

# GH&A

## GARCIA HAMILTON & ASSOCIATES, L.P.

### ADV Part 2A – Firm Brochure

#### Item 1: Cover Page

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### Garcia Hamilton & Associates, L.P.

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**March 31, 2023**

This brochure provides information about the qualifications and business practices of Garcia Hamilton & Associates, L.P. If you have any questions about the contents of this brochure, please contact us at 713.853.2322 and/or [BMcWilliams@GarciaHamiltonAssociates.com](mailto:BMcWilliams@GarciaHamiltonAssociates.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.

Garcia Hamilton & Associates, L.P., is a registered investment adviser. Registration as an Investment Adviser does not imply a certain 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 Garcia Hamilton & Associates, L.P. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The Firm's CRD number is 108017.

### Item 2: Material Changes

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#### *Annual Update*

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On July 28, 2010, the United State Securities and Exchange Commission [SEC] published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure as of December 31, 2022 is an updated document prepared according to the SEC’s requirements and rules.

#### *Material Changes since the Last Update Dated: March 31, 2022*

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1. This section of the Brochure will address only those “material changes” that have been incorporated since our last annual updating amendment posted on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) on March 31, 2022.

There were no material changes since our last delivery or posting of ADV Part 2A.

2. We may, at any time, update this Brochure and either send you a copy or offer to send you a copy when accompanied by a Statement of Material Changes (either by electronic means (email) or in hard copy form).

#### *Full Brochure Available*

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In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive either an updated Brochure or a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We will further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

**Item 3: Table of Contents**

Item 1: Cover Page .....	1
Item 2: Material Changes .....	2
<i>Annual Update</i> .....	2
<i>Material Changes since the Last Update Dated: March 31, 2022</i> .....	2
<i>Full Brochure Available</i> .....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business .....	5
<i>Firm Description</i> .....	5
<i>Principal Owners</i> .....	5
<i>Types of Advisory Services</i> .....	5
<b><i>Separate Account Portfolio Management</i></b> .....	5
<i>Tailored Relationships</i> .....	5
<i>Types of Investments</i> .....	5
<b><i>Mutual Fund Portfolio Management (Sub-Adviser)</i></b> .....	6
<i>Tailored Relationships</i> .....	6
<i>Types of Investments</i> .....	6
<b><i>Model Portfolio Management (Sub-Adviser)</i></b> .....	6
<i>Tailored Relationships</i> .....	6
<i>Types of Investments</i> .....	7
<b><i>Amount of Managed Assets</i></b> .....	7
Item 5: Fees & Compensation .....	8
<i>Description</i> .....	8
<b><i>IMS - Separate Account Portfolio Management Fees</i></b> .....	8
<i>Account Management Fee Calculations</i> .....	9
<i>Limited Negotiability of Advisory Fees</i> .....	9
<b><i>Mutual Fund Portfolio Management (Sub-Adviser) Fees</i></b> .....	10
<i>Account Management Fee Calculations</i> .....	10
<i>Limited Negotiability of Advisory Fees</i> .....	10
<b><i>Model Portfolio Management (Sub-Adviser) Fees</i></b> .....	10
<i>Account Management Fee Calculations</i> .....	10
<i>Limited Negotiability of Advisory Fees</i> .....	10
<b><i>General Information</i></b> .....	10
Item 6: Performance-Based Fees and Side-By-Side Management .....	13
<i>Performance-Based Fees</i> .....	13
<i>Side-by-Side Management</i> .....	13
Item 7: Types of Clients .....	14
<i>Description</i> .....	14
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	15
<i>Methods of Analysis</i> .....	15
<i>Investment Strategies</i> .....	15
<i>Risks of Loss</i> .....	16
Item 9: Disciplinary Information .....	17
<i>Legal and Disciplinary</i> .....	17
Item 10: Other Financial Industry Activities and Affiliations .....	18
<i>Financial Industry Activities</i> .....	18
<i>Affiliations</i> .....	18
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	19
<i>Code of Ethics</i> .....	19
<i>Participation or Interest in Client Transactions</i> .....	19

<i>Personal Trading</i> .....	20
Item 12: Brokerage Practices.....	21
<i>Research and Other Soft Dollar Benefits</i> .....	21
<i>Selecting Brokerage Firms</i> .....	21
<i>Best Execution</i> .....	21
<i>Directed Brokerage</i> .....	22
<i>Trade Aggregation</i> .....	22
<i>Cross Trades</i> .....	23
<i>Wrap Fee Accounts</i> .....	23
Item 13: Review of Accounts.....	24
<i>Periodic Reviews</i> .....	24
<i>Review Triggers (non-periodic)</i> .....	24
<i>Reports</i> .....	24
<i>Client Reporting</i> .....	24
Item 14: Client Referrals and Other Compensation .....	25
<i>Incoming Referrals</i> .....	25
<i>Referrals Out</i> .....	25
<i>Other Compensation</i> .....	25
<i>Gifts and Business Entertainment</i> .....	25
<i>Conflicts of Interest</i> .....	25
Item 15: Custody .....	27
<i>Account Statements</i> .....	27
Item 16: Investment Discretion .....	28
<i>Discretionary Authority for Trading</i> .....	28
<i>Trade Errors</i> .....	28
Item 17: Voting Client Securities.....	29
<i>Proxy Votes</i> .....	29
<i>Conflicts of Interest</i> .....	29
<i>How to Obtain Voting Information</i> .....	29
Item 18: Financial Information.....	30
<i>Financial Condition</i> .....	30
<i>Business Continuity Plan</i> .....	30
<i>Information Security Program</i> .....	31

## Item 4: Advisory Business

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### *Firm Description*

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Garcia Hamilton & Associates, L.P. (“GH&A” or the “Firm”) is a Houston, Texas based investment management company that was founded in 1988. The Firm is a 100% employee-owned limited partnership.

### *Principal Owners*

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The Firm is owned by employee partners with ethnic minority and female partners representing 88% of Firm ownership. Listed below are the Firm’s principal partners (i.e., those individuals controlling 25% or more of the partnership).

Gilbert Andrew Garcia, Managing Partner

### *Types of Advisory Services*

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Garcia Hamilton & Associates, L.P. provides continuous and regular investment management services with respect to client accounts.

- Separate Account Portfolio Management
- Mutual Fund Portfolio Management (Sub-Adviser)
- Model Portfolio Management (Sub-Adviser)

The Firm offers the following Investment Management Services:

### *Separate Account Portfolio Management*

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Separate Account Portfolio Management provides continuous investment management services of client funds in separate account portfolios. We manage these advisory accounts in a discretionary manner taking into account individual client needs, if any, set forth in the client’s Investment Management Agreement or other written investment policy or guidelines provided by the client. Investment teams and individual portfolio managers often manage multiple accounts according to the same or a similar investment strategy.

### *Tailored Relationships*

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Clients can impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. GH&A will discuss with client or client’s representative any guideline or policy that may limit management of the funds in line with the strategy selected by the client. GH&A may, in the future, provide discretionary investment adviser services to Collective Trust Funds wherein the Fund Trustee retains authority to accept or reject the advice or direction of the Firm.

### *Types of Investments*

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The Firm’s investment strategies incorporate domestic, high-quality fixed income securities in single asset class portfolios and will generally include the following securities either traded on an exchange or in the over-the-counter market:

- United States government securities
- Corporate debt securities (rated at a minimum of single A or better )
- Agency debentures
- Agency Mortgage-backed securities

Certain short enhanced cash portfolios will generally also include the following securities:

- Agency discount notes
- Asset-backed securities (collateralized by auto, credit card and equipment lease receivables)
- Commercial Paper
- Money Market Funds

As noted above, GH&A utilizes high quality securities in its investment strategies. However, because some types of investments may involve certain additional degrees of risk, they will only be implemented when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

### ***Mutual Fund Portfolio Management (Sub-Adviser)***

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Mutual Fund Portfolio Management provides continuous investment management services as a sub-adviser to registered investment companies. We manage these advisory accounts in a discretionary manner. Mutual Fund Portfolio Management is designed to meet a particular investment goal.

### ***Tailored Relationships***

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The sponsoring investment adviser to the registered investment company to which GH&A provides sub-advisory services may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. GH&A will discuss any guideline or policy restrictions with the adviser that may limit management of the funds in line with the strategy selected by the investment adviser.

### ***Types of Investments***

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The Firm's investment strategies incorporate domestic, high-quality fixed income securities and will generally include the following securities which may be exchange traded or traded over-the-counter:

- United States government securities
- Corporate debt securities (rated at a minimum of single A or better )
- Agency debentures
- Agency Mortgage-backed securities

As noted above, GH&A utilizes high quality securities in its investment strategies. However, because some types of investments may involve certain additional degrees of risk, they will only be implemented when consistent with the fund's stated investment objectives, tolerance for risk, liquidity and suitability.

### ***Model Portfolio Management (Sub-Adviser)***

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Model Portfolio Management provides continuous investment management services of funds in model portfolios as a sub-adviser in programs where another manager serves as the discretionary investment manager. GH&A may, in the future, manage these advisory accounts in a non-discretionary manner. For Model Portfolio Management, GH&A maintains broad authority with respect to the timing of providing recommendations. Model Portfolio Management is designed to meet a particular investment goal.

### ***Tailored Relationships***

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The discretionary investment manager can impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. GH&A will discuss with the discretionary investment manager any guideline or policy that may limit management of the funds in line with the strategy selected by the investment adviser.

## *Types of Investments*

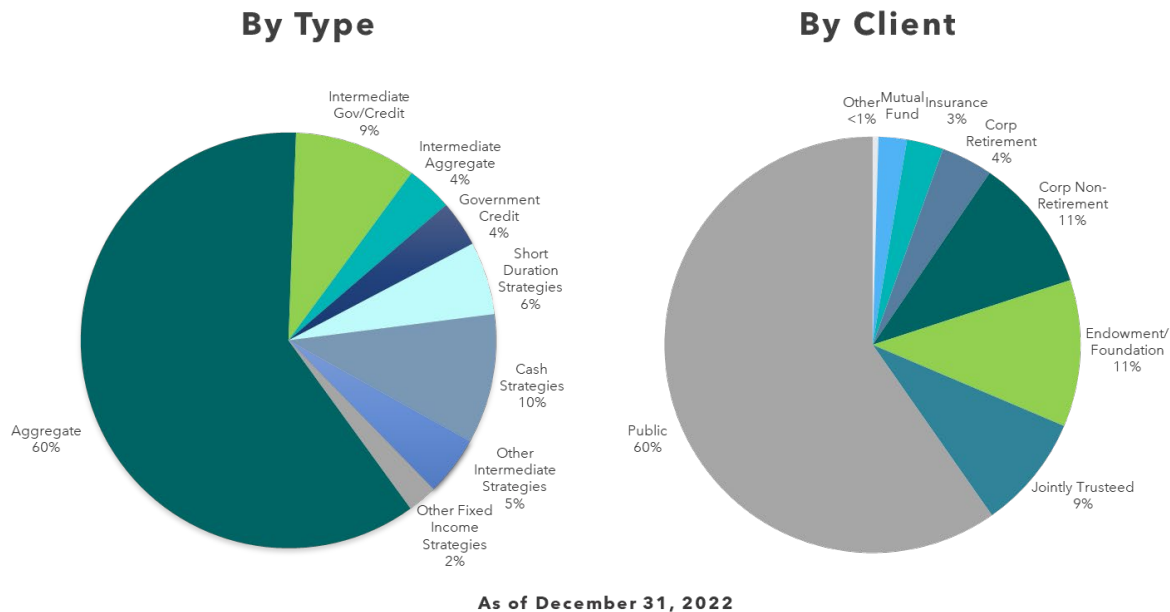
The Firm’s investment strategies incorporate domestic, high-quality fixed income securities and will generally include the following securities which may be exchange-traded or traded over-the-counter:

- United States government securities
- Corporate debt securities (rated at a minimum of single A or better )
- Agency debentures
- Agency Mortgage-backed securities

As noted above, GH&A utilizes high quality securities in its investment strategies. However, because some types of investments may involve certain additional degrees of risk, they will only be implemented when consistent with the client’s stated investment objectives, tolerance for risk, liquidity and suitability.

## *Amount of Managed Assets*

As of 12/31/2022, we were actively managing \$16,763,702,363 of clients' assets on a discretionary basis.



**Item 5: Fees & Compensation**

*Description*

Our annual fees for Investment Management Services are generally based upon a percentage of assets under management, typically payable quarterly in arrears.

***IMS - Separate Account Portfolio Management Fees***

The typical fee schedule for discretionary Separate Account Portfolio Management services is as follows:

*Aggregate Strategy*

<i>Assets Under Management</i>	<i>Annual Fee</i>
First \$25 Million	0.25%
Next \$25 Million	0.20%
Next \$50 Million	0.18%
Next \$100 Million	0.15%
Thereafter	0.09%

*Intermediate Aggregate Strategy*

<i>Assets Under Management</i>	<i>Annual Fee</i>
First \$25 Million	0.25%
Next \$25 Million	0.20%
Next \$50 Million	0.14%
Next \$100 Million	0.12%
Thereafter	0.09%

*Government/Credit Strategy*

<i>Assets Under Management</i>	<i>Annual Fee</i>
First \$25 Million	0.25%
Next \$25 Million	0.20%
Next \$50 Million	0.18%
Next \$100 Million	0.15%
Thereafter	0.09%

*Intermediate Government/Credit Strategy*

<i>Assets Under Management</i>	<i>Annual Fee</i>
First \$25 Million	0.25%
Next \$25 Million	0.20%
Next \$50 Million	0.14%
Next \$100 Million	0.12%
Thereafter	0.09%

*Short Duration Government Strategy*

<i>Assets Under Management</i>	<i>Annual Fee</i>
First \$25 Million	0.14%
Next \$25 Million	0.12%
Thereafter	0.10%



*Short Duration Government/Credit Strategy*

<i>Assets Under Management</i>	<i>Annual Fee</i>
First \$25 Million	0.16%
Next \$25 Million	0.14%
Next \$50 Million	0.12%
Next \$100 Million	0.11%
Thereafter	0.10%

*Short Duration Opportunistic Strategy*

<i>Assets Under Management</i>	<i>Annual Fee</i>
First \$25 Million	0.16%
Next \$25 Million	0.14%
Next \$50 Million	0.12%
Next \$100 Million	0.11%
Thereafter	0.10%

*Unconstrained Strategy*

<i>Assets Under Management</i>	<i>Annual Fee</i>
First \$25 Million	0.25%
Next \$25 Million	0.20%
Next \$50 Million	0.16%
Next \$100 Million	0.14%
Thereafter	0.10%

*Account Management Fee Calculations*

Garcia Hamilton & Associates, L.P. typically charges a fee for account management that is calculated as a percentage of the assets under management according to the relevant fee schedule. Fees are based on the value of the account at the end of each billing period. The fee is prorated for periods less than a full billing cycle and adjusted to cover significant additional contributions made during that period.

The fees of some historical accounts are payable quarterly in advance and are based upon a percentage of assets under management or other valuations as outlined in the client’s Investment Management Agreement.

*Limited Negotiability of Advisory Fees*

Although Garcia Hamilton & Associates, L.P. has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. In determining the alternative fee schedule, the Firm will take into account client facts, circumstances and needs that include, but are not limited to, the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, client service and reporting, among other factors. The specific annual fee schedule will be identified in the contract between the adviser and the client.

A minimum of **\$5,000,000** of assets under management is typically required for this service. We will group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee. We reserve the right to waive the minimum or require a higher minimum depending on the specific strategy selected and the level of additional support provided to the client.

### ***Mutual Fund Portfolio Management (Sub-Adviser) Fees***

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#### ***Account Management Fee Calculations***

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Our annual fee for discretionary Mutual Fund Portfolio Management (Sub-Adviser) services is determined by contract with the registered investment company and is generally based upon a percentage of assets under management. Fees are payable as outlined in the contract between GH&A and the sponsoring investment adviser. A minimum of **\$5,000,000** of assets under management is required for this service. We reserve the right to waive the minimum or require a higher minimum depending on the investment strategy and servicing requirements.

The Firm does not utilize mutual funds in its portfolio management strategies. Therefore, a portfolio management client of the Firm that also independently invests in a mutual fund for which the Firm is a sub-adviser will pay only those fees charged to investors by the Mutual Fund, i.e., the value of the client's investment in the Mutual Fund is not included in our quarterly portfolio management fee calculation for the client's account(s).

#### ***Limited Negotiability of Advisory Fees***

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GH&A retains the discretion to negotiate fees on a client-by-client basis. In determining the fee schedule, the Firm will take into account client facts, circumstances and needs that include, but are not limited to, the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, client service and reporting, among other factors.

### ***Model Portfolio Management (Sub-Adviser) Fees***

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#### ***Account Management Fee Calculations***

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Our annual fee for Model Portfolio Management (Sub-Adviser) services is determined by contract with the program's discretionary investment adviser. These fees are based upon a percentage of assets under management or some other method as outlined in the contract. Fees are payable as outlined in the contract between GH&A and the sponsoring investment adviser. A minimum of **\$2,500,000** of assets under management is required for this service. We reserve the right to waive the minimum or require a higher minimum depending on the investment strategy selected and servicing requirements.

#### ***Limited Negotiability of Advisory Fees***

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Garcia Hamilton & Associates, L.P. retains the discretion to negotiate fees on a client-by-client basis. In determining the fee schedule, the Firm will take into account client facts, circumstances and needs that include, but are not limited to, the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, client service and reporting, among other factors.

### ***General Information***

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#### ***Fee Invoices:***

The Firm does not deduct fees from clients' assets. The Firm typically submits a fee invoice to the client on a quarterly basis. Other arrangements, including but not limited to, sending a duplicate invoice to the client's custodian, is available upon written request. The Firm will submit a fee invoice to the client's custodian for payment if so instructed in writing by the client. The client's "qualified custodian" is required to send an account statement directly to the client (or, at the client's direction, to the client's "independent representative") no less frequently than quarterly that, among other things, sets forth all of the transactions in such account during such period.

### ***Performance-Based Fees:***

A performance-based fee schedule is generally based in whole or in part on a percentage of assets under management plus a percentage of the difference between the performance of a client's account and that of an appropriate index. The Firm does offer a performance-based fee schedule in some cases. However, GH&A will receive fees based on performance in cases where a fee has been proposed and the Firm has accepted a performance-based fee arrangement.

All fees to be charged for this service, whether percentage of assets under management and/or percentage of the difference between a client's account return and the return of an appropriate benchmark, will be determined by the client's individual circumstances and will be mutually agreed upon before entering into this type of arrangement and will be detailed in the client's Investment Management Agreement.

The client must understand the proposed method of compensation and its risks prior to entering into the contract. Accordingly, clients paying performance-based fees are directed to the "Performance-Based Fees" section (Item 6) below for more comprehensive disclosures, including potential conflicts of interest resulting from this type of compensation.

Clients who elect to terminate their contracts will be charged a performance-based fee based on the performance of the account for the measuring period going back from the termination date and pro-rated from the date on which the performance-based fee was previously assessed by our Firm.

In measuring the client's assets for the calculation of performance-based fees, Garcia Hamilton & Associates, L.P. shall include: for securities for which market quotations are readily available, the realized capital losses and unrealized capital losses of securities over the period and, if the unrealized capital appreciation of the securities over this period is included, the unrealized capital depreciation of securities over the period.

The entitlement to a performance-based fee may create an incentive for Garcia Hamilton & Associates, L.P. to take risks in managing assets which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

PERFORMANCE-BASED FEES WILL ONLY BE CHARGED IN ACCORDANCE WITH THE PROVISIONS OF RULE 205-3 UNDER THE INVESTMENT ADVISERS ACT OF 1940 AND/OR APPLICABLE STATE REGULATIONS. THE FEES WILL NOT BE OFFERED TO ANY CLIENT RESIDING IN A STATE IN WHICH SUCH FEES ARE PROHIBITED.

On a case-by-case basis, an appropriate fee structure based on the size, complexity and investment objectives of the client's account can be entered into by Garcia Hamilton & Associates, L.P. Fee arrangements can include a combination of a management fee and incentive fee, or can be solely limited to an incentive-based fee. The terms and conditions of the fee structure are mutually agreed upon prior to entering into an advisory agreement.

### ***Termination of the Advisory Relationship:***

A client agreement can be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be automatically refunded within 45 days of receipt of written notice. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period. To check on the refund progress you can call or email Beth McWilliams at 713-853-2314 or [BMcWilliams@GarciaHamiltonAssociates.com](mailto:BMcWilliams@GarciaHamiltonAssociates.com).

***Additional Fees and Expenses:***

In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including, but not limited to, any transaction charges imposed by a broker-dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information. From time to time clients have funds invested in short term investment vehicles available through the custodian. In this situation, clients may be paying management fees for this portion of their assets.

***IF APPLICABLE: Grandfathering of Minimum Account Requirements:***

Pre-existing advisory clients are subject to Garcia Hamilton & Associates, L.P.'s minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our Firm's minimum account requirements will differ among clients.

***IF APPLICABLE: ERISA Accounts:***

Garcia Hamilton & Associates, L.P. is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, our Firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Garcia Hamilton & Associates, L.P. can only charge fees for investment advice about products for which our Firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our Firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Garcia Hamilton & Associates, L.P.'s advisory fees.

***Advisory Fees in General:***

Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:***

Under no circumstances do we require or solicit payment of fees in excess of \$1200 six months or more in advance of services rendered.

***Most Favored Nations Clause:***

The Firm does not incorporate a "Most Favored Nations" policy in its standard contract and reserves the right to consider such a clause in future contracts. We ensure compliance with a "Most Favored Nations" policy by routinely reviewing relevant fee schedules when negotiating client contracts.

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

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#### *Performance-Based Fees*

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As we disclosed in Item 5 of this Brochure, the Firm does offer performance-based fees in some cases which generally are fees based in whole or in part on a percentage of assets under management plus a percentage of the difference between the performance of a client's account and that of an appropriate index. GH&A will receive fees based on performance in cases where a fee has been proposed and the Firm has accepted a performance-based fee arrangement.

Clients should be aware that entitlement to a performance-based fee arrangement may create an incentive for us to take risks in managing assets which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Furthermore, as we also have clients who do not pay performance-based fees, we have an incentive to favor accounts that do pay such fees because compensation we receive from these clients is more directly tied to the performance of their accounts.

To eliminate or significantly reduce the potential for conflicts of interest, all accounts invested in a product are managed alike, subject to client restrictions, in determining the timing of as well as the securities to be bought or sold regardless of the fee arrangements.

#### *Side-by-Side Management*

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Investment teams and individual portfolio managers often manage multiple accounts, including separate accounts and mutual funds, according to the same or a similar investment strategy.

Side-by-side management of the funds and other accounts raises the possibility of favorable or preferential treatment of a client or a group of clients. In general, investment decisions for each client account will be made independently from those of other client accounts and are made with specific reference to the individual needs and objectives of each client account. There is no requirement that an adviser use the same procedures consistently with respect to all accounts. Different strategies and client guidelines may lead to the use of different methodologies for addressing the potential conflicts of interest.

GH&A will manage accounts with similar or identical investment objectives or accounts with different objectives that trade in the same securities. Portfolio decisions relating to clients' investments and the performance resulting from such decisions may differ from client to client. GH&A will not necessarily purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible clients, particularly if different clients have materially different amounts of capital under management by GH&A or different amounts of investable cash available.

To eliminate or significantly reduce the potential for conflicts of interest, all accounts invested in a product are managed alike, subject to client restrictions, in determining the timing of as well as the securities to be bought or sold regardless of the fee arrangement or type of account.

### Item 7: Types of Clients

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#### *Description*

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Garcia Hamilton & Associates, L.P. offers its investment management services to a wide variety of clients, including the following client types:

- Banking or thrift institutions (including collective investment trusts/funds)
- Charitable organizations
- Commingled Investment Trust
- Corporations or other businesses not listed above
- High net worth individuals
- Investment companies (including mutual funds)
- Pension and profit sharing plans (other than plan participants)
- State or municipal government entities
- Other

As previously disclosed in Item 5, our Firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

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#### *Methods of Analysis*

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We use the following methods of analysis in formulating our investment advice and/or managing client assets:

***Fundamental Analysis.*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

***Technical Analysis.*** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

***Quantitative Analysis.*** We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

***Qualitative Analysis.*** We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

#### *Investment Strategies*

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We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

***Long-term purchases.*** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.



A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

### *Risks of Loss*

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Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information. Any investment in securities runs the risk of loss that clients should be prepared to bear.

Risks involved in the securities primarily recommended may include:

**Market risk** – The risk that all or a majority of the securities in a certain market – such as the stock or bond market – will decline in value because of factors such as adverse political or economic conditions, future expectations, investor confidence, or heavy institutional selling.

**Government and regulatory risk** – The risk that governments or regulatory authorities have, from time to time, taken or considered actions that could adversely affect various sectors of the securities markets.

**Interest rate risk** – The risk that bond prices overall will decrease in value if interest rates rise.

**Government obligations risk** – The risk that the U.S. government will not provide financial support to U.S. government-sponsored agencies or instrumentalities where it is not obligated to do so by law. While the U.S. government provides financial support to various U.S. government-sponsored agencies and instrumentalities, such as the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”), no assurance can be given that it will always do so.

**Credit quality risk** – The risk that a bond issuer, including a governmental issuer, may fail to pay interest payments and repay principal in a timely manner, or that negative perceptions of the issuer’s ability to make such payments will cause the price of that bond to decline.

**Extension risk** – The risk that certain debt securities, including mortgage-backed securities, will be paid off by the borrower more slowly than anticipated, increasing the average life of such securities and the sensitivity of the prices of such securities to future interest rate changes.

**Prepayment/Credit risk** – The risk that the principal on a callable or mortgage-backed bond will be prepaid prior to maturity at a time when interest rates are lower than what that bond was paying. Reinvestment of the proceeds would generally be at a lower interest rate.



**Item 9: Disciplinary Information**

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*Legal and Disciplinary*

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We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our Firm and our management personnel have no reportable disciplinary events to disclose.

**Item 10: Other Financial Industry Activities and Affiliations**

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*Financial Industry Activities*

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Garcia Hamilton & Associates, L.P., is not registered as a securities broker-dealer, or a futures commission merchant, commodity pool operator or a commodity trading advisor.

*Affiliations*

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Currently there are no affiliation; however, the Firm understands that from time to time family members of the Firm's partners and employees may be employed by broker-dealers, intermediaries or other entities with which the Firm has a business relationship. In establishing or renewing such a relationship, the Firm will make any such business decisions independently and without regard to the family member's employment at such other entity. The Firm will manage its coverage of such relationships to ensure that the Firm's trades are not directed to a family member employed by a broker-dealer.

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

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#### *Code of Ethics*

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Our Firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

GH&A and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the Firm's access persons. Among other things, the Code requires pre-clearance and reporting of personal securities transactions; applies blackout periods for certain personal trades; and obligates employees to provide an annual acknowledgement of compliance with the Code's terms. Limitations also exist on GH&A's employee participation in initial public offerings and private placements. Our Code also provides for oversight, enforcement and recordkeeping provisions. All personnel are required to provide GH&A with duplicate copies of confirmations and statements with respect to their brokerage accounts.

GH&A's Code of Ethics further includes the Firm's policy concerning the misuse of material non-public information that is designed to prevent insider trading by an officer or employee of GH&A. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

GH&A's Code of Ethics also addresses the "Pay-to-Play" rule, specifically the Firm's policy on pre-clearance, reporting, and restrictions related to political contributions.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You can request a copy by email to [BMcWilliams@GarciaHamiltonAssociates.com](mailto:BMcWilliams@GarciaHamiltonAssociates.com), or by calling our Compliance Department at 713.853.2314.

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

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Due to the nature of our clientele, GH&A may trade in securities issued by our clients. In the event that such trade occurs, GH&A shall do so in the best interest of our clients trading in such securities. Except as noted, GH&A generally does not buy or sell, for its own accounts, securities that the Firm has recommended to clients.

Our Firm and/or individuals associated with our Firm can buy or sell for their personal accounts securities identical to or different from those recommended to our clients, subject to the restrictions and reporting obligations contained in GH&A's Code of Ethics. In addition, any related person(s) can have an interest or position in a certain security(ies) which can also be recommended to a client.

GH&A and individuals associated with our Firm are prohibited from engaging in principal transactions.

GH&A and individuals associated with our Firm are prohibited from engaging in agency cross transactions.

### *Personal Trading*

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Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

To help mitigate the potential for conflicts of interest, our Code of Ethics imposes restrictions on the purchase or sale of securities for an employee's own accounts and the accounts of certain household members and seeks to ensure that employees do not personally benefit from the short-term market effects of GH&A's investment decisions in client accounts.

### Item 12: Brokerage Practices

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#### *Research and Other Soft Dollar Benefits*

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Garcia Hamilton & Associates, L.P. does not have any formal or informal arrangements or commitments to obtain research, research-related products or other services obtained from broker-dealers or third parties, on a soft dollar basis. The Firm does not use client transactions to obtain research or other products or services. The Firm has access to analysts at broker-dealers with which the Firm executes client securities transactions as part of the regular course of business.

#### *Selecting Brokerage Firms*

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For discretionary clients, GH&A requires these clients to provide us with written authority to determine the broker-dealer to use and the commission costs that will be charged to these clients for these transactions.

We select brokers or dealers to execute portfolio transactions, taking into consideration such factors as:

- the price of the security
- the rate of commission
- the size and difficulty of the order
- the reliability and integrity
- financial condition
- general execution and operational capabilities of competing brokers and dealers
- the brokerage and research services
- its desire to support the development of minority and small brokerage firms.

Orders are placed and trades are executed subject to “Best execution”, with brokers or dealers that we believe are responsible and effect execution of such orders under conditions most favorable to the accounts.

GH&A has certain accounts that selected the Firm through the recommendations of unrelated third parties, including consultants that are employees of broker-dealers. Clients selecting GH&A as a result of the recommendation from these third parties can instruct us to direct some or all of their brokerage transactions, as explained in the “Directed Brokerage” section below, to the third party’s broker-dealers or otherwise allocate brokerage.

#### *Best Execution*

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It is our duty to seek the best overall execution of transactions for client accounts consistent with our judgment as to the business qualifications of the various broker-dealers with which we do business.

“**Best execution**” means the best overall qualitative execution, not necessarily the lowest possible cost.

- We will use best effort to secure a minimum of three bids or offers for each securities transaction.
- We execute transactions with a broad group of broker-dealers and take advantage of electronic trading platforms such as Bloomberg and MarketAxess.
- We will periodically review the past performance of the brokers or dealers with whom it has been placing orders to execute portfolio transactions in light of the factors discussed above. We will cease to do business with certain exchange members, brokers or dealers whose performance has not been competitive or demand that such persons improve their performance before receiving any further orders.

### *Directed Brokerage*

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- A. We do not recommend, request or require that a client direct GH&A to execute transactions through a specified broker-dealer.
- B. GH&A does not have any broker-dealer affiliates or have economic relationships that create a material conflict of interest.
- C. In some cases, GH&A does permit a client to direct brokerage. For example, in cases where a client's account is custodied at a broker-dealer the custodian broker-dealer may require this course of action or there may be cost savings in trading through the broker-dealer such as smaller transaction and/or custody fees. Where GH&A does not have discretion to select a broker-dealer:
  - 1) GH&A may be unable to obtain a more favorable price based on transaction volume on transactions that cannot be aggregated with transactions of its other advisory clients.
  - 2) The client's order will be entered either before or after aggregated orders for the same security, with the result that market movements may work against the client.
  - 3) Clients directing brokerage can generate returns in their accounts that are different from those clients with accounts that do not direct brokerage.
  - 4) Client realizes that similar brokerage services may be obtained from other broker-dealers at lower costs.
  - 5) We will not be responsible for obtaining competitive bids on directed trades done on a net basis.

### *Trade Aggregation*

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The majority of accounts are institutional separate accounts. Purchase transactions are generally for issues for which the quantity available meets our investment needs.

The allocation for to each participating portfolio is based on the impact the allocation will have on the account's portfolio characteristics – duration, security and sector weights. Initial review of the allocation, as is the policy for all aggregate order/block trades, includes a review of accounts for client investment policy restrictions as well as available cash.

Allocations to affect changes in target portfolios duration will generally include all accounts in aggregate orders/block trades. Allocations for transactions to change sector allocation or yield curve, which primarily affect spread product exposure, are made incrementally. Our policy is to review a daily report of portfolios sorted by strategy and then by spread duration ratio to the relevant benchmark. When reducing spread product exposure, portfolios with the highest spread product exposure ratio compared to the benchmark are the starting point of the review for appropriate sell trades. And, when increasing spread product exposure, portfolios with the lowest spread product exposure ratio are the starting point of the review. As a result, all portfolios are not generally included in an incremental allocation to affect sector allocation changes.

In addition, on a daily basis GH&A reviews percentages and actual duration contributions for each sector for each account on a strategy by strategy basis. This review is to identify changes in the holdings needed to get the account characteristics more consistent with other portfolios in the same strategy. Accounts with significant cash or that are at the low or high end of the duration range, depending on market conditions, are reviewed again. This is the point at which trade allocations are put together for maintenance purposes.

When putting together the allocation for client contributions or withdrawals, a scenario is created that shows what the portfolio will look like with the pending change in case. Transactions to raise or invest the funds are incorporated in the scenario to confirm the impact on the portfolio for duration, sector allocation and yield curve as well as maintaining consistency in portfolio characteristics with other portfolios in the same strategy. Trades are then placed to get the account back in line with the target portfolio.

As a matter of policy, GH&A has made a decision to not participate in To Be Announced/New Issue offerings.

### *Cross Trades*

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GH&A does not effect trading between accounts, including non-agency cross trades, and is under no obligation to effect a cross trade for any client. However, GH&A reserves the right to affect a cross trade if it finds that it is in the best interest of the accounts and all regulatory guidelines are followed.

### *Wrap Fee Accounts*

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For accounts that are “wrap fee” accounts established by a client with a broker-dealer or other intermediary that has a relationship with a broker-dealer, clients are not charged separate fees by the broker-dealer on each trade so long as the broker executes the trade, and a portion of the “wrap fee” is generally considered in lieu execution costs.

GH&A will also effect securities transactions for these client accounts through or with other brokers or dealers as GH&A reasonably believes, in good faith, are necessary to fulfill its duty to seek best execution, consistent with Section 28(e) of the Securities Exchange Act of 1934, as amended. If GH&A is required to effect transactions with other brokers, the client would bear the execution cost in such transactions in addition to the fees paid by the client for such “wrap fee” accounts.

Accordingly, a client may wish to satisfy itself that the wrap fee arrangement and brokerage firm they have chosen can provide the best execution. The client should also take into consideration the level of the fee charged by the broker-dealer, the amount of portfolio activity in the client’s account, the value of custodial services, and the aggregate cost of these and other services if they were to be provided separately and if GH&A were free to seek other bids and offers for transactions in the client’s account.

### Item 13: Review of Accounts

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#### *Periodic Reviews*

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The underlying securities within Investment Management Services accounts are continually monitored. In addition, accounts are reviewed regularly by the investment team for several reasons including, but not limited to, the impact of changing economic, political and market conditions as well as changes in cash levels that occur due to client contributions/withdrawals, maturity of a debt security, or interest/paydown income. All accounts are also reviewed at least quarterly by a group comprised of the Chief Compliance Officer, Chief Operating Officer, Portfolio Managers, and other investment team or client service personnel as appropriate. Accounts are reviewed in the context of each client's stated investment objectives and guidelines or the particular investment goal of a sub-advised mutual fund or model portfolio client.

#### *Review Triggers (non-periodic)*

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*Other factors that can trigger a review of accounts include:*

- Change in investment policy
- Change in client's individual circumstances
- Significant change in the quality of holdings in the portfolio

#### *Reports*

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In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer or custodian, we provide quarterly reports summarizing account performance, balances and holdings. These reports will also remind the client to notify us if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions. Clients should refer to the Fund Prospectus for information regarding regular reports by GH&A to funds for which we are a sub-advisor.

#### *Client Reporting*

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Preliminary reports are available two to three business days after month end and final reports are available after the account has been reconciled with the custodian, which is on average *fourteen business days* after month or quarter end.

Our standard quarterly reporting package includes a Performance Report, Portfolio Summary, Portfolio Appraisal and market comments at a minimum. Examples of other standard reports requested by our clients include Purchase and Sale Report, Income and Expense Report, and Interest Accruals report. In addition, from time-to-time, we provide all our clients with a current market strategy commentary written by a senior investment professional.

GH&A has the ability to create a variety of custom and ad hoc reports to meet a client's unique reporting requirements in a timely manner using in-house resources at no cost to the client. If a report request were to require substantial external programming, timing and costs would be reviewed with the client prior to project inception.



## Item 14: Client Referrals and Other Compensation

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### *Incoming Referrals*

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It is GH&A's policy not to engage solicitors or to pay non-related persons for referring potential clients to our Firm.

GH&A has certain accounts that were referred to the Firm through the recommendations of third parties, including consultants that are employees of broker-dealers. Clients selecting GH&A as a result of the recommendation from these third parties can instruct us to direct some or all of their brokerage transactions, as explained in the “Directed Brokerage” section of Item 12, to the third party’s broker-dealers, or otherwise allocate brokerage to these or related broker-dealers.

### *Referrals Out*

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It is GH&A's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

### *Other Compensation*

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GH&A and related persons (directly or indirectly) do not compensate any person who is not a supervised person for client referrals.

### *Gifts and Business Entertainment*

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GH&A has policies and procedures in place regarding the Firm's employees giving or receiving gifts and business entertainment to address the potential conflicts of interest surrounding these practices. In general, the Firm only allows the giving or receiving of gifts and business entertainment of de minimis value. Employees receive gifts from service providers from time-to-time. GH&A requires Firm employees to report the receipt of a gift with an estimated value greater than \$100 so the Firm can consider whether it may give the appearance that a potential conflict in selecting one service provider over another is present, based on receipt of such a gift. Gifts and business entertainment that exceed the policy limitations may be allowed subject to approval by the Chief Compliance Officer. GH&A monitors any potential conflict of interest in individual instances of gifts or business entertainment as well as patterns over time to ensure that the interests of GH&A and its employees are not placed ahead of the interests of its clients.

GH&A assists in sponsoring industry forums, seminars or conferences that support investor education. A sponsorship request is considered based on the event’s educational content and the guiding principles of the sponsor organization. GH&A has hosted consultants at functions sponsored by GH&A.

### *Conflicts of Interest*

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As noted above, GH&A monitors any potential conflict of interest to ensure that the interests of GH&A and its employees are not placed ahead of the interests of its clients. For example, to monitor potential conflicts of interest from any GH&A employee’s role in outside positions or business activities, the Firm’s Code of Ethics requires all employees to disclose annually any board position they or their spouse hold for a foundation, endowment, charity or similar organization, private company, publicly traded company, or government entity. In addition, prior to acceptance of any position in an outside enterprise, i.e., a publicly-held company or government entity, or serving as a member of an investment committee for any Board, an employee must submit a Notice of Intent to Accept Position to the Chief Compliance Officer for review and acceptance or denial. Every effort is made to identify potential conflicts of interest and to inform current and prospective clients that may be affected by the potential conflict of its existence.

As it relates to potential conflicts with public sector clients, the Firm's Code of Ethics requires employees identified as Covered Associates and their spouse to submit a Pre-Clearance Form to the Chief Compliance Officer for pre-clearance of all political contributions made on the state and local level or for any state or local incumbent running for federal office. The Chief Compliance Officer will review all contribution requests to determine whether the official or candidate to whom the Covered Associate proposes to make a political contribution is in a position to influence the selection of the Firm for advisory services and if the employee is eligible to vote for him or her. If the official or candidate can influence the selection of the firm and the employee is eligible to vote for him/her, then the employee can contribute \$350. If the official can influence the selection of the firm but the employee is not eligible to vote for him/her, then the employee can contribute only \$150. No firm limits apply and regular campaign limits shall govern contributions where the official or candidate is not in a position to influence the selection of the firm or if the Firm refrains from providing investment management services to such government entity.

### **Item 15: Custody**

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Our Firm does not have actual or constructive custody of client accounts. However, the Firm does require that our clients use qualified custodians for safeguarding of assets (for definition of SEC qualified custodians, please refer to the following website – [www.sec.gov/rules/final/ia-2968.htm](http://www.sec.gov/rules/final/ia-2968.htm)).

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our Firm does not directly debit advisory fees from client accounts. We will, if directed by a client in writing, submit to the client's custodian the amount of the fee to be paid for the Firm's investment management services to the account.

### *Account Statements*

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On at least a quarterly basis, the dealer, bank or other qualified custodian that holds and maintains client's investment assets is required to send to the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted in most cases, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things.

GH&A urges you to carefully review such statements and compare such official custodial records to the account statements that we provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Clients should contact us directly if they believe that there is an error in their statement.

### Item 16: Investment Discretion

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#### *Discretionary Authority for Trading*

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Clients hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell; and/or
- Determine the broker-dealer to execute the trade; and/or
- Determine the timing to execute the trade

Clients give us discretionary authority when they sign a discretionary agreement with our Firm, and may limit this authority by giving us written instructions.

For registered investment companies, GH&A's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Some clients have credit quality restrictions, or social or political restrictions that prohibit certain investments. Some clients restrict the percentage of a bond relative to account size or percentage of a particular industry based on account size.

Clients can also change/amend such limitations by once again providing us with written instructions. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

#### *Trade Errors*

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We have established an Error Correction policy which provides that the resolution of all errors be made in light of the Firm's fiduciary duties and in the affected client's best interests. It is our policy to resolve any error identified in a client account in a manner which ensures that the client account is not harmed. We prohibit the use of principal trades, directed brokerage, or other client's accounts to resolve trade errors.

We may be exempted from reimbursing broker-dealers for trade error losses that are less than \$50. Such de minimis trade errors are absorbed by the broker-dealer, but only after approval by our Compliance Department. In these instances, Trading shall obtain written approval from the Compliance Department prior to settling such errors with the broker.

### **Item 17: Voting Client Securities**

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The Firm will make reasonable efforts to vote client proxies received for a client's account, only in instances when the client has specifically assigned voting authority to the Firm for securities held in the account.

The Firm has written policies and procedures that it believes are reasonably designed to ensure that proxies are voted in the best interests of its clients that have delegated voting authority to us; the Firm must never put its own interests above those of its clients. Our Firm defines the best interests of a client to mean the best interest of its client as shareholder.

#### *Proxy Votes*

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GH&A evaluates all factors it deems relevant when reviewing a proxy received for an account.

*GH&A personnel will:*

- 1) Determine the portfolios for which we have proxy voting responsibilities;
- 2) Ensure the custodians, when applicable, are appropriately notified;
- 3) Notify the custodian to forward all proxy material pertaining to the portfolio to GH&A for review.
- 4) Maintain client documentation and any communications received by GH&A related to proxy voting, including information on how client's proxies were voted and our responses.

#### *Conflicts of Interest*

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We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make reasonable efforts to forward such notices in a timely manner.

#### *How to Obtain Voting Information*

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Clients can obtain a copy of our complete proxy voting policies and procedures policy statement and guidelines by contacting our Chief Compliance Officer, Beth McWilliams by telephone, email, or in writing.

Clients can request, in writing, information on how proxies for his/her shares were voted. Please specify the portfolio and period of time for which you would like proxy voting information. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

### Item 18: Financial Information

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#### *Financial Condition*

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Garcia Hamilton & Associates, L.P. has no financial circumstances to report. Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement. GH&A has not been the subject of a bankruptcy petition at any time during the past ten years or since its inception.

#### *Business Continuity Plan*

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GH&A has a Business Continuity Plan in place that covers natural disasters such as ice storms, hurricanes, tornados, and flooding as well as a global pandemic. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, communications outage and Internet outage.

**Data Back-Up.** Recognizing the importance of a consistent and reliable data backup program, GH&A has adopted a virtual hot site approach to ensure continuous business operations in the event of an emergency or natural disaster. Our primary datacenter is located in Austin, Texas with a second datacenter in Houston, Texas for backup and replication of the systems in Austin. Both datacenters are enterprise level locations that provide full redundancy for power, cooling, and data connectivity even in the event of a major hurricane. The datacenters also provide 24hr physical security in addition to fire protection and environmental monitoring of all systems. Data is maintained on redundant hosts and an enterprise level storage area network (SAN) which uses dual controllers and a multi-disk array to protect against hardware failure. The two datacenters allow for secure site-to-site replication of our systems, maintaining business operations under all conditions, including the loss of a datacenter. As it relates to email, the use of Microsoft Office 365, provides enhanced email security and ensures continuity for email services even if GH&A's offices and both datacenters are unavailable.

**Off-Site Contingency.** In the event the Five Houston Center premises are not accessible, GH&A employees will use secure remote VPN installations as portals into the Firm's network. Disaster Recovery Team members and any additional employee deemed key for maintaining daily business would be dispatched to locations throughout the Houston metropolitan area and/or region as necessary. Determination of key employees will be made by the Chief Compliance Officer and Managing Partner or Chief Operating Officer. Team and key employees will be in communication via the GH&A VoIP system and/or cell phones.

The secure VPN application is installed on selected employee workstations and/or laptops, allowing entrance into the GH&A network via a secure remote VPN wherever the user can gain access to the Internet and affords the user an opportunity to access all major software applications utilized for daily trading, portfolio administration, asset management, research, client support, and office management.

In addition, the firm has a secure cloud-based voice over IP (VoIP) phone system which allows employees to answer their company phone number from any location, allowing for uninterrupted access by clients to firm personnel working remotely.

#### ***Loss of Key Personnel***

- ***Fixed Income***  
We have defined two Portfolio Managers as the backups to the fixed income portfolios should the primary Fixed Income Portfolio Manager become subject to a disaster.
- ***Firm Management***

We have defined our Chief Operating Officer and Chief Compliance Officer as the primary backups to the Firm management should the Managing Partner become subject to a disaster.

*Information Security Program*

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Garcia Hamilton & Associates, L.P. maintains an information security program to reduce the risk that personal and confidential information may be breached.