

# Los Angeles Capital Management and Equity Research, Inc.

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This Brochure provides information about the qualifications and business practices of Los Angeles Capital Management and Equity Research, Inc. ("LA Capital"). If you have any questions about the contents of this Brochure, please contact us at 310.479.9998. 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.

Los Angeles Capital Management and Equity Research, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about LA Capital also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 15, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. The date of our last annual brochure update was April 22, 2010.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ 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.

Currently, our Brochure may be requested by contacting Jennifer Reynolds, Chief Compliance Officer at 310.479.9947 or via email at [jreynolds@lacapm.com](mailto:jreynolds@lacapm.com).

Additional information about LA Capital is also available via the SEC’s web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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Brochure Supplement(s)

## **Item 4 – Advisory Business**

Los Angeles Capital Management and Equity Research, Inc. ("LA Capital") offers risk controlled active equity management services to institutional investors and sub-advisory services to registered investment companies. LA Capital's regional Dynamic Alpha Stock Selection Models estimate expected returns on a broad universe of global equity securities in the developed and emerging markets. Based on these forecasts, client portfolios are tailored to each client's unique objectives and investment guidelines.

Founded in 2002, LA Capital is employee-owned and its principal owners are Thomas D. Stevens (40%) and Hal W. Reynolds (31%).

As of December 31, 2010, LA Capital manages all of its \$6.7 billion of client assets on a discretionary basis.

## **Item 5 – Fees and Compensation**

LA Capital offers both asset based and performance-based fees. The specific manner in which fees are charged by LA Capital is established in a client's written Investment Management Agreement. LA Capital will generally bill its fees quarterly in arrears, based on the value of assets under management during the applicable quarter, which depending on the client's request, can be calculated either (i) at the end of the applicable quarter, or (ii) based on the monthly average value of assets under management during the applicable quarter. Clients may elect to have fees calculated and billed on a monthly basis. Fees are generally prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals), unless the client requests otherwise. Accounts initiated or terminated during a billing period will be charged a prorated fee. Accounts can be terminated at any time through written client instruction. There is no annual minimum base fee for investment advisory services. All fees are negotiable.

LA Capital's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes

on brokerage accounts and securities transactions. Exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees, and commissions are exclusive of and in addition to LA Capital's fee and LA Capital shall not receive any portion of these commissions, fees, and costs.

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

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

In some cases, LA Capital has entered into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. LA Capital will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 (the "Advisers Act") in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, LA Capital shall include realized and unrealized capital gains and losses. LA Capital's portfolio managers may manage accounts that are charged a performance based fee alongside those with standard asset based fee schedules. Performance based fee arrangements may create an incentive for LA Capital to recommend investments which may be riskier or more speculative than those which would be recommended under an asset based fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. LA Capital has designed and implemented procedures to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

### **Item 7 – Types of Clients**

LA Capital provides portfolio management services to corporate pension and profit-sharing plans, Taft-Hartley plans, multi-employer plans, charitable institutions, foundations, endowments, public funds, registered mutual funds, private investment funds, trust programs, foreign funds such as UCITs, and other U.S. and international institutions.

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

LA Capital employs a quantitative approach to identifying securities and constructing portfolios. All of our applications rely on a proprietary model developed by the founding principals of the firm called Los Angeles Capital's Dynamic Alpha Stock Selection Model<sup>SM</sup> (the "Model"). The Model includes fundamental data inputs for a universe of global equity securities and, through the use of sophisticated statistical tools, estimates expected returns based on each securities risk characteristics and the expected return to each characteristic in the current market environment. The Model incorporates a variety of statistical techniques, some standard and some proprietary, which assist the investment team in evaluating the characteristics of equity securities and their expected payoffs. The Research department seeks to identify the most appropriate tools that will facilitate the analysis process but does so in a way that also is mindful of the risks with each tool. The firm is aware of the risks of putting too great an emphasis on any one particular aspect of the process and as a result attempts to measure and control the risks associated with each of these techniques. The majority of tools utilized by the firm would be considered standard methodologies embraced by other practitioners in the industry.

There are two types of risk involved with the process, market risk and active management risk. Market risk refers to the risks associated with the volatility of equity securities and these risks, which are not diversified away, must be assumed by the client. Active management risk refers to the risk of underperforming the client's benchmark. While the firm seeks to control the level of active management risk consistent with each client's investment guidelines, there will be periods when the active management process generates negative returns relative to the client's benchmark. This may occur due to a shift in market sentiment where previously favorable characteristics become penalized due to estimation errors in the forecasting or risk management process. To communicate and manage these risks, the firm employs a rigorous risk management process and communicates the levels of active management risk to its clients each quarter. While the firm invests in common stocks that are for the most part liquid and may be easily traded, under adverse market conditions certain securities can from time to time become difficult to trade. The firm employs a patient trading methodology which reduces the risk of adverse impacts which may come about with more aggressive or higher frequency trading approaches.

Investing in securities involves the risk of loss that clients should be prepared to bear.

## **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 one's evaluation of LA Capital or the integrity of LA Capital's management. LA Capital has not been the subject of any disciplinary action and thus has no information to report applicable to this Item.

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

LA Capital acts as both the general partner and the investment adviser to the following privately offered limited partnerships.

The *LACM Large Cap Alpha Fund L.P.* was organized to invest primarily in long and short positions of large capitalization equity securities and futures and derivative contracts in the U.S. markets. The Partnership will employ a long/short equity investment strategy by maintaining both long and short positions of large cap equity securities so that the net equity exposure, long allocation less short allocation, is maintained at approximately 100%. The Partnership is offering and selling limited partnership interests in the Partnership to a limited number of qualified investors in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 thereunder. A copy of the Fund's complete Private Offering Memorandum can be provided upon request.

The *LACM Emerging Markets Fund L.P.* was organized to invest primarily in long positions of equity securities listed in the MSCI Emerging Markets Index and futures and derivatives contracts related thereto. The Partnership will employ a long equity investment strategy. The Partnership is offering and selling limited partnership interests in the Partnership to a limited number of qualified investors in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 thereunder. A copy of the Fund's complete Private Offering Memorandum can be provided upon request.

LA Capital has engaged Grant Thornton LLP to audit the financials of both private funds as well as those of the firm. In addition, LA Capital utilizes the outside counsel of Fulbright & Jaworski LLP.

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

LA Capital anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will buy, sell, or hold securities in client accounts that are directly or indirectly held by LA Capital and/or its employees. As a result, LA Capital's employees and persons associated with LA Capital are required to follow LA Capital's Code of Ethics.

As a fiduciary, LA Capital has adopted a firm-wide Code of Ethics that establishes general principles that each employee must abide by. Each employee has an obligation to uphold, at a minimum, the following duties: (1) the duty to place the interests of the client before the firm at all times; (2) the requirement that all personal securities transactions be conducted in such a manner as to be consistent with the firm's Code of Ethics and to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility; (3) the principle that employees should not take inappropriate advantage of their position; (4) the duty to keep information concerning the identity of security holdings and the financial circumstances of a client confidential; (5) the principle that independence in the investment decision making process is paramount; and (6) the duty to report any violations of the code to the Chief Compliance Officer.

In addition, each employee must comply with applicable Federal Securities laws, and as an adviser each employee is prohibited from the following: (1) employing a device, scheme or artifice that would defraud an Investment Advisory Client; (2) making an untrue statement of a material fact to a client, or omitting a material fact that would be necessary in order to make the statements not misleading; (3) engaging in any act, practice or course of business which operates or would operate as a fraud or a deceit upon a client; (4) engaging in any manipulative practice with respect to a client; (5) engaging in any manipulative practice with respect to securities, including price manipulation, acting on or spreading false rumors; or (6) making use of any information that an employee may have become aware of by virtue of his/her relationship with a client organization.

Subject to the above, employees of LA Capital and their immediate family members sharing a household may trade for their own accounts in securities which are recommended to and/or purchased for LA Capital's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees and their family members 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 of Ethics, certain classes of securities have been designated as restricted or exempt transactions, based upon a determination of materiality



and potential interference with the best interest of LA Capital's clients. In addition, the Code of Ethics requires pre-clearance of certain transactions by both the Trading and Compliance departments. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as 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, and to reasonably prevent conflicts of interest between LA Capital and its clients.

On an annual basis, all employees receive Code of Ethics training and must provide written acknowledgement of receipt and intention to comply. Material changes to the Code of Ethics are distributed, as amended, to all employees.

A complete copy of LA Capital's Code of Ethics is available to clients or prospective clients upon request by contacting Jennifer Reynolds, CCO at 310.479.9947 or via email at [jreynolds@lacapm.com](mailto:jreynolds@lacapm.com).

LA Capital acts as both the general partner and the investment adviser to the following privately offered limited partnerships: LACM Large Cap Alpha Fund LP, and the LACM Emerging Markets Fund LP. As such, LA Capital has invested a small portion of capital into each Fund. The proprietary interest in each Fund is less than 1%. Therefore, LA Capital may recommend to clients, investment products in which LA Capital has some financial interest, and during the course of trading may buy or sell for itself securities it also recommends to clients.

In the event that LA Capital manages a proprietary portfolio with holdings and trades that coincide or overlap with a client managed account, it is the firm's policy to trade the client managed account(s) first and the proprietary account(s) last. If feasible, and if the impact upon liquidity and market impact is determined to be inconsequential, LA Capital may trade client managed accounts in conjunction with proprietary accounts. Similarly traded names would receive the same execution price per share and would be subject to the firm's aggregated transaction procedures.

In addition, both the LACM Large Cap Alpha Fund, L.P. and the LACM Emerging Markets Fund, L.P. are audited annually by a PCAOB registered and inspected accountant and limited partners receive audited financial statements within 120 days of fiscal year end.

It is LA Capital's policy that the firm will not effect any principal transactions for client accounts. LA Capital 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. LA Capital is not registered as a broker-dealer, nor does it have an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

### **Broker Selection**

In selecting brokers and negotiating commissions for trade execution, LA Capital's general guiding principle is to obtain the best execution at the most favorable price. However, in accordance with SEC recommendations and the CFA Institute Soft Dollar Standards, LA Capital will consider the following factors in evaluating a broker's capability to provide best execution: the broker's financial condition, the broker's responsiveness to the investment manager, the commission rate or spread involved, and the range of services offered by the broker. Additionally, LA Capital recommends that its traders consider the following factors which may be relevant in selecting a broker for a specific transaction: (1) quality of overall execution services provided by the broker-dealer; (2) promptness and accuracy of oral, hard copy, or electronic execution reports; (3) ability and willingness to promptly resolve and correct errors; (4) ability to commit capital to facilitate principal transactions; (5) specific expertise the broker-dealer may have in executing trades for the particular type of security or basket of securities; (6) quality of electronic or algorithmic trading strategies; (7) participation in client commission recapture programs; and (8) willingness to accrue and pay for approved soft dollar products. Each of these criteria are relevant components of the broker's ability to obtain the most favorable total cost under the particular circumstances at any given time.

The explicit commission levels paid for trade execution services are established annually by the Trading department. Commissions are based on factors up to and including: (1) the difficulty of trading activity; (2) the order size and ticket charges incurred by the broker-dealer; (3) resources employed handling the trade activity; (4) capital commitment used to facilitate principal transactions; (5) post-trade reporting and analysis requirements; (6) industry trends and peer analysis; (7) and any research and other products or services provided or paid for by the broker-dealer.

### **Soft Dollars**

LA Capital will accrue soft dollar credit on trades for client portfolios unless specifically prohibited in the client's Investment Management Agreement. At any point in time, LA

Capital may have a soft dollar arrangement with one or more brokerage firms to purchase research and other products and services, whereby LA Capital will direct client brokerage commissions to the soft dollar broker-dealer to accrue soft dollar credits. A potential conflict of interest exists in these soft dollar arrangements because LA Capital may have an incentive to trade client accounts in order to pay for research products and/or services rather than to ensure that client portfolios receive the most favorable execution. However, LA Capital believes that by using client brokerage commissions to obtain research or other qualifying products or services, the firm benefits by foregoing the need to develop, produce, expend resources, or pay for the research product or service itself. The firm believes that the cost saving accrues to the benefit of all clients.

LA Capital accrues soft dollar credits with each brokerage firm on its approved brokerage roster and pays the same total commission rate with each broker executing in a particular market (e.g., U.S., developed Europe and Asia, and Emerging) regardless of whether soft dollars are being accrued. This removes the need or incentive to direct client transactions to any particular broker-dealer to pay for a particular soft dollar product or service. For those client accounts that allow participation, the soft dollar accrual percentage is the same regardless of the particular broker-dealer used.

As LA Capital receives soft dollar benefits, clients may “pay up”; that is, they may pay a higher commission than would otherwise be available by other broker-dealers. Additionally, since the volume and frequency of trading activity for client accounts is not uniform, the amount of commissions in excess of the lowest rate available paid by each account for brokerage and research services may vary. Furthermore, LA Capital may receive research products or services from third party providers in exchange for commissions paid by certain client accounts to service all LA Capital accounts and not just the accounts whose transactions paid for the research product or service. LA Capital believes, however, that these soft dollar arrangements result in a collective benefit to all of its clients. LA Capital may engage in agency transactions in over-the-counter equity securities in exchange for soft dollar credits. In these situations, the client may pay an agency commission in addition to the markup or markdown assessed by the market maker.

In deciding whether to purchase research products or services using soft dollars, LA Capital will first define the product or service, then determine that the primary use of the product or service directly assists in the investment decision making process and not in the management of the firm. If a product or service provides both research and non-research assistance (mixed-use), LA Capital will make a good faith allocation of such costs between research related products and services which may be paid for with commission dollars and

those non-research related products and services which must be paid for using LA Capital's own funds.

LA Capital only benefits from research created or developed by third parties and does not benefit from proprietary research created or developed by any of its approved broker-dealers. In general, these qualifying products and services will include investment research data, portfolio management and analytics, and trading decision support and research. An historic breakdown of these "allowable" research products and/or services is approximately as follows: Investment Research Data (38%), Portfolio Management and Analytics (32%) and Trading Decision Support and Research (30%). This breakdown is based upon historical soft dollar arrangements and may or may not be indicative of future soft dollar purchases. These arrangements will change and vary over time.

LA Capital's soft dollar arrangements comply with the CFA Institute Soft Dollar Standards. Additional information in accordance with the CFA Institute Soft Dollar Standards regarding LA Capital's brokerage allocation and soft dollar policy is available upon request.

### **Directed Brokerage**

Generally, LA Capital has full discretion and authority to determine the securities to be bought or sold for clients, the amount of such securities (subject to client established guidelines), and the brokerage firms and commissions to be used for trade execution. LA Capital does not recommend, request, or require that clients establish directed brokerage arrangements. However, LA Capital does permit a client to direct brokerage and such arrangements can and will be accommodated. Investment discretion is determined at account inception and specified in the client's investment management agreement. A client may also direct commissions to a particular broker in exchange for services received by the client by providing LA Capital with written instructions.

LA Capital will comply with the required and recommended directed brokerage procedures set forth in the CFA Institute Soft Dollar Standards and will not use commissions from another client account to pay for a product or service purchased under a client "directed" brokerage arrangement. While LA Capital has a duty to seek to obtain best execution, directed brokerage arrangements that require the investment manager to commit a certain percentage of brokerage may affect LA Capital's ability to seek to obtain best execution. Directed brokerage arrangements may cost clients more money.

## **Transaction Allocation**

LA Capital has developed a program trading strategy tailored to its approach to stock selection. This strategy coincides with the dynamic nature of its model by incorporating live market prices into the trading decision making process. Additionally, control over the entire trade process, from order submission through trade execution, is facilitated along with an enhanced ability to monitor intraday brokerage execution. Combining proprietary software development and live market prices, the firm developed a risk controlled algorithm that creates highly liquid program trades or “waves.” Once a program or wave is identified for trading, orders are electronically communicated via FIX (Financial Information Exchange) protocol for rapid execution by the firm’s approved brokerage relationships. This dynamic trading strategy has enhanced the trading process in several ways. First, program orders are opportunistically sent to the market when “waves” can be traded at a favorable price. Second, only a portion of the total program order is ever exposed to the market with the remainder hidden until favorable execution can be achieved. Finally, trading is efficiently spread throughout the month thereby significantly reducing market impact costs.

Although multiple client accounts may have the same or similar benchmark, most have different objectives, restrictions, constraints, and startup dates. As opposed to aggregating client account trade orders at every opportunity, LA Capital believes that client accounts benefit from this risk controlled “wave” trading strategy that was developed specifically to reduce trading costs.

While each account is managed individually, LA Capital may, at any given time, purchase and/or sell the same securities for many accounts. When appropriate, LA Capital may aggregate the same transactions in the same securities. Clients in an aggregated transaction will receive the same execution price per share, which will reflect an average of prices if the order is executed in multiple trades, and will be charged a pro-rata share of the total commission charge. However, where a client has directed that a specific broker be used to execute transactions, or if a client designates a specific order strategy (e.g., market-on-close, market-on-open, VWAP, TWAP, etc.) such transactions may not be aggregated with other orders entered at the same time in the same security, with the result that commission rates and execution prices for such client(s) may differ from those obtained on the aggregated transaction. In general, an aggregated transaction may enable LA Capital to obtain a discounted commission charge and a more favorable execution price.

If an executing broker is unable to fill an aggregated transaction completely and only partially completes the aggregated trade, LA Capital will allocate the partially filled transaction to clients participating in the aggregated transaction on a pro-rata basis,

subject to adjustments for additional factors, including the cash availability within individual accounts and the maintenance of appropriate security and portfolio sector weightings.

On occasion, LA Capital executes "manual" trades outside of its portfolio optimization process. These trade decisions require the approval of two members of the Investment Committee ("IC") or two Portfolio Managers ("PM"s) and one member of the IC. Manual trades are conducted for such purposes as, but not limited to: covering short positions with large borrowing costs, covering short positions in stocks below a certain dollar value, or selling out of or paring back on stocks with external information not identified by Los Angeles Capital's Dynamic Alpha Stock Selection Model<sup>SM</sup>. Block trades are frequently executed to facilitate these manual orders. However, LA Capital does not manually direct cross-trades between client accounts and therefore will not manually direct simultaneous purchase and sale orders for the same security. All block trades will be subject to the firm's aggregated trade allocation procedures.

In general, LA Capital will not participate in initial public offerings ("IPOs") due to the absence of historical company data. However, should a client benchmark immediately include an IPO as a constituent holding, and if LA Capital deems it necessary to purchase the issue to maintain client directed portfolio risk and/or guideline compliance, then LA Capital will purchase the issue subject to its aggregated trade procedures.

### **Item 13 – Review of Accounts**

The Portfolio Management team (the "Team") monitors and analyzes client portfolios on a daily basis. The Team is comprised of LA Capital's President, Chief Investment Officer, Director of Global Equities, and four Portfolio Managers. The Team's role spans across a wide spectrum of activities, including research, optimizations, compliance monitoring, and client communication. The Team touches all aspects of the investment process and reports its findings to the Portfolio Review Committee ("PRC"). The PRC is comprised of the Investment Committee and other research and operational staff. It meets monthly to discuss each portfolio's risk profile, performance, and compliance with client guidelines.

At a minimum, on a quarterly basis, written reports which list and describe portfolio holdings, trading activity, risk characteristics, and portfolio performance are delivered to clients. At the client's request, LA Capital will also prepare daily, weekly, and/or monthly reports of a similar nature.

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

LA Capital has engaged Alcifor Advisory Associates ("Alcifor"), a consulting company in Denmark, to assist LA Capital's business efforts in publicly listed equities, including, but not limited to the solicitation of separate account clients. LA Capital has agreed to pay Alcifor an incentive marketing fee based in part on the aggregate value of all client assets under LA Capital's management introduced by Alcifor. LA Capital will pay Alcifor a base marketing fee of €20,000 per year. In addition, for aggregate client assets, the incentive marketing fee is equal to 20% of the total fees received by LA Capital from all clients for the first year the clients' assets are under management, and 15% of the total fees received by LA Capital from all clients for the second year the clients' assets are under management and 0% thereafter.

#### **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker-dealer, bank, or other qualified custodian that holds and maintains client's investment assets. LA Capital urges clients to carefully review such statements and compare such official custodial records to the account statements that are provided by LA Capital. LA Capital statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Item 16 – Investment Discretion**

LA Capital usually receives full discretionary authority from the client to select the identity and amount of securities to be bought or sold at the outset of an advisory relationship. This authority is established in each client's investment management agreement. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, LA Capital observes the investment policies, limitations, and restrictions of the clients for which it advises. For registered investment companies, LA Capital'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.

Clients with brokerage restrictions can and will be accommodated. Investment guidelines and restrictions must be provided to LA Capital in writing.

### **Item 17 – Voting *Client* Securities**

Proxy voting authority is determined in each client's investment management agreement or comparable documents. Voting ERISA client proxies is a fiduciary act of plan asset management that must be performed by the adviser, unless the voting right is retained by a named fiduciary of the plan. LA Capital has employed Glass, Lewis & Co. ("Glass Lewis") to act as an independent voting agent on the firm's behalf, thereby minimizing any conflicts that could arise. Glass Lewis provides proxy analysis, voting recommendations, and manages the operational end of the proxy voting process, ensuring compliance with all applicable laws and regulations.

LA Capital has adopted Glass Lewis' Proxy Policy Guidelines for U.S. and non-U.S. companies. Mutual fund proxies will be voted in accordance with the requirements of the Securities Act of 1933, the Securities Exchange Act of 1934, and the Investment Company Act of 1940. However, LA Capital retains the right to ultimately cast each vote on a case-by-case basis, taking into consideration the contractual obligations under the advisory agreement and all other relevant facts and circumstances of the vote. A client may issue directives regarding how particular proxy issues are to be voted for the client's portfolio holdings. LA Capital requires that the advisory contract provide such directions, including how those votes will be managed, particularly where they differ from LA Capital's policies. While LA Capital will accept direction from clients on specific proxy issues for their own account, LA Capital reserves the right to maintain its standard position on all other client accounts. LA Capital also reserves the right to abstain from voting a client proxy if it concludes that the effect on shareholders' economic interests or the value of the portfolio holding is indeterminable or insignificant.

LA Capital does not actively engage in shareholder activism, such as dialogue with management with respect to pending proxy voting issues. LA Capital abstains from voting proxies for securities that participate in a securities lending program and are out on loan or are in a country that participates in share blocking because it is disruptive to the management of the portfolio.

A complete version of LA Capital's Proxy Voting policy is available to clients and prospective clients upon request. Clients may direct a particular proxy vote or request at any time a copy of the voting records for their accounts through a formal request to the



firm's Director of Operations at 310.479.9878 or via email at [operations@lacapm.com](mailto:operations@lacapm.com). LA Capital will not disclose voting records to a third party.

#### **Item 18 – Financial Information**

As a registered investment adviser, LA Capital is required to provide certain financial information or disclosures about its' financial condition. LA Capital 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.