretion prorate fees owed upon termination by valuing the client's account as of the end of the day upon which CGAM receives termination notice, and then apply the performance fee, if any, at that point.

### Financial Planning Services Fees

For Financial Planning services, the Firm generally charges a fixed fee and/or an hourly fee. The Firm's fixed fees can be assessed as a one-time fee, or an ongoing fee dependent upon the services received. Generally, rates range from \$500 to \$10,000 on a fixed fee basis, or from \$250 to \$350 on an hourly rate basis, based on the scope and complexity of the requested services, as stipulated in the Agreement. These rates can be negotiated based on the sole discretion of the Firm.

Clients are generally requested to pay 50% of the estimated fee upon execution of the Agreement. An invoice for services is issued on completion of the written analysis, which is payable upon receipt. Clients can terminate the Agreement, without penalty, at any time upon written notice. At the time of termination, any prepaid fees will be prorated based on the amount of work completed by the Firm as of the date, the notice of termination is received, and any unearned fees will be returned to the client.

## **B. Other Fees and Expenses**

Clients should understand that the advisory fees described in the sections above do not include certain charges imposed by third parties such as custodial fees, mutual fund fees and expenses. Client assets also can or will be subject to transaction costs, deferred sales charges on mutual funds initially deposited in the account, 12b-1 fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Client assets invested in mutual funds will be subject to certain fees and expenses imposed directly by mutual funds to their shareholders, which shall be described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. These fees are generally referred to as a fund's "expense ratio" and the fees are deducted at the mutual fund level when calculating the fund's net asset value ("NAV") and have a direct bearing on the fund's performance. If the sponsor also imposes sales charges, a client can or will pay initial or deferred sales or surrender charge. In addition, some open-end mutual funds offer different share classes of the same fund, and one share-class can have a higher expense ratio than another share class. The most economical share class will depend on certain factors, including the amount of time the shares are held by a client and the amount a client will be investing. Mutual fund expense ratios vary by mutual fund, so it is important that clients read the mutual fund prospectus to fully understand all the fees charged.

When purchasing mutual funds for clients', CGAM will purchase the lowest cost mutual fund share class that is available at the time of the purchase. For new clients that hold any mutual funds when opening an account with CGAM, we will determine whether such mutual fund remains suitable for the client's current objective and if believed to be, then CGAM will check to see if a lower cost share class is available and transfer the client's mutual fund holding into such share class.

Transaction costs also factor into the overall costs when investing in mutual funds. Such costs can be charged by the broker-dealer for both purchases and redemptions. Some custodians offer certain higher share class mutual funds for purchase at no transaction fee. Due to that, CGAM will purchase a more expensive share class when the firm determines, based on facts and circumstances that such transaction would be the most economical for clients to purchase. CGAM also will transfer a client into a lower cost share class at a later time if the firm determines it is beneficial for the client and such share class becomes available. However, there are times when CGAM does not have access to lower cost share classes, which mainly happens when a client's custodian does not offer a lower cost share class or a client's investment amount does not meet the share class minimum investment requirement.

Additionally, clients can incur brokerage commissions and other execution costs charged by the custodian or executing broker-dealer in connection with transactions for a client's account. Clients should further understand that all custodial fees and any other charges, fees and commissions incurred in connection with transactions for a client's account will be paid out of the assets in the account and are exclusive of and in addition to the fees charged by CGAM. Some clients can have a relational account agreement with CGAM whereby they maintain personal brokerage accounts at Schwab for which CGAM can trade at the client's instructions. On these occasions, the client will pay the normal brokerage commission charges from such

account(s) but will not be charged an advisory fee from CGAM.

The fees charged to a client's account lowers the overall performance of the account. Therefore, clients should review all applicable direct and indirect fees charged, including but not limited to custodian fees, transaction fees, fees associated with investments (e.g., mutual funds), and advisory fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Firm will offer a performance fee arrangement with qualified clients. A qualified client is either (1) a client with a minimum of \$1,100,000 invested with the Firm, or (2) a client with a minimum net worth, exclusive of primary residence value, of \$2,200,000. Such fees are subject to individualized negotiation with each such client. The Firm will structure any performance fee arrangement subject to Section 205(a)(1) of the Adviser Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance fees, the Firm shall include realized and unrealized capital gains and losses. Fees are contingent on "Net Account Growth," so unless the account balance increases from a prior "high-water mark," the performance fees are waived.

Performance Fees are calculated quarterly in arrears and are due on the first day of the following calendar quarter. The initial account balance will always be zero with the initial high-water mark established by adding Client's contributions and transfers (as of the day in which such contributions/transfers are received). Thereafter, a new high-water mark is established whenever the account value (adjusted dollar for dollar on contributions and/or prorated for redemptions) on the last business day of the quarter is higher than the previous high-water mark. The Firm fees and trading costs will reduce the account value, but not the high-water mark.

The Firm will ask for the client's written authorization to directly debit performance-based fees from the client's account through the custodian. The Firm will send an electronic Fee Statement to the custodian indicating only the amount of the fee to be debited by the custodian. It is the client's responsibility to verify the accuracy of the fee calculation and to understand that the custodian will not determine whether the fee is properly calculated. The custodian will send to the client a statement, at least quarterly, but generally monthly, indicating all amounts disbursed from the account including the amount of the advisory fees paid directly to the Firm.

In charging performance fees to client accounts, there exists a conflict as the Firm can receive greater fees from client accounts having a performance-based compensation structure than from those accounts where the Firm only charges a fee unrelated to performance (e.g., an asset-based fee). As a result, the Firm has an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee. The Firm also has an incentive to make riskier investment decisions and recommendations in pursuit of higher investment performance. The Firm's side-by-side management of accounts that are charged an asset-based fee and accounts that are charged a performance-based fee is governed by the Firm's internal policies and procedures and Code of Ethics (see Item 11, below), which are designed and implemented to ensure that all clients are treated fairly and equitably, and to prevent the conflicts described above from influencing the allocation of investment opportunities among clients. Performance-based fee structures could also create an incentive

for the Firm to over-value certain assets held by clients. The Firm has adopted policies designed to promote fair, accurate and current valuations of securities and

portfolios. The Firm utilizes, to the fullest extent possible, the most recent prices reported by the largest securities exchange on which such securities are traded and/or qualified custodians for timely valuation information for advisory client securities and portfolios.

## **ITEM 7: TYPES OF CLIENTS**

### **A. Description**

CGAM provides investment management and complementary financial analysis services to individuals, pension and profit-sharing plans, trusts, estates, corporations and business entities.

### **B. Conditions for Managing Accounts**

CGAM imposes a minimum account size of \$250,000 but reserves the right to waive the minimum or decline a potential client for any reason in its sole discretion. A Client can make cash additions to and/or withdrawals from Client's account(s) at any time. Client acknowledges that cash will be made available for withdrawal only when transactions effected to raise cash are settled. This could take several days dependent upon the type of investment and/or market conditions.

Prior to engaging CGAM to provide any of the investment advisory services described in this Brochure, the client will be required to enter into one or more written agreements with CGAM setting forth the terms and conditions under which CGAM shall render its services.

When CGAM provides investment advice to a client, we are deemed a fiduciary under certain federal regulations, and within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way the firm makes money creates conflicts of interest; however, as a fiduciary, CGAM and our supervised persons are required to always act in our clients' best interests, which means we must, at a minimum take the following steps:

- Meet a professional standard of loyalty and care when making investment recommendations.
- Always put our clients' interests ahead of our own when making recommendations and providing services.
- Disclose conflicts of interest and how the Firm addresses such conflicts. Adopt and follow policies and procedures designed to help ensure that we give advice and provide services that remain in each client's best interest.
- Charge an advisory fee that is reasonable for our services.
- Not provide, or withhold, any information that could render our advice and/or services misleading.

If a Client's account is a pension or other employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), CGAM can be a fiduciary to

the plan. In providing our investment management services, the sole standard of care imposed upon us is to act with the care, skill, prudence and diligence under the circumstances then

prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. CGAM will provide certain required disclosures to the "responsible plan fiduciary" (as such term is defined in ERISA) in accordance with Section 408(b)(2), regarding the services we provide and the direct and indirect compensation we receive by such clients. Generally, these disclosures are contained in this Form ADV Part 2A, the client agreement and/or in separate ERISA disclosure documents and are designed to enable the ERISA plan's fiduciary to: (1) determine the reasonableness of all compensation received by CGAM; (2) identify any conflicts of interests; and (3) satisfy reporting and disclosure requirements to plan participants.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. Methods of Analysis and Investment Strategies**

Generally, CGAM uses a variety of analytical information to assist with its security analysis. Such information can include fundamental and technical analysis. The primary sources of information used by CGAM include market news reports, financial publications, outside research reports, prospectuses, and interpretation of exchange market data.

The investment strategies CGAM can or will pursue on behalf of clients can include long- and short-term purchases, shorting strategies, option writing including covered options, uncovered options or spreading strategies. CGAM can or will recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk and increase performance. CGAM can recommend specific investments to increase sector weighting and/or dividend probability or can recommend employing complete cash positions as a possible hedge against market movement which can or will adversely affect a client's portfolio. Cash holdings will be represented by either money market funds or cash equivalents.

Additionally, CGAM can or will recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position(s) in a client's portfolio, change in the risk tolerance of the client, or any risk deemed unacceptable for the client's risk tolerance.

### **B. Material Risks**

Investing in securities involves a significant risk of loss. CGAM's investment recommendations are subject to various markets, currency, economic, political and business risks, and such investment decisions can or perhaps will not always be profitable. Clients should be aware that there can or will be a loss or depreciation to the value of the client's account, which clients should be prepared to bear. There can be no assurance that the client's investment objectives will be obtained and no inference to the contrary should be made. Clients are advised that they should only commit assets for management that can be invested for the long term, that volatility from investing can occur, and that all investing is subject to risk and consequently, the value of the client's account can or will at any time be worth more or less than the amount invested.

Generally, the market value of stocks will fluctuate with market conditions, and small-stock prices generally will fluctuate more than large-stock prices. The market value of bonds will

generally fluctuate inversely with interest rates and other market conditions prior to maturity and will equal par value at maturity. Interest rates for bonds can be fixed at the time of issuance, and payment of principal and interest can be guaranteed by the issuer and, in the case of U.S. Treasury obligations, backed by the full faith and credit of the U.S. Treasury. The market value of Treasury bonds will generally fluctuate more than Treasury bills, since Treasury bonds have longer maturities. Investments in overseas markets also pose special risks, including currency fluctuation and political risks, and it can or will be more volatile than that of a U.S. only investment. Such risks are generally intensified for investments in emerging markets. Small-cap stocks can be subject to a higher degree of risk than more established companies' securities. The illiquidity of the small-cap market can adversely affect the value of these investments. In addition, there is no assurance that a mutual fund or an ETF will achieve its investment objective. Past performance of investments is no guarantee of future results.

CGAM invests primarily in mutual funds and ETFs. Overall "market risk" poses the greatest possible danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons - such as the overall strength of the economy or demand for particular products or services. A sector stock fund (which invests in a single industry, such as telecommunications) is at risk that its price will decline due to developments in its industry. A stock fund that invests across many industries is more sheltered from this risk.

For most funds, investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. And, depending on the timing of their investment, investors can, or perhaps will also have to pay taxes on any capital gains distribution they receive.

As stated in Item 4 above, when considered appropriate, taking into account a client's risk tolerance, and suitability information, the Firm can or will recommend the use of Private Equity/Private Funds, and individual private equity issues. The Private Funds recommended will usually be equity based however, other types of funds can be considered or used when appropriate. Private Funds/Private Equity investments carry additional risks that should be considered by investors including:

- Operational Risk: the risk of loss resulting from inadequate processes and systems supporting the organization.
- Funding Risk: the risk that investors are not able to provide their capital commitments and is effectively the 'investor default risk.
- Liquidity Risk: This refers to an investor's inability to redeem their investment at any given time.
- Capital Risk: There are many forms of market risk affecting Private Equity investments, such as broad equity market exposure, geographical/sector exposure, foreign exchange, commodity prices and interest rates.

From time to time CGAM investment opportunities can employ shorting or option strategies. The following risks are associated with these types of transactions:

- Short-term purchases. A short-term purchase is a purchase of a security or investment product with the intent of possibly selling it within one year of its purchase.

- Short-term trading. Short-term trading focuses on opportunistic trades – holding investments for only brief periods. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.
- Short sales. Short selling is a technique used to profit from the falling price of a stock. Short selling can translate into high portfolio volatility.
- Option buying. This is a basic options strategy where investors buy a call or put option with the hope that the price of the underlying stock will move far enough to cover the premium paid for the option.
- Option writing. Investors can sell options in order to obtain additional income from premiums paid by the option buyer. The positive upside of this strategy is limited because the most money the investor can earn is the amount of the option premium.
- Uncovered Options and Spreading strategies. Uncovered options trading can be more risky than writing covered call options. The possible loss is theoretically unlimited. An option spread involves combining two different option strikes as part of a limited risk strategy.

Prior to entering into an agreement with CGAM, a client should carefully consider that volatility from investing in the stock and bond market can occur and that over time the client's assets can or will fluctuate and at any time be worth more or less than the amount invested.

## **ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisers such as CGAM are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of CGAM or the integrity of its management. CGAM does not have any such legal or disciplinary events and thus has no information to disclose with respect to this Item.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

No investment adviser representatives of CGAM are currently engaged in any outside business activities or have any outside affiliations. Please note that while Messrs. R. Clark, B. Clark, and Cedergreen currently are not appointed with any insurance carrier or agency, their insurance licenses remain active. Please refer to each individual's Form ADV Part 2B.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Code of Ethics Summary**

CGAM has adopted a Code of Ethics ("Code") in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, as amended. The Code establishes standards of conduct for CGAM's supervised persons and includes general requirements that such supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It contains written policies reasonably



designed to prevent the unlawful use of material non-public information by CGAM or any of its associated persons.

Because CGAM's personnel (called "Access Persons") can transact in the same securities for their personal accounts as they can or will buy or sell for client accounts, it is important to mitigate conflicts of interest. To that end, CGAM has adopted personal securities transaction policies in the Code which all CGAM associated persons must follow. The Code requires that certain of CGAM's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments, including initial public offerings and limited offerings. The Code also requires supervised persons to report any violations of the Code promptly to the Firm's Chief Compliance Officer ("CCO"). Each supervised person receives a copy of the Code and any amendments to it and must acknowledge in writing having received the materials. Annually, each supervised person must certify that he or she complied with the Code during that year. CGAM will provide a copy of its Code of Ethics to any client or prospective client upon request.

### **B. Participation or Interest in Client Transactions**

Because the Code would permit associated persons of CGAM to invest in the same securities as clients, there is a possibility that the associated person could benefit from market activity by a client in a security held by that person. Employee trading is continually monitored under the Code, with an eye to reasonably prevent conflicts of interest between CGAM and its clients.

Based upon a client's stated objectives, CGAM can, under certain circumstances, recommend the purchase or sale of securities in which CGAM or its affiliates have also invested in personally. Such recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, as part of CGAM's fiduciary duty to clients, CGAM and its associated persons will endeavor at all times to put the interests of the clients first and at all times are required to adhere to the Firm's Code of Ethics.

It is CGAM's policy not to enter into any principal transactions or agency cross transactions on behalf of client accounts. Principal transactions occur where an adviser, acting as principal for its own account, buys securities from or sells securities to any advisory client. Agency cross transactions occur where a person acts as an investment adviser in relation to a transaction in which the adviser, or an affiliate of the adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Should CGAM ever decide to affect cross-trades between client accounts, it will comply with the provisions of Rule 206(3) of the Advisers Act.

## **ITEM 12: BROKERAGE PRACTICES**

CGAM does not maintain custody of your assets that we manage. Nevertheless, we can be deemed to have custody of client assets because you give us authority to withdraw assets from your account (*see Item 15 Custody, below*). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. CGAM currently recommends that

clients use Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian, to maintain custody of client assets and to effect trades for

client accounts. CGAM is independently owned and operated and not affiliated with Schwab. Schwab will hold our clients' assets in a brokerage account and buy and sell securities when CGAM instructs them to. While CGAM recommends that you use Schwab as custodian/broker, clients will decide whether to do so when they open an account with Schwab by entering into an account agreement directly with them.

As further described below, factors considered by CGAM in recommending Schwab include but are not limited to, the reasonableness of their commissions, their financial strength, product availability, research and other services available to both the client and the CGAM.

#### **A. Selection Criteria**

CGAM generally places all transactions through Schwab Institutional® division of Charles Schwab & Co., Inc. ("Schwab"). CGAM periodically evaluates the commissions charged and the services provided by the custodian and compare those with other broker-dealers to evaluate whether overall best qualitative execution could be achieved by using alternative custodians.

#### **How We Select Custodians/Brokers**

CGAM seeks to select and recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. CGAM considers a wide range of factors, including, among others, these:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- capability to execute, clear and settle trades (buy and sell securities for your account);
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- breadth of investment products made available (stocks, bonds, mutual funds, ETFs, etc.);
- availability of investment research and tools that assist us in making investment decisions;
- quality of services;
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them;
- reputation, financial strength and stability of the provider;
- the custodian/broker's prior service to us and our other clients; and
- availability of other products and services that benefit us, as discussed below (*see "Products and Services Available to Us from Schwab"*).

#### **Custody and Brokerage Costs**

Schwab generally does not charge CGAM client accounts separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab's commission rates applicable to CGAM client accounts were negotiated based on our commitment to maintain CGAM client assets in accounts at Schwab. This commitment benefits you because the overall commission rates you pay are lower than they would be if CGAM had not made the commitment. In addition to commissions,

Schwab charges a flat dollar amount as a "trade away" fee for each trade that CGAM executes by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. In order to minimize trading costs, CGAM will use Schwab to execute trades for your account if CGAM believes it is in your best interest to do so.

### **Products and Services Available to Us from Schwab**

Schwab Advisor Services is Schwab's business serving independent investment advisory firms like CGAM. They provide CGAM and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (*i.e.*, CGAM does not have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients' assets in accounts at Schwab. Below is a detailed description of Schwab's support services:

*Schwab Services that Benefit You.* Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

*Schwab Services that Can, or Perhaps Will Not Directly Benefit You.* Schwab also makes available to us other products and services that benefit us but can, or will not directly benefit you or your account. These products and services assist CGAM in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. CGAM can use this research to service all, some or a substantial number of our clients' accounts.

In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

*Schwab Services that Generally Benefit Only Us.* Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;

- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab can or will provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also can or will, discount or waive its fees for some of these services or pay all or a part of a third party's fees. In addition, Schwab can or will provide CGAM with other benefits such as occasional business entertainment of our personnel.

Other possible benefits to CGAM only can or will include occasional business entertainment of personnel of CGAM by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which can accompany educational opportunities Schwab makes available, arranges and/or pays vendors for products and services rendered to CGAM by independent third parties. While, as a fiduciary, CGAM endeavors to act in its clients' best interests, CGAM's recommendation/requirement that clients maintain their assets in accounts at Schwab can be based in part on the benefit to CGAM of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which can create a conflict of interest.

### **CGAM's Beneficial Interest in Schwab's Services**

The availability of these services from Schwab benefits us because CGAM does not have to produce or purchase them. CGAM does not have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. The \$10 million minimum can give CGAM an incentive to recommend that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest.

CGAM believes, however, that our selection of Schwab as custodian/broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above – see *"How We Select Custodians/Brokers"*) and not Schwab's services that benefit only us. We have approximately \$200 million in client assets under management, and do not believe that maintaining at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

### **B. Best Execution**

It is the policy and practice of CGAM to strive for the best price and execution that are competitive in relation to the value of the transaction ("best execution"). In order to achieve best execution, CGAM will use its best judgment to choose the broker-dealer most capable of providing the brokerage services necessary to obtain the best overall qualitative execution. Although CGAM will strive to achieve the best execution possible for client securities transactions, this does not require it to solicit competitive bids and CGAM does not have an

obligation to seek the lowest available commission cost. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among other things, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while CGAM will seek competitive rates, it can not necessarily obtain the lowest possible commission rates for client transactions. CGAM is not required to negotiate "execution only" commission rates, thus the client can be deemed to be paying for research and related services (*i.e.*, "soft dollars") provided by the broker which are included in the commission rate.

To ensure that brokerage firms recommended by CGAM are conducting overall best qualitative execution, CGAM will periodically (and no less often than annually) evaluate the trading process and brokers utilized. CGAM's evaluation will consider the full range of brokerage services offered by the brokers, which can include, but is not limited to price, commission, timing, research, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers and administrative ability.

#### 1. Research and Other Soft Dollar Benefits

CGAM's general policy is to comply with the provisions of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)") when entering into soft dollar arrangements. Section 28(e) recognizes the conflict of interest involved in this activity, but generally allows investment advisers to use client commissions to pay for certain research and brokerage products and services under certain circumstances without breaching their fiduciary duties to clients. For these purposes, "research" means services or products used to provide lawful and appropriate assistance to CGAM in making investment decisions for its clients. "Brokerage" services and products are those used to effect securities transactions for CGAM's clients or to assist in effecting those transactions.

Research and other products and services purchased with soft dollars will generally be used to service all of CGAM's clients, but brokerage commissions paid by one client can be used to pay for research that is not used in managing that client's portfolio, as permitted by Section 28(e). In other words, there can be certain client accounts that benefit from the research services, which did not make the payment of commissions to the broker-dealer providing the services.

Brokerage services obtained with soft dollars can include, for example, quotation and communication equipment and services, other order management systems that provide trading software or provide connectivity to such software, trade analysis software, on-line pricing services, communication services relating to execution, clearing and settlement and message services used to transmit orders.

Research and related services furnished by brokers can include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; recommendations as to specific securities; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; and discussions with research personnel, along with

hardware, software, databases and other technical and telecommunication services and equipment utilized in the investment management process. Research received by CGAM under such soft dollar arrangements can include both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

There can be cases when CGAM can receive both non-research (*e.g.*, administrative, accounting or technology services, etc.) and research benefits from the services provided by broker-dealers.

If and when this happens, CGAM will make a good faith allocation between the non-research and research portion of the services received, and will pay "hard dollars" (*i.e.*, CGAM will pay from their own monies) for the non-research portion. In making a good faith allocation between research services and non-research services, a conflict of interest can exist by reason of CGAM's allocation of the costs of such services and benefits between those that primarily benefit CGAM and those that primarily benefit clients. CGAM strives to always put the client's interests first.

As stated above, CGAM can or will recommend that clients establish brokerage accounts with Schwab to maintain custody of clients' assets and to effect trades for their accounts. Schwab is a SEC-registered broker-dealers and members FINRA/SIPC. While there is no direct link between the investment advice given to clients and CGAM's recommendation to use the custodial or brokerage services of Schwab, certain benefits are received by CGAM due to this arrangement.

## 2. Directed Brokerage

If requested by a client, CGAM can accept written direction from a client regarding the use of a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and CGAM will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by CGAM and CGAM will have limited ability to ensure the broker-dealer selected by the client will provide best possible execution. As a result, the client can or will pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, CGAM can or will decline a client's request to direct brokerage if, in CGAM's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

## C. Trade Aggregation and Allocation

Transactions for each client will be effected independently, unless CGAM decides to purchase or sell the same securities for several clients at approximately the same time. CGAM performs investment management services for various clients, some of which can have similar investment objectives. CGAM can aggregate sale and purchase orders with other client accounts and proprietary (employee) accounts that have similar orders being made at the same time, if in CGAM's judgment such aggregation is reasonably likely to result in an overall economic benefit to the affected accounts. Such benefits can or will include better transaction prices and lower trade execution costs. CGAM can (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among CGAM's

clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. If all aggregate orders do not fill at the same price, transactions will generally be averaged as to price and allocated among participating accounts pro rata to the purchase and sale orders placed for each participating account on any given day. If such orders cannot be fully executed under prevailing market conditions, CGAM can or will allocate the securities traded among participating accounts and each similar order in a manner which it considers equitable, taking into consideration, among other things, the size of the orders placed, the relative cash positions of each account, the investment objectives of the accounts, and liquidity of the security.

#### **D. Brokerage for Client Referrals**

In selecting or recommending broker-dealers, CGAM can receive client referrals from a broker-dealer, which creates a conflict of interest. This is because CGAM can have an incentive to select or recommend a broker-dealer based on its interest in receiving client referrals rather than on the client's interest in receiving most favorable execution.

To mitigate this conflict, CGAM reviews and monitors execution and services provided to all such CGAM clients to help ensure that the client's accounts are managed as effectively as possible and are receiving best execution.

### **ITEM 13: REVIEW OF ACCOUNTS**

#### **A. Periodic Reviews**

CGAM makes every effort to meet with clients in person or over the phone no less than annually to review the client's investment goals and current advisory portfolios. Accounts are reviewed for consistency with the investment strategy and other parameters set forth for the account and to determine if any adjustments need to be made.

#### **B. Other Reviews and Triggering Factors**

In addition to the periodic reviews described above, reviews can be triggered by changes in an account holder's personal, tax or financial status. Other events that can trigger a review of an account are material changes in market conditions as well as macroeconomic and company-specific events. Clients are encouraged to notify CGAM and its advisory representatives of any changes in his/her personal financial situation that might affect his/her investment needs, objectives, or time horizon.

#### **C. Regular Reports**

Written brokerage statements are generated no less than quarterly and are sent directly from the account custodian. These reports list the account positions, activity in the account over the covered period, and other related information. Clients are also sent confirmations following each brokerage account transaction unless confirmations have been waived. In addition to the regular statements clients receive from their custodian, CGAM can or will, on occasion, send clients detailed reports concerning relevant account and/or market-related information as well as an inventory of account holdings and account performance, as agreed to with the client. Clients are

urged to compare the statements received from CGAM to those received from the account custodian.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Economic Benefits Received**

As discussed more fully under Item 12, CGAM can recommend certain broker-dealers in return for investment research products and/or other services which can assist CGAM in providing its investment advisory services. The receipt of such services can be deemed to be the receipt of an economic benefit by CGAM, and although customary, these arrangements give rise to conflicts of interest, including the incentive to allocate securities transactional business to broker-dealers based on the receipt of such benefits rather than on a client's interest in receiving most favorable execution.

CGAM receives an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisers that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (*see Item 12 – Brokerage Practices*). The availability to CGAM of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

### **B. Compensation for Client Referrals**

The Firm will retain Promoters and pay solicitation fees for clients who are referred to and accepted by the Firm. All such agreements will be in writing and comply with the requirements of Rule 206(4)-1 of the Advisers Act. If a client is introduced to CGAM by a Promoter, CGAM will pay that Promoter a fee in accordance with the requirements of Rule 206(4)-1 of the Advisers Act and any corresponding state securities law requirements. While the specific terms of each agreement can differ, generally, the compensation will be based upon CGAM's engagement of new clients and the retention of those clients and is calculated using a varying percentage of the fees based on a percentage of the total investment management fees paid to CGAM by such clients. Any such fee shall be paid solely from CGAM's investment management fee and shall not result in any additional charge to the client.

Each prospective client who is referred to CGAM under such an arrangement will receive a copy of CGAM's Brochure (from CGAM) and a separate written disclosure document (from the Promoter) disclosing the nature of the relationship between the third-party Promoter and CGAM and material information, including the amount of compensation that will be paid by CGAM to the third party.

### **C. Other Compensation**

Currently, CGAM investment advisory representatives do not receive any compensation outside of CGAM.



## ITEM 15: CUSTODY

Pursuant to the Investment Advisers Act of 1940, CGAM is deemed to have “constructive custody” of client funds because the Firm has the authority and ability to debit its fees directly from the accounts of those clients receiving CGAM’s Investment Advisory Services.

Additionally, certain clients have, and can or will in the future, sign a Standing Letter of Authorization (SLOA) that gives CGAM the authority to transfer funds to a third-party as directed by the client in the SLOA. This is also deemed to give the Firm custody. Custody is defined as any legal or actual ability by the Firm to withdraw client funds or securities. Firms with deemed custody must take the following steps:

1. Ensure clients’ managed assets are maintained by a qualified custodian;
2. Have a reasonable belief, after due inquiry, that the qualified custodian will deliver an account statement directly to the client at least quarterly;
3. Confirm that account statements from the custodian contain all transactions that took place in the client’s account during the period covered and reflect the deduction of advisory fees; and
4. Obtain a surprise audit by an independent accountant on the clients’ accounts for which the advisory firm is deemed to have custody.

However, the rules governing the direct debit of client fees and SLOAs exempts CGAM from the surprise audit rules if certain conditions (in addition to steps 1 through 3 above) are met. Those conditions are as follows:

1. When debiting fees from client accounts, CGAM must receive written authorization from clients permitting advisory fees to be deducted from the client’s account.
2. In the case of SLOAs, CGAM must: (i) confirm that the name and address of the third party is included in the SLOA, (ii) document that the third-party receiving the transfer is not related to the Firm, and (ii) ensure that certain requirements are being performed by the qualified custodian.

If client funds or securities are inadvertently received by our firm, they will be returned to the sender immediately, or as soon as practical.

Schwab maintains actual custody of your assets. Clients will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address the client provided to Schwab. Clients should carefully review those statements promptly when received. Please contact CGAM with any questions.

## ITEM 16: INVESTMENT DISCRETION

### A. Discretionary Authority: Limitations

Asset Management services are performed by CGAM on a discretionary basis, unless otherwise agreed upon at the inception of the client relationship and memorialized in the client’s advisory agreement. In exercising its discretionary authority, CGAM has the ability to determine the type and amount of securities to be transacted and whether a client’s purchase or sale should be

combined (aggregated) with those of other clients and traded as a “block.” Such discretion is to be exercised in a manner consistent with each client’s stated investment objectives, risk tolerance, and time horizon. In addition, CGAM’s authority to trade securities can be limited in certain circumstances by applicable legal and regulatory requirements. Clients are permitted to impose reasonable limitations on CGAM’s discretionary authority, including restrictions on investing in certain securities or types of securities. All such limitations, restrictions, and investment guidelines must be provided to CGAM in writing.

**B. Limited Power of Attorney**

Unless clients specifically request in writing that CGAM manage all or part of their account on a non-discretionary basis, by signing CGAM’s advisory agreement, clients authorize CGAM to exercise full discretionary authority with respect to all investment transactions involving the client’s account. Pursuant to such agreement, CGAM is designated as the client’s attorney-in-fact with discretionary authority to effect investment transactions in the client's account which authorizes CGAM to give instructions to third parties in furtherance of such authority.

**ITEM 17: VOTING CLIENT SECURITIES**

CGAM's policy and practice is to not vote proxies on behalf of its clients and therefore, shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a client’s account, unless the account is an ERISA account and such authority has not been delegated to another named fiduciary in the plan's written documents. Consequently, the client retains the responsibility for receiving and voting all proxies for securities held within the client's account. CGAM shall not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client.

CGAM typically does not advise or act for clients with respect to any legal matters, including bankruptcies and class actions, for the securities held in clients’ accounts.

**ITEM 18: FINANCIAL INFORMATION**

CGAM does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. CGAM does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients and has not been the subject of a bankruptcy proceeding.