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Form ADV Part 2A
March 22, 2011

This brochure provides information about the qualifications and business practices of Boyd Watterson Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (216) 771-3450. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Boyd Watterson Asset Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.



Item 2 Material Changes

We last updated our brochure on 3/11/2010. Since then, we have absorbed the investment advisory clients and the entire staff of our affiliate, Sovereign Advisers LLC. As a result of the consolidation of these two businesses, we have added additional members to our Fixed Income Strategy Committee and now offer several additional types of fixed income and equity portfolios, the most substantial of which is our municipal bond portfolio.

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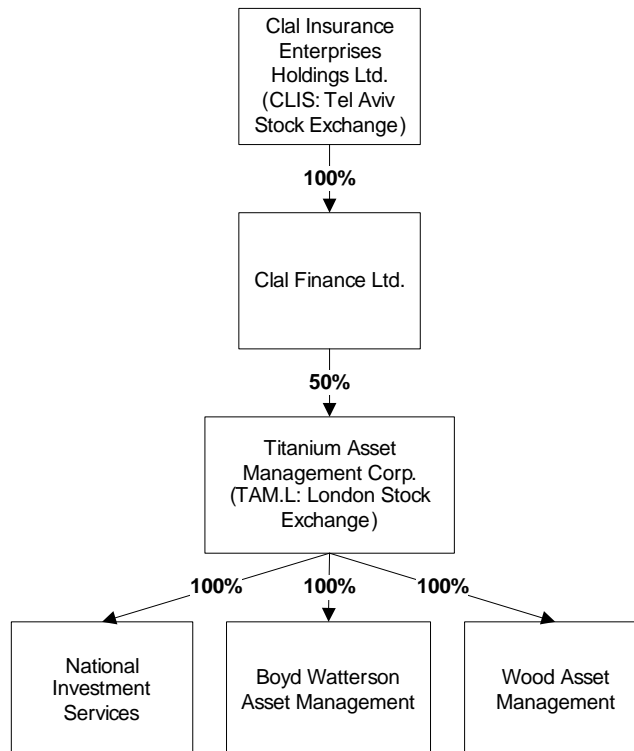
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Item 4 Advisory Business

A. Organization

Through our predecessor firms, we have been in continuous business since 1928. The following chart illustrates our current ownership structure:





B. Advisory Services

We are an institutional-oriented investment management firm that manages client portfolios across a variety of fixed income and equity strategies.

C. Specific Client Needs and Restrictions

Whether or not we tailor portfolios to individual client needs depends on the type of client. Institutional clients typically have Investment Policy Statements that contain parameters and restrictions that require some degree of portfolio customization. Our individual clients primarily are introduced to us by third party financial institutions such as broker-dealers. In those cases, the client's financial advisor will select which of our strategies the client should be invested in, and we will manage the client's account accordingly according to our model for the applicable strategy. We provide customized portfolio management services to individuals in some instances, but usually only in the case of a long term relationship directly with the client.

If you have particular investment restrictions that you would like us to adhere to, we will generally accept the assignment (subject to minimum account values) as long as the restrictions do not hinder our ability to properly manage the account to the applicable strategy.

D. Wrap Fee Programs

We are the portfolio manager for several wrap fee programs that are sponsored by unaffiliated third parties, in which case we receive a portion of the wrap fee that is charged to the client by the sponsor.

There are some differences in the way wrap accounts and non-wrap accounts are managed within the same strategy, primarily because wrap accounts are usually smaller and are subject to restrictions set by the sponsor. For example, wrap accounts typically do not hold structured products (such as asset-backed securities and commercial mortgage-backed securities), wrap accounts are often limited in their ability to participate in new deals, and wrap accounts are not typically eligible to purchase 144A (private offering) securities.

E. Assets Under Management

As of 2/28/2011, our assets under management consisted of the following:

\$3,833,751,090 Discretionary
\$968,910,506 Non-discretionary
\$4,802,661,596 Total



Item 5 Fees and Compensation

A. Fee Schedules

Our asset-based advisory fees are negotiated with clients (or platform sponsors) on a case-by-case basis and will depend on the characteristics of the account, the relationship with the client, and other variable factors. The following fee scales may be used as a guide:

Institutional fixed income portfolios - 0.30% of the first \$50 million, 0.25% of the next \$50 million and 0.20% of assets over \$100 million.

Non-institutional fixed income portfolios - 0.50% of all assets under management.

Institutional equity portfolios - 0.75% of the first \$10 million, 0.60% of the next \$15 million, 0.50% of the next \$25 million, 0.40% of the next \$50 million and 0.30% of assets over \$100 million.

Non-institutional equity portfolios - 1.0% of all assets under management.

International equity portfolios - 1.0% of the first \$10 million, 0.85% of the next \$15 million, 0.75% of the next \$25 million, 0.65% of the next \$50 million and 0.55% of assets over \$100 million.

B. Fee Deduction

Our management fee is charged in advance on a quarterly basis, unless otherwise requested by a particular client. The fee schedule, manner in which the fee is calculated, billing method and when fees are due will be detailed in your investment management agreement. Fees of more than \$500 will not be charged more than six months in advance.

Fees for partial periods, either upon opening an account or terminating services, will be prorated based on the number of days that services will be or were provided.

C. Other Expenses

Brokerage commissions or mark-ups/mark-downs charged by the executing broker-dealers are built in to the net cost (or proceeds) of each trade. We will not receive any portion of those commissions or fees. In addition, you may incur charges imposed by third parties other than us in connection with investments made through the account, including but not limited to, custodial fees, mutual fund fees, and exchange-traded fund ("ETF") management fees.

D. Advance Payment of Fees

Any management fees collected in advance will be promptly refunded to you (on a pro rata basis) upon termination of our relationship.



E. Outside Compensation

Neither we nor our employees receive compensation in connection with the sale of securities.

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

We do not charge performance-based fees.

Item 7 Types of Clients

We manage assets for individuals, businesses, pension plans, insurance companies, private (i.e., hedge) funds, mutual funds, and state and municipal government entities.

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

Investing in securities involves the risk of loss of your investment. You should be prepared to bear that risk.

A. Analysis and Strategies

Fixed Income Strategies

Our fixed income portfolios typically include the following types of securities:

- U.S. Treasury and agency securities
- Domestic and international investment grade and high yield corporate securities
- Mortgage-backed securities
- Asset-backed securities
- Municipal securities
- Preferred stock

Our fixed income investment philosophy is based on fundamental economic analysis, technical interest rate analysis, and credit research. Our economic outlook leads to strategy decisions that reflect our views on interest rates, trends in volatility, and relative value among market sectors.

The primary methods we use to attempt to add value to portfolios are the following:

Duration management: Duration is a measure of the sensitivity of the price of a fixed income investment to changes in interest rates. Our goal is to set the duration of our portfolios to reflect our views on the direction of interest rates.



Sector allocation: The primary sectors of the fixed income market are U.S. Treasury securities, U.S. agency securities, corporate securities, and mortgage-backed securities. We attempt to maintain overweight positions (relative to the benchmarks) in the sector(s) that we believe will outperform the other sectors.

Security selection: We seek to identify undervalued securities in order to increase the yield of our portfolios and provide price appreciation.

Equity Strategies

Our equity investment philosophy is based on fundamental analysis, both at the macro-economic level and company-specific level. Our investment decisions are based on long-term projections of economic growth and earnings cycles.

The primary methods we use to attempt to add value to portfolios are the following:

Sector selection: We believe that interest rates and earnings growth projections will affect long-term portfolio returns; therefore, our outlook on those factors (in conjunction with our view of current price/earnings ratios) helps determine our sector (e.g., technology, industrials, utilities, etc.) weightings.

Security selection: Depending on the particular strategy involved, we sometimes focus on securities that we feel are undervalued and we sometimes focus on securities with more growth potential. In any event, we tend to focus on high-quality companies with solid management teams.

Global Macro Strategies

Our Global Macro investment philosophy is based on fundamental macro-economic research, focusing particularly on growth and inflation. Our views on growth and inflation help to determine our exposure to global financial markets and our allocation among the various asset classes (e.g., equities, fixed income, real estate, commodities, currencies), which we achieve through investing in ETFs.

B. Material Risks

While not an all-inclusive list, we believe that the following risks that are normally associated with investments are the most relevant within our strategies:

Interest Rate Risk - If interest rates rise, bond prices decline. The longer a bond's maturity, the greater the impact a change in interest rates can have on its prices. If a bond is not held until maturity there may be a gain or loss when the bond is sold.

Credit Risk - Bonds carry the risk of default. Companies or individuals may be unable to make the required principal and interest payments on their debt obligations. Historically, corporate bonds carry a greater credit risk than U.S. Treasuries.



Inflation Risk - There is a possibility that the value of assets or income will decrease as inflation shrinks the purchasing power of a currency.

Call, Prepayment and Extension Risk - Some fixed income securities can be called or paid before their maturity date. An unexpected decline in interest rates could cause these securities to be paid off early. This would cause a loss of income in the portfolio and would usually force us to reinvest in lower-yielding securities.

Reinvestment Risk - Interest or dividends earned from an investment may not be able to be reinvested in such a way that they earn the same rate of return as the invested funds that generated them.

Foreign Investment Risk - A security's value may be hurt by changes in foreign political or social conditions, including changes in policies restricting foreign investments, taxation, nationalization, etc.

Management Risk - Performance could be hurt if we improperly execute the portfolios' strategies or make poor strategic decisions.

Growth Style Investment Risk - A growth style strategy attempts to identify companies which experience relatively rapid earnings growth and typically trade at higher multiples of current earnings than other securities. Growth securities are often more sensitive to market fluctuations than other securities because their market prices are highly sensitive to future earnings expectations. At times when it appears that these expectations may not be met, growth stock prices typically fall.

Value Style Investment Risk - The value style strategy looks for stocks that are comparatively low-priced, but where the price doesn't accurately reflect the company's potential and current assets. A value strategy bets that the company's stock will rise again to reflect its true value. The risk is that such securities may not increase in value as anticipated and in certain markets may underperform growth stocks.

Commodity Risk - The risk associated with the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities.

Currency Risk - The risk that an investment's value will be affected by changes in exchange rates. For example, if money must be converted into a different currency to make a certain investment, changes in the value of the currency relative to the U.S. dollar will affect the total loss or gain on the investment when the money is converted back. This risk can affect a U.S. individual's investor's international investments.

Leveraged ETF Risk - Our Global Macro strategies invest in leveraged ETFs, which are designed to replicate a multiple (2X, 3X, etc.) of the daily performance of an underlying index of securities. Leveraged ETFs are not designed to track the performance of the index over long periods of time and tend to lose value in volatile markets.



Item 9 Disciplinary Information

There are no disciplinary (i.e., criminal, civil, regulatory, etc.) matters involving us or our employees.

Item 10 Other Financial Industry Activities and Affiliations

A. Broker-Dealer Activities

We do not have a broker-dealer affiliate.

B. Futures Activities

We do not have an affiliate that has a futures-related registration.

C. Other Affiliations

We are affiliated with Titanium Asset Management Corp., National Investment Services, Inc. ("NIS"), and Wood Asset Management, Inc., all of which are SEC-registered investment advisers. Across the organization as a whole, efforts are made to promote the products and services of each of the affiliates. In some cases, the affiliates may serve as sub-adviser to one another's clients, in which case the client will be made aware of precisely which entities are providing investment management services.

D. Sub-Advisers

We do not have any arrangements whereby we are compensated by a sub-adviser.

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

A. Code of Ethics

We have adopted a Code of Ethics applicable to all of our employees. Upon employment and annually thereafter, all employees must read the Code of Ethics and sign an acknowledgment that they understand and agree to comply with its provisions. The Code of Ethics requires our employees to place our clients' interests first at all times and states that we owe an undivided duty of loyalty to our clients. You may obtain a complete copy of our Code of Ethics upon request.

B. Financial Interest in Certain Securities

Our sister company, NIS, is the Managing Member of several investment-related LLCs in which we may recommend that our clients invest. Since NIS receives fees for the services they provide



to the funds, we have an indirect financial interest in the performance of the funds and a conflict of interest in recommending that our clients invest in the funds.

Potential investors will be provided with a complete set of offering documents prior to making an investment in any of the funds, which we urge all potential investors to review thoroughly before investing.

C. Commonly-owned Securities

Our employees may buy or sell securities for their personal account that are owned in our clients' accounts. Since this represents a potential conflict of interest, our policy is that no employees shall prefer his or her own interest to that of the client.

D. Timing of Company and Personal Trades

We have adopted policies and procedures covering employee securities trading. Employees must receive approval before trading in certain securities. In order to prevent employees from personally benefiting from investment recommendations which are under consideration for, or which have been made for our clients, approval will not be granted if the security is currently under consideration or a trade is pending.

Item 12 Brokerage Practices

A. Selection of Brokers for Client Transactions

Research and Other Soft Dollar Benefits

Our policy is to seek the best execution available for each transaction. Best execution is not limited to obtaining the lowest commissions but also involves seeking the most favorable terms for a transaction under the circumstances. Receipt of products or services other than brokerage or research is generally not a factor in determining which brokers we trade with.

We consider the amount and nature of research services provided by brokers, as well as the extent to which we rely on such services, and attempt to allocate a portion of our trades on the basis of that consideration. In no case will we make binding commitments as to the level of trades we will allocate to a broker, nor will we commit to pay cash if an informal target is not met.

Subject to the criteria of Section 28(e) of the Securities and Exchange Act of 1934, we may pay a broker a higher commission than another broker might have charged for the same trade, in recognition of the value of the brokerage and research services provided by or through the broker. We believe it is important to our investment decision-making processes to have access to independent research.

Research furnished by brokers may be used to service any or all of our clients and may be used



in connection with accounts other than those making the payment to the broker providing the research, as permitted by Section 28(e). Trading volume generated by equity clients may result in services that are of benefit only to fixed-income clients and vice versa.

Brokerage for Client Referrals

We do not take client referrals into account when determining which brokers to use for trade execution.

Directed Brokerage

You may instruct us as to which brokers to be utilized for trades in your account. In following your direction to use a particular broker to execute either all or part of your trades, you must be aware that, in so doing, our ability to follow our normal trade allocation policies, obtain volume discounts on bunched orders, and/or achieve best execution may be compromised.

B. Aggregation of Client Orders

When possible and in our clients' best interest, we aggregate orders for the purchase or sale of the same security across multiple client accounts. When a bunched order is filled in its entirety, each participating client account will participate at the average share prices for the bunched order on the same business day, and the transaction costs shall be shared pro rata based on each client's participation in the bunched order. When the aggregate order size is greater than volume permits, which results in a partial execution for any given day, we allocate those securities in proportion to each account.

Item 13 Review of Accounts

A. Periodic Reviews

Fixed Income Account Reviews

Portfolio Managers review each of their accounts daily or weekly against the model account for a given investment style or strategy. Adjustments are made to outliers as market conditions warrant. Model accounts are reviewed at least bi-weekly to determine strategy going forward. Performance reviews are conducted monthly or quarterly, depending on the type of account, to ensure that they are in line with the model.

Under the direct supervision of our Deputy Chief Investment Officer, each of the following individuals reviews all accounts managed to their respective specialty, the exact number of which fluctuates periodically:

- 2 Senior Vice Presidents
- 1 Vice President
- 1 Taxable Portfolio Manager



1 Municipal Portfolio Manager

Equity and Global Macro Account Reviews

There are some variations among Portfolio Managers, but accounts are generally reviewed for conformity to the model account on a weekly basis, at which point any adjustments that are deemed appropriate are made. At least monthly, a performance review is conducted to ensure that accounts are in line with the model. Model accounts are reviewed at least bi-weekly to determine strategy going forward.

Each of the following individuals reviews all accounts managed to their respective specialty, the exact number of which fluctuates periodically:

- 1 Vice Chairman
- 1 Senior Executive Vice President
- 1 Executive Vice President
- 1 Senior Vice President
- 2 Vice Presidents

B. Client Reporting

Account and performance reports are provided to clients on a quarterly basis. More frequent reports are provided upon request.

Item 14 Client Referrals and Other Compensation

A. Compensation from Third Parties

Notwithstanding any soft dollar arrangements that may exist (as described above), we do not receive compensation or other economic benefits from third parties in connection with the services we provide to our clients.

B. Payments for Client Referrals

We accept client referrals from a number of individuals referred to as "Solicitors." All Solicitors are required to enter into a written agreement with us that requires the Solicitor to deliver our ADV Part 2A and a separate disclosure document relating to the Solicitor's relationship with us to each potential client. Payments to Solicitors are generally in the form of a percentage of the investment management fee that we receive. A client referred to us by a Solicitor will not pay a higher investment management fee as a result of the referral, unless specifically stated otherwise in the Solicitor's separate disclosure document.



Item 15 Custody

All client accounts are held at non-affiliated custodians. You should receive account statements directly from your custodian at least quarterly. You are urged to review your account statements carefully and compare them against any similar reports you may receive from us.

Item 16 Investment Discretion

Generally, clients will provide us with written authority to have complete discretion with respect to the specific securities and amount of securities to be bought or sold in an account, the broker or dealer to be used, and the commission rates to be paid. You may place reasonable restrictions on our discretionary authority by providing us written instructions of such restrictions. However, whether your account is accepted or the management of your account continues may depend upon the nature and extent of the instructions you give us.

Item 17 Voting Client Securities

When voting your proxies, our primary objective is to make voting decisions solely in your best interest. In fulfilling our fiduciary obligations, we will act in a manner deemed to be prudent and diligent and which is intended to enhance the economic value of the underlying securities you hold. To assist in our responsibility for voting proxies and to ensure consistency in proxy voting, we have retained the services of Proxy Edge, an independent third-party. Additionally, to avoid conflicts of interest, we have engaged Glass, Lewis & Co. ("Glass Lewis"), an independent proxy voting service, to determine how proxies will be voted. In the event that Glass Lewis does not have a voting recommendation for a particular proxy, our Proxy Voting Committee will determine how to vote in your best interest.

In certain situations, a client or its representative may provide us with a statement of proxy voting policy. In these situations, we will seek to comply with your policy to the extent it would not be inconsistent with our fiduciary responsibility.

To obtain information on how we have voted your proxies or to request a copy of our proxy voting policy and procedures, you may submit a written request to Boyd Watterson Asset Management, LLC, ATTN: Compliance Department, 1801 E. 9th Street, Suite 1400, Cleveland, OH 44114.

As a matter of standard procedures, we normally do not take any action on behalf of clients in any legal proceedings, including bankruptcies or class actions, involving securities held in or formerly held in clients' accounts or of the issuers of those securities.



Item 18 Financial Information

Neither we nor our affiliates are experiencing any financial difficulties that would impair our ability to meet our contractual commitments to our clients.