



# Strategic Income Management, LLC

1200 Westlake Ave N, Suite 713

Seattle, WA 98109

(206) 971-3773

[www.sim-llc.com](http://www.sim-llc.com)

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This Brochure provides information about the qualifications and business practices of Strategic Income Management, LLC (“SiM” or “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (206) 971-3773 or [ClientRelations@sim-llc.com](mailto:ClientRelations@sim-llc.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Strategic Income Management, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about Strategic Income Management, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material changes to this Brochure since the last published version**

1. Items 10 and 14 were updated to describe the status of a relationship with Nikko Asset Management America (NAMA).

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. We may 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.

Our Brochure may be requested by contacting Timothy Black at (206) 529-3247 or [tblack@sim-llc.com](mailto:tblack@sim-llc.com). Our Brochure is also available on our website [www.sim-llc.com](http://www.sim-llc.com), also free of charge.

Additional information about Strategic Income Management, LLC is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with us who are registered, or are required to be registered, as investment adviser representatives of Strategic Income Management, LLC.

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## Item 4 – Advisory Business

SiM provides investment advisory services to institutional clients such as mutual funds, private funds, and pension plans. We began operations on October 1, 2010. Our principals have many years of experience in the investment management industry. Our owners are Gary Pokrzywinski, Brian Placzek, Tim Black, and Ryan Larson.

**Types of advisory services we offer.** SiM manages accounts for institutions on a discretionary basis, which means that SiM makes the decisions with respect to which securities to buy or sell for SiM's clients' accounts.

Currently, SiM acts as sub adviser, for a mutual fund (the "Registered Fund") registered under the Investment Company Act of 1940, as amended (the "Company Act"), as subadvisor for an Ireland registered UCITS fund (the "UCITS Fund"), and as a separate account manager for two institutions (the "Separate Accounts"). We also are the investment manager of a private fund (the "Equity Fund"). The Registered Fund, the UCITS Fund, the Separate Accounts and the Equity Fund are collectively referred to as "Clients."

Each of the Registered Fund, the UCITS Fund and the Separate Accounts follow a fixed income high yield strategy managed by our high yield investment team. The Equity Fund is also managed by our high yield investment team utilizing the same investment philosophy as our high yield strategy, but invests in equity securities rather than fixed income securities. The Equity Fund is not currently open for investment to outside investors.

The high yield investment team makes and executes investment decisions on behalf of our Clients. SiM tailors its investment advice to individual client needs on a case-by-case basis. Requests for specific restrictions on investment are entertained on an as-needed basis.

As of December 31, 2018 SiM was managing \$1,322,316,680 for institutional clients. All of these accounts are discretionary.

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## Item 5 – Fees and Compensation

For accounts other than the Equity Fund, SiM charges annual management fees that are computed and paid in arrears monthly or quarterly based upon the average account value for the prior period. SiM's fee rates vary on a portfolio-by-portfolio basis depending upon the size of the account. The Equity Fund charges a performance-based fee, as well as a monthly management fee.

Pursuant to an individual agreement with each Client, SiM manages such Client's assets in accordance with the account's investment objectives and policies. Each agreement and its fees are individually negotiated. The investment advisory agreement with the Registered Fund is subject to annual renewal by the Registered Fund's board of directors in accordance with the requirements under the Company Act. For more information concerning the investment advisory fees for the Registered Fund, please consult the Registered Fund's prospectus and statement of additional information on file with the Securities and Exchange Commission.

In addition to the advisory fees described above, each Client pays its own brokerage fees, administration, custodian and other charges and or expenses (together with any value added, goods and services, sales or other tax applicable) or reimburses SiM for such expenses it incurs on the Client's behalf.

Clients generally do not pay fees in advance. However, if a particular Client and SiM adopt a fee arrangement that calls for payment of fees in advance, upon redemption or termination of the advisory relationship or upon investment other than at the beginning of the normal investment cycle, SiM will refund fees for the period of time that SiM did not provide advisory services and/or charge that Client only for the actual period of time that SiM provided advisory services.

**Multi Manager Funds and Institutional Separate Accounts.** Some mutual funds use several different managers to manage different strategies within the same fund. Institutional separate account fees, including those applicable in multi-manager mutual funds, are negotiated directly with each account holder or fund manager, and varies depending upon the account size and strategy pursued.

Item 12 further describes the factors that SiM considers in selecting or recommending broker- dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

SiM charges a performance-based fee (fees based on a share of capital gains on or capital appreciation of the assets of an account) for the Equity Fund. SiM does not charge performance-based fees for the Registered Fund, the UCITS Fund, or the Separate Accounts. Because SiM charges a performance-based fee for the Equity Fund and not for its other accounts, and because the Equity Fund may hold some securities that are also held by SiM's other accounts, there is the potential for a conflict of interest when SiM allocates investment opportunities and trades between these accounts. This potential conflict of interest is addressed by SiM's aggregation and allocation policies which are designed to provide consistent and fair treatment for all of SiM's clients.

Currently, all of the investors in the Equity Fund are SiM employees. The Equity Fund and SiM's unaffiliated Clients may own some of the same securities. On those occasions when both the Equity Fund and the unaffiliated Client accounts intend to transact in the same securities on the same trading day, and the trades are not aggregated and allocated. Rather, it is SiM's policy that transactions in the securities of the Equity Fund will occur after the transactions in such securities for the unaffiliated Client accounts.

Please refer to Items 11 and 12 for a more detailed discussion of SiM's allocation and aggregation policies and procedures.

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## **Item 7 – Types of Clients**

SiM currently provides high yield fixed income portfolio management services, as sub adviser, to the Registered Fund and the UCITS Fund, and to the Separate Accounts as a separate account manager. SiM also provides portfolio management services, as investment manager, to the Equity Fund, which is a private fund not registered under the Company Act. In the future, SiM may also provide portfolio management services to corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, endowments, municipalities, and other U.S. and international institutions.

The minimum account size for institutional high yield clients is \$25 million. The minimum investment for the Equity Fund is \$50,000. The minimums may be waived or reduced by SiM in its sole discretion.

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

SiM focuses its investment management in high yield fixed income, and in the case of the Equity Fund, the equity securities of high yield issuers. SiM is a signatory of the UNPRI, and as such, where consistent with our fiduciary responsibilities to each of our clients, will endeavor to include ESG information in investment decision-making, to ensure that all relevant factors are accounted for when assessing risk and return.

### **High Yield Portfolio Management Philosophy**

We believe understanding industries and their long-term trends is more than half of the investment process. Many managers get obsessed with quarterly earnings calls, forgetting that, if a company is in a bad industry, it will be pulled down with that industry no matter how good the company may appear to have been at the last quarterly earnings call. Getting the industry right usually means gaining a solid understanding of the supply/demand drivers in that industry.

We are active managers. We are not surreptitious index managers who circle around an index, making minor percentage changes to industry weightings. Our industry focus tells us that high leverage is usually inappropriate for companies in industries with high capital intensity or volatile revenue streams. There are several industries where our portfolio is very underweight or has no representation at all, but overall our portfolio has a heavier weighting in non-cyclical industries than the index.

We build a core portfolio around long-term secular trends. Some examples of these are demographics, technological developments, globalization, regulatory trends, and fiscal and monetary policy. We believe that companies aligned with these trends will have the support of a good tailwind and that this, in combination with our industry focus, leads to a more robust portfolio.

We supplement this portfolio by investing in out-of-favor sectors and non-traditional high-yield instruments. When investing in out-of-favor sectors we are not simply contrarians. We invest in out-of-favor sectors that we believe have long-term viability and where our analysis tells us that supply and demand are on a path to rebalancing, usually through a cleansing of excess supply.

When we invest in these out-of-favor sectors we do not buy the cheapest companies. Buying bonds of a distressed company trading at 25 cents on the dollar in a distressed sector requires that the investor precisely time the turnaround of that sector, and time it to the very near future. However, thirty years of experience has taught us that the process of rebalancing in a sector is difficult to time. Therefore we invest in companies that have the management, balance sheet and cash flow to make it through the next two to three years that may be required for a successful restructuring of the industry. Our longer time horizon is evident in our turnover ratio, which trends around 50%, half the peer group average.

Some examples of non-traditional high-yield instruments we may invest in are REITs, preferreds, convertible bonds, and EM debt. These sectors have select groups of natural buyers that periodically abandon them. When those sectors of the capital market lose their natural buyers, their yields can



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become very competitive to high yield. The advantage of these sectors is that they not only offer competitive yields, but their lower correlation to traditional high yield serves to reduce overall risk of the portfolio.

Towards the end of the business cycle when spreads become very compressed, there are no out-of-favor industries or sectors. With no opportunities in the market our strategy pulls the investments back into the core positions, those positions based upon longer term trends and which tend to be less cyclical. Thus, at the end of the cycle, the portfolio is well positioned for when the market tends to “fall apart” and a new variety of out-of-favor sectors and instruments appear.

We also tend to manage a relatively concentrated portfolio, and invest in a higher percentage of “small cap” names (issuers with \$500 million or less in outstanding debt) than would an index driven manager.

**Investment Risks.** Our High Yield investment strategy entails risk of loss that clients should be prepared to bear. Some of these risks are inherent in any investment strategy, while others are more specific to a particular strategy.

Below we have summarized some of the general and specific risks that you should consider when deciding to invest in SiM’s high yield strategy. A more detailed description of the risks of our strategy can be found in the prospectus and Statement of Additional Information of the Registered Fund.

### **Principal Risks**

There is no assurance that a client account will achieve its investment objective and such account could lose part or all of its money. Our strategy is designed for institutional investors seeking current income from a strategy that typically invests mainly in a variety of domestic and foreign high yield, high-risk debt securities. Investors should be willing to assume the credit risks of a strategy that typically invests a significant amount of its assets in below investment-grade debt securities and the price changes in those securities that can occur when interest rates change. SiM’s strategy is not designed for investors who need an assured level of current income. Investment with SiM is intended to be a long-term prospect. SiM does not provide a complete investment program and may not be appropriate for all investors. Investors should carefully consider their own investment goals and risk tolerance before investing with SiM. The principal risks associated with SiM’s strategy are:

#### **Allocation and Correlation Risk**

Our judgments about, and allocations between, asset classes and market exposures may adversely affect a client account’s performance. This risk may be increased by the use of derivatives to increase allocations to various market exposures.

#### **Asset-Backed and Mortgage Related Securities Risk**

Investments in asset-backed and mortgage related securities are subject to market risks for fixed-income securities which includes, but are not limited to, interest rate risk, extension risk and prepayment risk.

#### **Bank Loans and Senior Loans Risk**

Bank loans and senior loans are subject to credit risk, interest rate risk and liquidity risk. In addition, bank loans and senior loans are subject to the risk that the value of the collateral, if any, securing a loan may decline, be insufficient to meet the obligations of the borrower, or be difficult to liquidate. In the event of a default, a client account may have difficulty collecting on any collateral and would not

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have the ability to collect on any collateral for an uncollateralized loan.

### **Convertible Securities Risk**

The value of a convertible security (“convertible”) is influenced by both the yield of non-convertible securities of comparable issuers and by the value of the underlying common stock. The investment value of a convertible is based on its yield and tends to decline as interest rates increase. The conversion value of a convertible is the market value that would be received if the convertible were converted to its underlying common stock. The conversion value will decrease as the price of the underlying common stock decreases. When conversion value is substantially below investment value, the convertible’s price tends to be influenced more by its yield, so changes in the price of the underlying common stock may not have as much of an impact. Conversely, the convertible’s price tends to be influenced more by the price of the underlying common stock when conversion value is comparable to or exceeds investment value. Convertible securities may be subject to market risk, credit risk and interest rate risk.

### **Counterparty Risk**

A client account is subject to the risk that a party or participant to a transaction, such as a broker or derivative counterparty, will be unwilling or unable to satisfy its obligation to make timely principal, interest or settlement payments or to otherwise honor its obligations to a client account.

### **Credit Risk**

A client account is subject to the risk that the issuer or guarantor of a debt security, or the counterparty to a derivatives contract or a loan will fail to make timely payment of interest or principal or otherwise honor its obligations or default completely. Credit risk is typically greater for securities with ratings that are below investment grade (commonly referred to as “junk bonds”). Since a client account can invest significantly in lower-quality debt securities considered speculative in nature, this risk will be substantial.

### **Currency Risk**

A client account may have exposure to foreign currencies by purchasing or selling forward currency contracts in non-U.S. currencies, non-U.S. currency futures contracts and in securities denominated in non-U.S. currencies. Foreign currencies may decline in value relative to the U.S. dollar and affect a client account’s investments in foreign (non-U.S.) currencies or in securities that trade in, and receive revenues in, or in derivatives that provide exposure to, foreign (non-U.S.) currencies.

### **Derivatives Risk**

Derivatives may involve significant risk. The use of derivative instruments may expose a client account to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. Some derivatives have the potential for unlimited loss, regardless of the size of a client account’s initial investment. Derivatives may be illiquid and may be more volatile than other types of investments. On behalf of a client account, SiM may buy or sell derivatives not traded on an exchange and which may be subject to heightened liquidity and valuation risk. Derivative investments can increase portfolio turnover and transaction costs. Derivatives also are subject to counterparty risk. As a result a client account may obtain no recovery of its investment or may only obtain a limited recovery, and any recovery may be delayed. Not all derivative transactions require a counterparty to post collateral, which may expose a client account to greater losses in the event of a default by a counterparty. In addition, a client account’s investments in derivatives are subject to the following risks:

### **Futures and Forward Contracts**

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Futures and forward contracts are derivative instruments pursuant to a contract where one party pays a fixed price for an agreed amount of securities or other underlying assets at an agreed date or to buy or sell a specific currency at a future date at a price set at the time of the contract. There may be an imperfect correlation between the changes in market value of the securities held by a client account and the prices of futures contracts that are intended to hedge those security positions, which will increase the volatility of a client account. There can be no assurance that any strategy used will succeed. Not all forward contracts require a counterparty to post collateral, which may expose a client account to greater losses in the event of a default by a counterparty. There may not be a liquid secondary market for the futures contracts. Forward currency transactions include the risks associated with fluctuations in currency. Interest rate and treasury futures contracts expose a client account to price fluctuations resulting from changes in interest rates. A client account could suffer a loss if interest rates rise after a client account has purchased an interest rate futures contract or fall after a client account has sold an interest rate futures contract. Similarly, treasury futures contracts expose a client account to potential losses if interest rates do not move as expected.

#### **Options.**

There may be an imperfect correlation between the prices of options and movements in the price of the securities (or indices) hedged which may cause a given hedge not to achieve its objective. If a client account's portfolio managers apply a strategy at an inappropriate time or judge market conditions or trends incorrectly, options may lower a client account's return.

#### **Structured Notes.**

Structured notes are subject to interest rate risk and credit risk. The price of structured notes may be very volatile and they may have a limited trading market, making it difficult to value them or sell them at an acceptable price.

#### **Swap Agreements.**

Swaps are subject to counterparty risk. Credit default swaps, including credit default swaps on baskets of securities (such as the CDX indices), are subject to credit risk on the underlying investment. Interest rate swaps are subject to interest rate and credit risk. Total return swaps may be subject to credit risk and market risk.

#### **Dividend Risk**

An issuer of stock held by a client account may choose not to declare a dividend or the dividend rate might not remain at current levels. Dividend paying stocks might not experience the same level of earnings growth or capital appreciation as non-dividend paying stocks.

#### **Emerging Markets Risk**

When investing in emerging markets, the risks of investing in foreign securities discussed below are heightened. Emerging markets are generally smaller, less developed, less liquid and more volatile than the securities markets of the U.S. and other developed markets. There are also risks of: greater political uncertainties; an economy's dependence on revenues from particular commodities or on international aid or development assistance; currency transfer restrictions; a limited number of potential buyers for such securities; and delays and disruptions in securities settlement procedures.

#### **Equity Investments Risk**

Equity securities are subject to market risk. A client account's investments in equity securities may include common stocks, preferred stocks, securities convertible into or exchangeable for common stocks, depositary receipts, real estate investment trusts ("REITs"), master limited partnerships ("MLPs"), income trusts and income deposit securities ("IDSs"). Such investments may expose a client account to additional risks. Common stock generally is subordinate to preferred stock upon the liquidation or bankruptcy of the issuing company. Preferred stocks and convertible securities are

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sensitive to movements in interest rates. In addition, convertible securities are subject to the risk that the credit standing of the issuer may have an effect on the convertible securities' investment value. Depository receipts are subject to certain of the risks associated with investing directly in foreign securities. Investments in REITs are subject to the risks associated with investing in the real estate industry such as adverse developments affecting the real estate industry and real property values. Holders of units in MLPs have more limited rights and may be required to sell their common units at an undesirable time or price. A client account's investments in MLPs may also make it more difficult for a client account to meet the requirements necessary to qualify as a regulated investment company under the Internal Revenue Code of 1986, as amended. Income trusts and IDSs are subject to credit risk, interest rate risk and dividend risk.

### **Foreign Investing Risk**

Non-U.S. investments carry potential risks not associated with U.S. investments. Such risks include, but are not limited to: (1) currency exchange rate fluctuations, (2) political and financial instability, (3) less liquidity and greater volatility, (4) lack of uniform accounting, auditing and financial reporting standards, (5) increased price volatility, (6) less government regulation and supervision of foreign stock exchanges, brokers and listed companies; and (7) delays in transaction settlement in some foreign markets.

### **Hedging Risk**

If a hedging instrument is used at the wrong time, the market conditions are judged incorrectly, or the hedged instrument does not correlate to the risk sought to be hedged, the hedge might be unsuccessful, reduce a client account's return, or create a loss.

### **High Yield Securities Risk**

Investing in high yield, below investment-grade securities (commonly referred to as "junk bonds") generally involves significantly greater risks of loss of your money than an investment in investment grade securities. Rising interest rates may compound these difficulties and reduce an issuer's ability to repay principal and interest obligations. Issuers of lower-rated securities also have a greater risk of default or bankruptcy. Below investment grade securities may experience greater price volatility and less liquidity than investment grade securities.

### **Illiquid and Restricted Securities Risk**

Securities not registered in the U.S. under the Securities Act are restricted as to their resale. They may be less liquid than other investments because such securities may not be readily marketable in broad public markets. A client account may not be able to sell a restricted security when the advisor considers it desirable to do so and/or may have to sell the security at a lower price. In addition, transaction costs may be higher for restricted securities than for more liquid securities. A client account may have to bear the expense of registering restricted securities for resale and the risk of substantial delays in effecting the registration.

### **Interest Rate Risk**

A client account is subject to the risk that the market value of fixed income securities or derivatives it holds, particularly mortgage backed and other asset backed securities, will decline due to rising interest rates. When interest rates rise, the prices of most fixed income securities go down. As of the date of this Prospectus, interest rates are at or near historic lows, which may increase a client account's exposure to the risks associated with rising interest rates. The prices of fixed income securities or derivatives are also affected by their duration. Fixed income securities or derivatives with longer duration generally have greater sensitivity to changes in interest rates. For example, if a bond has a duration of four years, a 1% increase in interest rates could be expected to result in a 4%

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decrease in the value of the bond.

### **Investment Risk**

An investment with SiM is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The value of your account may decrease, and therefore investors should be prepared to lose their entire investment.

### **Issuer Risk**

The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services, as well as the historical and prospective earnings of the issuer and the value of its assets.

### **Leveraging Risk**

A client account's use of futures, forward contracts, swaps, structured notes, other derivative instruments and selling securities short will have the economic effect of financial leverage. Financial leverage magnifies the exposure to the swings in prices of an asset or class of assets underlying a derivative instrument and results in increased volatility, which means that a client account will have the potential for greater losses than if a client account does not use the derivative instruments that have a leveraging effect. Leveraging tends to magnify, sometimes significantly, the effect of any increase or decrease in a client account's exposure to an asset or class of assets and may cause a client account's NAV to be volatile.

### **Liquidity Risk**

Client accounts are susceptible to the risk that certain investments held by a client account may have limited marketability or have restrictions on sale, and may be difficult to sell at favorable times or prices. A client account could lose money if it is unable to dispose of an investment at a time that is most beneficial to a client account. Liquidity risk for fixed income strategies such as that managed by SiM may be greater in times of rising interest rates. In light of the current unusually low interest rate environment, investors could reasonably expect interest rates to rise in the near and mid-term, which, depending on the size and rate of increase(s) could affect the liquidity of client portfolios.

### **Loan Participation Interests Risk**

Loan participation interests may be collateralized or uncollateralized and are subject to the credit risk of the servicing agent as well as the credit risk of the borrower. If a client account purchases a participation interest, it may be only able to enforce its rights through the lender.

### **Market Risk**

Market risks, including political, regulatory, market and economic developments, and developments that impact specific economic sectors, industries or segments of the market, can affect the value of a client account's shares. A client account's fixed-income investments are subject to the risk that the lack of liquidity or other adverse credit market conditions may hamper a client account's ability to purchase and sell the debt securities. A client account's equity investments are subject to stock market risk, which involves the possibility that the value of a client account's investments in stocks will decline due to drops in any of the many individual country or global financial markets. Turbulence in financial markets and reduced liquidity in credit, fixed-income, or equity markets may negatively affect many issuers worldwide which could adversely affect a client account.

### **Municipal Securities Risk**

Municipal securities are subject to credit risk where a municipal issuer of a security might not make interest and principal payments on a security as they become due. A downgrade in the issuer's or security's credit rating can reduce the market value of the security. Municipal securities are also subject

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to interest rate risk.

### **Prepayment and Extension Risk**

A client account's investments in asset-backed and mortgage-backed securities are subject to the risk that the principal amount of the underlying collateral may be repaid prior to the bond's maturity date. If this occurs, no additional interest will be paid on the investment and a client account may have to invest at a lower rate. Conversely, a decrease in expected prepayments may result in the extension of a security's effective maturity and a decline in its price.

### **Sector Risk**

Sector risk is the risk associated with a client account holding a significant amount of investments in similar businesses, which could be affected by the same economic or market conditions.

### **Segregated Assets Risk**

In connection with certain transactions that may give rise to future payment obligations, including many types of derivatives, a client account may be required to maintain a segregated amount of, or otherwise earmark, cash or liquid securities to cover the position, which cannot be sold while the position they are covering is outstanding, unless they are replaced with other securities of equal value.

### **Unrated Securities Risk**

Investing in unrated securities involves the risk that the sub-advisor may not accurately evaluate the security's comparative credit rating. To the extent that the a client account invests in unrated securities, a client account's success in achieving its investment objective may depend more heavily on our credit analysis than if the account invested exclusively in rated securities.

### **U.S. Government Securities and Government Sponsored Enterprises Risk**

A security backed by the U.S. Treasury or the full faith and credit of the United States is guaranteed by the applicable entity only as to the timely payment of interest and principal when held to maturity. The market prices for such securities are not guaranteed and will fluctuate. Securities held by a client account that are issued by government-sponsored enterprises, such as the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"), Federal Home Loan Banks, Federal Farm Credit Banks, and the Tennessee Valley Authority are not guaranteed by the U.S. Treasury and are not backed by the full faith and credit of the U.S. Government. U.S. Government securities are also subject to credit risk and interest rate risk.

### **Valuation Risk**

A client account may value certain assets at a price different from the price at which they can be sold. This risk may be especially pronounced for investments, such as certain derivatives, which may be illiquid or which may become illiquid.

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## **Equity Fund Portfolio Management Philosophy**

The Equity Fund is underpinned by the same basic philosophy as the SiM High Yield Strategy, i.e., we build a core portfolio of companies that will benefit from long term secular trends, and supplement this portfolio with investments in out-of-favor sectors, and tend to overweight in small cap issuers. The primary difference between our high yield portfolios and our Equity Fund portfolio is that the Equity Fund invests in the equity securities of companies rather than the bonds of those companies, as we do in the High Yield Strategy. While the Equity Fund will not be subject to the types of risks related to fixed income securities described above, many of the general market risks that are described above for the high yield strategy are also applicable to our Equity Fund strategy. The Equity Fund is not currently open to outside investment.

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## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SiM or the integrity of SiM's management. Neither SiM nor any of its employees has been the subject of any legal or disciplinary events that require disclosure under this Item.



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## **Item 10 – Other Financial Industry Activities and Affiliations**

SiM has registered as an exempt foreign investment adviser with the Netherlands Authority for the Financial Markets (“AFM”), in order to market SiM’s high yield investment management services to institutional clients in the Nordic countries of Sweden, Norway, Finland, Denmark, and the Netherlands (the “Nordics”).

SiM has engaged a Netherlands-based third party marketing firm, Candoris BV, to market SiM’s high yield investment management services to institutional clients in the Nordics. Candoris is compensated by receiving a portion of SiM’s management fee.

SiM had contracted with Nikko Asset Management America (NAMA) as a third party marketing firm in connection with one of SiM’s current institutional clients. NAMA was compensated by receiving a portion of SiM’s management fee. That contract has been terminated effective April 9, 2019. NAMA is affiliated with a FINRA registered broker dealer.

SiM has no other activities or arrangements that are material to its advisory or its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, accounting firm, law firm, and or insurance company or agency, or any other type of financial entity.

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## Item 11 – Code of Ethics

SiM has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at SiM must acknowledge the terms of the Code of Ethics annually, or whenever it is amended.

SiM's employees and persons associated with SiM are required to follow SiM's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of SiM and its affiliates may trade for their own accounts in securities which are purchased for SiM's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of SiM 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. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of SiM's clients. In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities that SiM invests in on behalf of its Clients, there is a possibility that employees might benefit from market activity by a Client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between SiM and its clients.

SiM's employees are also permitted, subject to pre-clearance approval, to invest in the Registered Fund. This could create a conflict of interest whereby SiM's employees endeavor to allocate to Registered Fund in which SiM employees have invested, those securities and trades that appear to be most beneficial. SiM does not believe that permitting employees to invest in the Registered Fund presents an actual material conflict of interest. All of SiM's accounts are managed to similar target percentages for all holdings, subject to specific client restrictions. Purchases and sales of the same securities for all accounts may be aggregated and allocated among multiple accounts in accordance with SiM's aggregation and allocation policies which are designed to provide consistent and fair treatment for all of SiM's clients. SiM retained records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Absent unusual unforeseen circumstances, completed orders are allocated as specified in the initial trade order. Subject to exceptions noted in SiM's aggregation and allocation policies, partially filled orders are allocated using SiM's Standard Allocation Methods (see Item 12 – Trade Allocation). Any exceptions are noted in SiM's Order Management System.

Currently, all of the investors in the Equity Fund are SiM employees. The Equity Fund and SiM's unaffiliated Clients may own some of the same securities. On those occasions when both the Equity

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Fund and the unaffiliated Clients intend to transact in the same securities on the same trading day, and the trades are not aggregated and allocated. Rather, it is SiM's policy that transactions in the securities of the Equity Fund will occur after the transactions in such securities for the unaffiliated Clients.

Please refer to Items 11 and 12 for a more detailed discussion of SiM's allocation and aggregation policies and procedures.

SiM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Tim Black at [tblack@sim-llc.com](mailto:tblack@sim-llc.com) or (206) 529-3247.

### **Principal and Agency Cross Transactions**

It is SiM's policy not to affect any principal or agency cross securities transactions for client accounts. SiM will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. SiM is not affiliated with a broker-dealer.

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## **Item 12 – Brokerage Practices**

SiM endeavors to seek best execution for client transactions. SiM will execute securities transactions for clients in such a manner that is consistent with the best interests of its clients and to employ a trading process that attempts to maximize the value of a client's portfolio within the client's stated directives and constraints. In carrying out this duty, SiM will consider the full range and quality of a broker's services in placing brokerage including, among other things, execution capability, price, financial responsibility and responsiveness. SiM will periodically and systematically evaluate the execution performance of broker-dealers executing transactions for client accounts.

In choosing broker-dealers, SiM is not required to consider any particular criteria. For the most part, SiM seeks “best execution” of securities transactions. What constitutes “best execution” and determining how to achieve it are inherently uncertain. In evaluating whether a broker-dealer will provide best execution, SiM may consider such relevant factors as (1) trading expertise of the broker, (2) the broker's infrastructure, (3) the broker's ability to minimize trading costs, (4) the broker's ability to provide research, and (5) the broker's ability to accommodate special transaction needs. The staff of the Securities and Exchange Commission has expressed the view that the best price and execution of over-the-counter transactions in portfolio securities may be secured by dealing directly with principal market makers, thereby avoiding the payment of compensation to another broker-dealer. In certain situations, SiM believes that the facilities, expert personnel, and technological systems of a broker-dealer often enable its clients to secure a net price by dealing with a broker-dealer that is as good as or better than the price they could have received from a principal market maker, even after payment of the compensation to the broker-dealer. SiM may place its over-the-counter transactions with principal market makers, but may also deal on a brokerage basis when utilizing electronic trading networks or as circumstances warrant.

SiM does not currently intend to use soft dollar arrangements with brokers. In selecting brokers SiM does not consider client referrals from a broker or related party.

### **Trade Execution Evaluation**

SiM conducts periodic reviews of its brokerage and best execution practices, evaluates services and documents these reviews. On a quarterly basis, SiM reviews the quality of executions and the value of other services received from brokers. The Chief Compliance Officer has the responsibility for the implementation and monitoring SiM's best execution policy, practices, disclosures and recordkeeping. The Portfolio Manager is responsible for conveying information to SiM's traders if there is any change to SiM's policies for directing brokerage orders.

### **Directed Brokerage**

A client may not direct SiM to execute some or all of the transactions on behalf of the client's account through a specific broker unless the client gives such direction in writing. The client's written direction must identify the directed brokers, the target percentage of brokerage that should be directed to the

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brokers, and contain a statement that the direction will only benefit the client's account. Before accepting a client directed brokerage arrangement, unless such acknowledgements are contained in the client's investment management agreement or investment guidelines, SiM shall inform the client that:

- although the client has selected a directed broker, SiM will not be required to effect any transaction through the directed broker if SiM reasonably believes that to do so may result in a breach of its duties to the client;
- by instructing SiM to execute all transactions through the directed broker, the client may not obtain execution as favorable as would be the case if SiM was able to place transactions with other broker-dealers; and
- the client may forego benefits that SiM may be able to obtain for its other clients through, for example, negotiating volume discounts or aggregating or bunching trades.

### **Trade Allocation**

SiM has adopted trade allocation procedures that treat all clients in a fair and equitable manner. Client orders are generally processed on a first-in, first-executed basis. When there are multiple orders for the same security, SiM may aggregate the orders in a block execution to achieve optimal execution and lower transaction costs. SiM will typically allocate transactions before execution of a block order based on SiM's "Standard Allocation Methods," which are generally based either on percentage allocations or pro rata allocations based on the net asset value of each Client account participating. Sometimes certain client accounts in an investment strategy will not be allocated a security or will be allocated a lower or higher amount of a security than the Standard Allocation Method dictates because of:

- (i) such client's particular investment restrictions, leverage limits, account objectives, risk tolerance, time horizon, tax sensitivity, transactions costs, nature and size, suitability, tolerance for portfolio turnover, liquidity and size limitations, availability of cash or buying power, eligibility to participate in a trade pursuant to compliance regulations, asset compositions, industry concentrations or specific overriding instructions;
- (ii) the need to restore appropriate weightings of the portfolio held by certain client accounts;
- (iii) a partial fill of trade order;
- (iv) common sense adjustments or equitable adjustments that lead to cost savings or other transactional efficiencies;
- (v) avoidance of de minimis allocations;
- (vi) directed brokerage requirements for all or a portion of a given client account's trades;
- (vii) Client accounts often hold different securities. It is not always possible to buy a security held in existing accounts for a new account because, for example, it is no longer available;

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(viii) Client accounts hold different position sizes. This occurs because accounts have cash flows. Withdrawals may require a partial sale of a bond, reducing the position percentage relative to other accounts. Withdrawals that are satisfied without partially selling a bond result in increased position size relative to other accounts. Deposits reduce the position percentage of current holdings relative to other holders;

(ix) Cash flows result in a Client account's sector weights and/or duration varying versus the composite. A Client account may be excluded from a trade if the trade would increase that variance; or

(x) Trades are executed to bring accounts that show a variance from the desired composite duration and/or sector weight, or other criteria back in-line. Only those Client accounts affected will be included.

If an aggregated order is not completely filled during the day on which the order is entered, then the aggregated order shall be allocated among participating clients based on the relative allocations that would have resulted from application of the Standard Allocation Method had the order been completely filled. Exceptions to this policy may occur as detailed in (i)-(x), above. For example, SiM may deviate from the partial fill allocation formula set forth above in order to avoid a de minimis allocation or to maintain round lots.

Instances in which client orders will not be aggregated include, but are not limited to, the following: (1) clients directing SiM to use certain broker/dealers, in which case orders shall be separately effected; (2) the use of limit orders; (3) traders and/or the portfolio managers determine that the aggregation is not an efficient method of executing the trade.

Certain investments may be appropriate for more than one client advised by SiM. Investment decisions for a client and for such other clients are made with a view to achieving their respective investment objectives and after consideration of such factors as their current holdings, availability of cash for investment and the size of their investments generally. A particular security may be bought or sold by SiM for only one client or in different amounts and at different times for more than one but less than all clients. Likewise, a particular investment may be bought by SiM for one or more clients while at the same time SiM is selling the investment for one or more other clients. Sometimes it is not possible or advisable to aggregate trades of the same securities for unaffiliated clients. For these situations SiM has adopted a policy to rotate which client account trades first among unaffiliated client accounts.

Currently, all of the investors in the Equity Fund are SiM employees. The Equity Fund and SiM's unaffiliated Clients may own some of the same securities. On those occasions when both the Equity Fund and the unaffiliated accounts intend to transact in the same securities on the same trading day, and the trades are not aggregated and allocated. Rather, it is SiM's policy that transactions in the securities of the Equity Fund will occur after the transactions in such securities for the unaffiliated accounts.

Investments will be allocated among Clients in a manner believed by SiM to be equitable to each

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Client over time. In effecting transactions, it may not always be possible, or consistent with the investment objectives of the various Clients described above, to take or liquidate the same investment positions at the same time or at the same prices.

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### **Item 13 – Review of Accounts**

Accounts are monitored on a regular basis, at least monthly but usually more frequently, by the portfolio manager for the account and/or his or her staff. All accounts are subjected to a detailed formal review every quarter at SiM's firm-wide quarterly meeting, which includes all of SiM's employees, including portfolio managers as well as SiM's Compliance Officer. More frequent reviews may also be triggered by: a change in a client's investment objectives; tax considerations; large deposits or withdrawals; large sales or purchases; loss of confidence in corporate management; or changes in macro-economic climate.

SiM provides monthly and/or quarterly reports to clients that summarize current portfolio holdings and performance over the prior month/quarter. SiM urges you to carefully review these reports and compare them to statements and other information you may have received from your account custodian. Information provided by SiM may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.



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

SiM has engaged a Netherlands based third party marketing firm, Candoris BV, to market SiM's high yield investment management services to institutional clients in the Nordics. Candoris is compensated by receiving a portion of SiM's management fee.

SiM had contracted with Nikko Asset Management America (NAMA) as a third party marketing firm in connection with one of SiM's current institutional clients. NAMA was compensated by receiving a portion of SiM's management fee. That contract has been terminated effective April 9, 2019. NAMA is affiliated with a FINRA registered broker dealer.

The American Beacon SiM High Yield Opportunities Fund is marketed and distributed by American Beacon Funds, Inc. and its affiliates. The fees payable to American Beacon, and all other fees associated with this fund are described in the prospectus for the fund.

In the future, SiM may engage other marketing and distribution firms to market and distribute SiM's investment management services. We expect that these firms will be compensated by receiving a portion of SiM's management fee, or in the case of a mutual fund, other fees associated with the particular mutual fund, all of which will be described in the prospectus for the respective fund(s).

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## **Item 15 - Custody**

While SiM does not take direct custody of Clients' funds or securities, SiM's, or SiM's affiliate's, authority to transfer cash and securities from the Equity Fund does mean SiM has legal custody of the assets in the Equity Fund account. As a result, the Equity Fund will be audited annually by an independent qualified public accounting firm, and such audit will be distributed to all of the Equity Fund investors. The Equity Fund is not currently open to outside investors.

Further, although SiM does not have custody of any of its other Clients' assets, SiM may be deemed to have custody where SiM deducts its investment management fees directly from a Client account. SiM does not currently deduct its investment management fees directly from any of SiM's Client accounts other than the Equity Fund.

Clients should receive at least quarterly statements from their broker dealer, bank or qualified custodian that holds and maintains Client's investment assets. SiM urges each Client to carefully review such statements and compare such official custodial records to information that we may provide to you. Information provided by us may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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## **Item 16 – Investment Discretion**

SiM usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Discretionary authority is granted through the Client Investment Management Agreement.

When selecting securities and determining amounts, SiM observes the investment policies, limitations and restrictions of its clients. For registered investment companies, SiM'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.

If a client desires to provide specific investment guidelines and restrictions these must be provided to, and approved by, SiM in writing.

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## Item 17 – Voting Client Securities

In accordance with Rule 206(4)-6 of the Investment Advisers Act, SiM has adopted proxy voting policies and procedures to fulfill its fiduciary obligation of voting in the best interest of the clients. In its capacity as an investment advisor for each of its clients, SiM generally does not vote client proxies except where SiM and the client have otherwise agreed.

In such circumstances, SiM will vote (by proxy or otherwise) on all matters for which a shareholder vote is solicited by, or with respect to, issuers of securities beneficially held in client accounts in such manner as SiM deems appropriate, in accordance with its written policies and procedures.

These policies and procedures set forth guidelines for voting many typical proxy proposals. In certain instances, SiM may determine that it is in its clients' best interests to deviate from the guidelines or the proxy issue may require individual case-by-case consideration under the guidelines. The Chief Compliance Officer or designee is ultimately responsible for monitoring corporate developments and voting proxies in the best interests of clients.

Because the Equity Fund may hold the common, voting stock, of companies whose bonds are also held by SiM's other accounts, there could be situations where the interests of the common stock holders and the bond holders are at odds in a proxy proposal. Where a proxy proposal raises a material conflict of interest between the interests of SiM and its clients, or between SiM's clients, SiM will obtain voting direction from an independent third party or disclose the conflict of interest to the clients and abstain from voting or obtain client consent prior to voting the securities. There may also be a variety of corporate actions or other matters for which shareholder action is required or solicited and with respect to which SiM may take action that it deems appropriate in its best judgment, except to the extent otherwise required by agreement with the client. These actions may include, for example and without limitation, tender offers or exchanges, bankruptcy proceedings and class actions.

A Client may obtain a copy of SiM's proxy voting policies and procedures by written request to SiM's Chief Compliance Officer at [tblack@sim-llc.com](mailto:tblack@sim-llc.com). Clients may also obtain information from SiM about how SiM voted any proxies on behalf of their Clients.

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## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about SiM’s financial condition. SiM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.



**Brochure Supplement - Supervised Persons**

Gary J. Pokrzywinski

Strategic Income Management, LLC

1200 Westlake Ave N, Suite 713

Seattle, WA 98109

(206) 971-3773

Dated: March 27, 2019

**This Brochure Supplement provides information about Gary Pokrzywinski that supplements the Strategic Income Management, LLC (“SiM”) Brochure. You should have received a copy of that Brochure. Please contact Tim Black at (206) 529-3247 or [tblack@sim-llc.com](mailto:tblack@sim-llc.com) if you did not receive SiM’s Brochure or if you have any questions about the contents of this supplement.**

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

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## Item 2- Educational Background and Business Experience

Mr. Pokrzywinski is the Lead Portfolio Manager and President of SiM. Prior, he has served as Portfolio Manager, Chief Investment Officer and as a Member of the Management Committee of SiM since co-founding SiM in September 2010. Before starting SiM, from 1998 until May of 2009, Mr. Pokrzywinski was employed at Edge Asset Management, LLC (“Edge”) and its predecessor WM Advisors, an affiliate of Principal Financial Group, and from January of 2008 until May of 2009, was the Managing Director – Head of Fixed Income for Edge. At Edge Mr. Pokrzywinski managed the Principal High Yield Mutual Fund from its inception in April 1998 to May 2009. Mr. Pokrzywinski received a bachelor's degree in Finance and Management Information Systems from the University of Wisconsin - Milwaukee. Mr. Pokrzywinski has earned the right to use the Chartered Financial Analyst\* designation in 1989 and is a member of the CFA Society of Seattle. Mr. Pokrzywinski was born in 1961.

\*The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. There are currently more than 90,000 CFA charter holders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).

## Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Mr. Pokrzywinski has not been the subject of any legal or disciplinary events that require disclosure under this Item.

## Item 4- Other Business Activities

None

## Item 5- Additional Compensation

None

## Item 6 - Supervision

SiM has comprehensive compliance policies and procedures in place to govern and monitor the activities of all of its supervised persons, including Mr. Pokrzywinski. SiM has a three person Management Committee that reviews periodically SiM's operational and compliance activities. Mr. Pokrzywinski is a member of this committee. In addition, all of SiM's employees, including Mr. Pokrzywinski, meet on a quarterly basis to review all investment decisions, trading, and compliance matters of the preceding quarter. SiM employs a Chief Compliance Officer who monitors adherence to the firm's compliance policies and procedures. SiM's Chief Compliance Officer is Tim Black, (206) 529-3247; [tblack@sim-llc.com](mailto:tblack@sim-llc.com). Mr. Black is a member of the Management Committee.



Brian L. Placzek

Strategic Income Management, LLC

1200 Westlake Ave N, Suite 713

Seattle, WA 98109

(206) 971-3773

Dated: March 27, 2019

**This Brochure Supplement provides information about Brian L. Placzek that supplements the Strategic Income Management, LLC (“SiM”) Brochure. You should have received a copy of that Brochure. Please contact Tim Black at (206) 529-3247 or [tblack@sim-llc.com](mailto:tblack@sim-llc.com) if you did not receive SiM’s Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Brian L. Placzek is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**



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Mr. Placzek is the Portfolio Manager and Executive Vice President of SiM. Prior, he has served as Head of High Yield Research of SiM since October 2010, and as High Yield Portfolio Manager since November, 2013. Prior to joining SiM in 2010, Mr. Placzek worked from 1990 to 2010 for Edge Asset Management, LLC (and its predecessor WM Advisors), an affiliate of Principal Financial Group, as Head of Fixed Income/Research. Mr. Placzek has earned the right to use the Chartered Financial Analyst\* designation and is a member of the CFA Society of Seattle. Mr. Placzek also holds a B.A. from Seattle University. Mr. Placzek was born in 1955.

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### **Item 3- Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Mr. Placzek has not been the subject of any legal or disciplinary events that require disclosure under this Item.

### **Item 4- Other Business Activities**

None

### **Item 5- Additional Compensation**

None

### **Item 6 - Supervision**

SiM has comprehensive compliance policies and procedures in place to govern and monitor the activities of all of its supervised persons, including Mr. Placzek. SiM has a three person Management Committee that reviews periodically SiM's operational and compliance activities. Mr. Placzek is a member of this committee. In addition, all of SiM's employees, including Mr. Placzek, meet on a quarterly basis to review all investment decisions, trading, and compliance matters of the preceding quarter. SiM employs a Chief Compliance Officer who monitors adherence to the firm's compliance policies and procedures. SiM's Chief Compliance Officer is Tim Black, (206) 529-3247; [tblack@sim-llc.com](mailto:tblack@sim-llc.com). Mr. Black is a member of the Management Committee.



Ryan C. Larson

Strategic Income Management, LLC

1200 Westlake Ave N, Suite 713

Seattle, WA 98109

(206) 971-3773

Dated: March 27, 2019

**This Brochure Supplement provides information about Ryan L. Larson that supplements the Strategic Income Management, LLC (“SiM”) Brochure. You should have received a copy of that Brochure. Please contact Tim Black at (206) 529-3247 or [tblack@sim-llc.com](mailto:tblack@sim-llc.com) if you did not receive SiM’s Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Ryan C. Larson is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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## Item 2- Educational Background and Business Experience

As of January 1, 2019, Mr. Larson is a Portfolio Manager for SiM. Prior, he has served as SiM's Junior Portfolio Manager, Senior Analyst, high yield trader and investment analyst. Prior to joining SiM in 2010, from 2009 to 2010 Mr. Larson was a research analyst at Caelum Capital, a Los Angeles based equity long-short hedge fund. Prior to Caelum Capital, from 2008 to 2009 Mr. Larson trained as a research analyst at Wells Fargo Advisors in Seattle, Washington. Mr. Larson graduated with honors from Brown University in May 2008 and has a B.A. in Commerce, Organizations and Entrepreneurship (business track). Mr. Larson holds the Chartered Financial Analyst\* designation, and is a member of the Chartered Alternative Investment Analyst Association (CAIA).

\*The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. There are currently more than 90,000 CFA charter holders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).

## Item 3- Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Mr. Larson has not been the subject of any legal or disciplinary events that require disclosure under this Item.

## Item 4- Other Business Activities

None

## Item 5- Additional Compensation

None

## Item 6 - Supervision

SiM has comprehensive compliance policies and procedures in place to govern and monitor the activities of all of its supervised persons, including Mr. Larson. SiM has a three person Management Committee that reviews periodically SiM's operational and compliance activities. In addition, all of SiM's employees, including Mr. Larson, meet on a quarterly basis to review all investment decisions, trading, and compliance matters of the preceding quarter. SiM employs a Chief Compliance Officer who monitors adherence to the firm's compliance policies and procedures. SiM's Chief Compliance Officer is Tim Black, (206) 529-3247; [tblack@sim-llc.com](mailto:tblack@sim-llc.com). Mr. Black is a member of the Management Committee.