

# LSV ASSET MANAGEMENT

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March 30, 2012

This Brochure provides information about the qualifications and business practices of LSV Asset Management (“LSV”). If you have any questions about this Brochure, please contact us at 312-460-2443. 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.

Additional information about LSV Asset Management 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 SEC published “Amendments to Form ADV” which amended the SEC rules governing the disclosure document we provide to clients. This Brochure dated March 30, 2012 is a prepared in accordance with the SEC’s rules and requirements. The purpose of this section of the Brochure is to discuss any material changes that have been made to the Brochure or in our business. There have been no material changes in our business, or to this Brochure, since our last annual update on March 31, 2011.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. We will continue to ensure that you receive a summary of any materials 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.

If you want to a copy of our Brochure, please fax your request to Leslie Kondziela, Compliance Officer at 312-220-9241. Our Brochure is also available on our web site [www.lsvasset.com](http://www.lsvasset.com), free of charge.



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#### Item 4 – Advisory Business

LSV was established in October 1994 to provide discretionary investment management services in portfolios of publicly-traded global equity securities to a variety of institutional investors, utilizing the application of our proprietary quantitative models.

LSV is a partnership between LSV's employees and management team, owners of a majority position, and SEI Funds, Inc., a wholly-owned subsidiary of SEI Investments and the owner of a minority position. As of December 31, 2011, LSV had approximately \$57.6 billion in discretionary assets under management.

#### Item 5 – Fees and Compensation

LSV's standard investment management fee schedules are listed below. Fees schedules differing from these standard schedules may be negotiated on a client by client basis. All fees are calculated and payable in arrears. Other parameters of the fee calculation method may vary on a client by client basis and are set forth in the written agreement with each client. Typically, clients are billed on a quarterly basis, based on the total market value of a client's account on the last day of each quarter. LSV's fees are exclusive of custody fees, brokerage commissions, transaction fees, and other transaction-related costs and expenses which are incurred by the client. Such charges, fees and commissions are exclusive of and in addition to LSV's fee, and LSV does not receive any portion of these commissions, fees, and costs.

The minimum account size ranges from \$10 million to \$100 million. On a client by client basis, LSV may accept smaller investments.

##### U.S. Small Cap Value

<u>Assets (millions)</u>	<u>Fee (BPs)</u>
\$0-25	75
Next \$25	65
Additional amounts over \$50	55

##### U.S. Small/Mid Cap Value

<u>Assets (millions)</u>	<u>Fee (BPs)</u>
\$0-25	70
Next \$25	60
Additional amounts over \$50	50

##### U.S. Mid Cap Value

<u>Assets (millions)</u>	<u>Fee (BPs)</u>
\$0-25	65
Next \$25	55
Additional amounts over \$50	45

##### U.S. Managed Volatility

##### U.S. Large Cap Value

<u>Assets (millions)</u>	<u>Fee (BPs)</u>
\$0-25	60
Next \$25	50
Next \$50	40
Next \$100	35
Additional amounts over \$200	30



Global Managed Volatility

**Global Value**

**Japan Large Cap Value Equity**

**International Large Cap Value**

<u>Assets (millions)</u>	<u>Fee (BPs)</u>
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\$0-25	75
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Next \$25	65
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Next \$50	55
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Additional amounts over \$100	45
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**Europe Small Cap Value Equity**

**Japan Small Cap Value Equity**

**Australia Small Cap Value Equity**

**Canada Small Cap Value Equity**

**International Small Cap Value**

<u>Assets (millions)</u>	<u>Fee (BPs)</u>
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\$0-25	100
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Next \$25	90
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Additional amounts over \$50	80
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**U.S. Micro Cap Value**

<u>Assets (millions)</u>	<u>Fee (BPs)</u>
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All assets	125
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**International Enhanced Index**

<u>Assets (millions)</u>	<u>Fee (BPs)</u>
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\$0-100	40
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Next \$300	35
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Additional amounts over \$400	30
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**U.S. Enhanced Index**

<u>Assets (millions)</u>	<u>Fee (BPs)</u>
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\$0-100	30
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Next \$300	25
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Additional amounts over \$400	20
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**Canadian All Cap Value**

<u>Assets (millions)</u>	<u>Fee (BPs)</u>
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C\$0-50	50
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Next C\$50	40
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Additional amounts over C\$100	35
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**Latin America Value**

**Emerging Markets**

<u>Assets (millions)</u>	<u>Fee (BPs)</u>
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All assets	100
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**Australia Value Equity**

<u>Assets (millions)</u>	<u>Fee (BPs)</u>
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A\$0-35	60
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Next A\$35	50
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Next A\$80	40
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Additional amounts over A\$150	30
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**U.S. Large Cap Value 130/30**

<b><u>Assets (millions)</u></b>	<b><u>Fee (BPs)</u></b>
First \$25	100
Next \$25	80
Next \$50	65
Additional amounts over \$100	

**Global Concentrated Value Equity****International Concentrated Value Equity**

<b><u>Assets (millions)</u></b>	<b><u>Fee (BPs)</u></b>
All assets	100

**International Large Cap Value Equity  
(ACWI Ex US)**

<b><u>Assets (millions)</u></b>	<b><u>Fee (BPs)</u></b>
First \$25	80.0
Next \$25	72.5
Next \$100	62.5
Additional amounts over \$150	

**Emerging Markets Small Cap**

<b><u>Assets (millions)</u></b>	<b><u>Fee (BPs)</u></b>
All assets	125

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

In some cases, LSV has entered into individualized performance fee arrangements with clients. LSV structures any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. Performance based fee arrangements, and accounts in which the portfolio managers may be invested, could create an incentive to favor those accounts over other accounts in the allocation of investment opportunities. LSV has procedures to ensure that all clients are treated fairly and to prevent these potential conflicts from influencing the allocation of investment opportunities among clients. Regular reviews of the allocation of investment opportunities and trades among clients are made by LSV Compliance.



## **Item 7 – Types of Clients**

LSV provides portfolio management services to, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds such as UCITs and SICAVs, and other U.S. and international institutions and, to a limited extent, to sophisticated individual investors.

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

LSV is a value equity manager employing a proprietary quantitative process to evaluate individual stocks and construct portfolios.

The portfolio decision making process is quantitative and driven by (1) a proprietary model which ranks securities based on fundamental measures of value, past performance and indicators of recent positive changes and, (2) a risk control process that controls for residual risk relative to a benchmark. All investment decisions are implemented using the quantitative model by the portfolio management team of Josef Lakonishok, Menno Vermeulen and Puneet Mansharamani.

Stocks are evaluated on three blocks of variables in order to arrive at an overall ranking for each stock in the universe. The first block of variables contains traditional value measures such as the cash flow-to-price ratio and the book-to-market ratio. Stocks with relatively low multiples are ranked higher. The second block of variables are contrarian measures of changes in the stock price, earnings and sales over years -5 to -1. Stocks with relatively poor past performance are ranked higher. The third block of variables is used to assess signs of recent recovery, or momentum, such as near-term movements in stock price, earnings, and analyst forecasts. Stocks with relatively positive recent performance are ranked higher.

A proprietary portfolio optimizer is used to construct portfolios and control risk. The optimizer considers such factors as weights of individual stocks, industries, sectors and countries, relative to the appropriate benchmark index. Additional factors include the minimum number of stocks held, market capitalization, trading volume and historical risk characteristics.

LSV's investment strategies are designed for sophisticated investors with clearly-defined long-term investment goals, as they involve substantial risks. These risks, include but are not limited to, decisions based on quantitative investment models; "value" style risk; equity market risk; investment in thinly traded securities; market capitalization risks; risks associated with investing in non-U.S. and emerging markets investing; and foreign currency risks.



Although the quantitative models are used as the basis for all portfolios LSV manages, individual clients may have investment guidelines differing from those utilized by the quantitative models. In these cases, LSV works with the client to establish portfolio guidelines that address all of the relevant investment objectives, restrictions and policies.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that may be material to your evaluation of LSV. LSV has no information applicable to this Item.

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

LSV is affiliated with SEI Investments Company (“SEI”) because SEI Funds, Inc., a wholly-owned subsidiary of SEI, owns a minority interest in LSV.

SEI Investments Management Corporation (“SIMC”) is a registered investment adviser and a wholly-owned subsidiary of SEI. SIMC serves as adviser to the SEI Family of Mutual Funds, to which LSV serves as investment sub-adviser.

SEI Investments Distribution Co. (“SIDCO”) is a registered broker/dealer and a wholly-owned subsidiary of SEI. SIDCO is the distributor of LSV Value Equity Fund, LSV Conservative Value Equity Fund and LSV Conservative Core Equity Fund, to which LSV serves as investment adviser.

SEI has several other affiliates and subsidiaries involved in the financial services industry.

Certain employees of LSV are investors in private placement partnerships managed by LSV in which clients and related persons of clients may also invest. These partnerships invest in the some of the same securities that LSV invests in for its other clients.

LSV is General Partner of LSV International Value Equity Fund; LP, LSV Emerging Markets Equity Fund, LP; LSV International Concentrated Equity Fund, LP; LSV U.S. Long/Short Fund, LP; LSV Global Concentrated Value Fund, LP; LSV Emerging Markets Small Cap Equity Fund, LP; LSV Canada Small Cap Equity Fund, LP; LSV Australia Small Cap Equity Fund, LP; LSV Japan Small Cap Equity Fund, LP; LSV International (AC) Value Equity Fund, LP; LSV Micro Cap Fund, LP; LSV Global CV Equity Fund; LSV International Small Cap Equity Fund; and LSV Japan Large Cap Value Equity Fund, LP, Delaware limited partnerships that are offered to clients who are financially sophisticated investors.

## **Item 11 – Code of Ethics**

LSV has adopted a Code of Ethics and Insider Trading Policy describing its high standard of business conduct and fiduciary duty to its clients. LSV has also adopted compliance policies and



procedures reasonably designed to conform to Rule 204A-1 under the Investment Advisers Act of 1940, as amended, and Rule 17j-1 of the Investment Company Act of 1940, as amended. 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 staff members at LSV must acknowledge the terms of the Code of Ethics annually, or as amended.

LSV may recommend purchase or sale of securities in which LSV employees or partners may have a material financial interest through their personal holdings. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of LSV 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. The Code of Ethics requires pre-clearance of many personal transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics permits 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. LSV Compliance conducts post-trade reviews to determine if LSV was active in a security during the 3 trading days following an employee trade in that security. If so, the trade details are reviewed and tracked to enable detection of an inappropriate trading pattern.

LSV's Code of Ethics defines an access person as "a Staff Member who meets any of the following criteria: has access to nonpublic information regarding clients' purchase or sale of securities; is involved in making securities recommendations to clients; has access to securities recommendations that are non-public; has access to non-public information regarding the portfolio holdings of Affiliated Mutual Funds; works in LSV's Chicago office; or is a director, officer or partner of LSV." Brokerage statements and personal trading reports are reviewed regularly by compliance.

It is LSV's policy not to affect any cross securities transactions for client accounts without the prior approval of the Chief Compliance Officer.

LSV has appointed Tremaine Atkinson as Chief Compliance Officer. LSV will provide a copy of its Code of Ethics and Personal Trading Policy to any client or prospective client upon request. If you want a copy of our Code of Ethics, please fax your request to Leslie Kondziela, Compliance Officer at 312-220-9241.

## **Item 12 – Brokerage Practices**

In selecting brokers for transactions, LSV uses its best judgment to choose the broker most capable of providing the brokerage services necessary to obtain the best available price and most favorable execution, i.e., the price and commission which provides the most favorable total cost and proceeds



reasonably obtainable under the circumstances. Brokers may be selected on the basis of such factors as the following: the ability to match up natural order flow; the ability to control anonymity, timing or price limits; the quality of the back office; commission rates; use of automation; and/or, the ability to provide information relating to the particular transaction or security. LSV does not consider itself obligated to choose the broker offering the lowest available commission rate, provided that the rate paid is for execution only. LSV may on occasion talk to analysts about the financial or accounting aspects of a company or industry, but we do not 'pay up' for this and it does not influence our selection of brokers. LSV keeps informed of rate structures offered by the brokerage community. In the selection of brokers, LSV does not solicit competitive bids or "shop" the order unless there is a clear indication that doing so would be in the best interest of clients. LSV uses electronic trading venues extensively in order to participate in many liquidity pools, to maintain control of orders and to enhance anonymity.

We require FX dealers to have a credit rating of AA- or higher from Standard & Poor's or Aa3 or higher from Moody's Investors Service. Foreign currencies are traded only to the extent needed to effect settlement of equity trades or to convert currency balances – no speculative or hedging trades are made. Our general objective is to match the timing of FX trading to the timing of the associated equity trading or the need for a converted balance. To the extent possible we net/aggregate trades, allowing for reduced order size. Unless required by the client, we choose to not automatically repatriate portfolio income to base currency in order to reduce the overall amount of FX trading. Due to market restrictions, trades in certain emerging markets currencies, such as Korean Won, must be executed through the client's custodian; however, we do not otherwise seek to trade FX with a client's custodian unless required to do so by a client.

The Best Execution Committee, whose members include the traders, Chief Operating Officer and Compliance Officer, meet and monitor best execution on a semi-annual basis. Part of LSV's best execution analysis includes the traders rating the brokers used for client transactions based on ability to match up natural order flow; the ability to control anonymity; the quality of the back office and an overall rating.

### **Trade Aggregation/Allocation**

LSV may be in the position of buying or selling the same security for a number of its clients at roughly the same time. Because of market fluctuations, the prices obtained on such transactions within a single day may vary substantially. In order to more equitably allocate the effects of such market fluctuations, for certain transactions, LSV may use an "averaging" procedure. Under this procedure, purchases or sales of a particular security for a client's account will at times be combined with purchases or sales of the same security for other clients on the same day. In such cases, the price shown on the confirmation of the client's purchase or sale will be the average execution price on all of the purchases and sales that are aggregated for this purpose. Clients that have selected to



have their trading directed to a particular broker will not be able to participate in aggregated trades, other than with other clients directed to that same broker.

For aggregated trades that are partially filled, shares will be allocated pro-rata among participating accounts that day, based upon their pro-rata share of the order. All allocations are subject to change at the trader's discretion, to take into consideration cash balances, the use of round lots, the completion of small orders, or the reduction of settlement fees.

### **Soft Dollars, Directed Brokerage**

Although allowed by Section 28(e) of the Securities Exchange Act of 1934, LSV does not cause an account to pay more in commissions to a broker-dealer in return for research products and/or services provided to LSV. LSV may on occasion talk to analysts about the financial or accounting aspects of a company or industry but we do not 'pay up' for this and it does not influence our selection of brokers.

If requested by a client, LSV may direct trades in that client's account to brokers selected by the client. In these cases, the client's trades may be executed at different times and/or prices and/or at a higher commission rate than they otherwise would have been executed if the trades were not so directed by the client. LSV does not accept any directed brokerage arrangements for U.S. registered investment company clients.

### **Item 13 – Review of Accounts**

The quantitative portfolio management system reviews each portfolio's investment characteristics and adherence to investment product risk control parameters approximately every 4 to 8 weeks. Relevant investment guidelines and restrictions are coded into the compliance systems which monitor portfolios daily. Additional ad hoc reviews covering performance and investment guidelines are carried out by the reviewers. Reviewers include members of the Compliance, Portfolio Management, Operations, Portfolio Accounting and Client Service groups.

LSV provides all clients with a quarterly written review of performance and portfolio structure.

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

LSV may pay finder's fees in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940. LSV currently has in place a solicitation arrangement with an individual to attract and retain clients in Australia.



## **Item 15 – Custody**

LSV does not take physical custody of client assets under any circumstances.

However, because LSV is the general partner of the limited partnerships it offers (“LPs”) and has the authority over the custody accounts of the LPs, LSV is deemed under SEC rules to have custody of assets of the LPs. LSV may also be deemed to have custody of client assets if it has the authority to withdraw its fees from a client’s custody account. LSV follows the SEC’s rules regarding this ‘deemed’ custody.

## **Item 16 – Investment Discretion**

LSV receives discretionary authority from clients in a written agreement, detailing the nature and scope of such authority and investment guidelines, investment objectives and investment restrictions.

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

LSV’s standard investment management agreement expressly authorizes LSV to vote proxies on behalf of the Client’s account. Therefore, unless the Client expressly reserves proxy voting responsibility, it is LSV’s responsibility to vote proxies relating held for the Client’s account. Clients may obtain a copy of LSV’s complete proxy voting policies and procedures upon request. Clients may also obtain information from LSV about how LSV voted any proxies on behalf of their account(s).

ERISA Accounts. Unless proxy voting responsibility has been expressly reserved and is being exercised by another fiduciary for an ERISA plan client, LSV, as the investment adviser for the account, must vote all proxies relating to securities held for the plan’s account. If LSV is responsible for voting, LSV shall make appropriate arrangements with each account custodian to have proxies forwarded, on a timely basis to the appropriate person, and shall endeavor to correct delays or other problems relating to timely delivery of proxies and proxy materials.

Fiduciary obligations of prudence and loyalty require an investment adviser with proxy voting responsibility to vote proxies on issues that affect the value of the client’s investment. Proxy voting decisions must be made solely in the best interests of the client’s account. In voting proxies, LSV is required to consider those factors that may affect the value of the client’s investment and may not subordinate the interests of the client to unrelated objectives.

LSV has adopted proxy voting guidelines that provide direction in determining how various types of proxy issues are to be voted. LSV will engage an expert independent third party to design guidelines



for client accounts that are updated for current corporate governance issues, helping to ensure that clients' best interests are served by voting decisions. Clients are sent a copy of their respective guidelines on an annual basis.

LSV's quantitative investment process does not provide output or analysis that would be functional in analyzing proxy issues. LSV therefore will retain an independent, expert third party, currently Glass Lewis & Co. ("GLC"). GLC will implement LSV's proxy voting process, provide assistance in developing guidelines and provide analysis of proxy issues on a case-by-case basis. LSV is responsible for monitoring GLC to ensure that proxies are appropriately voted. LSV will vote issues contrary to, or issues not covered by, the guidelines only when LSV believes it is in the best interest of the client. Where the client has provided proxy voting guidelines to LSV, those guidelines will be followed, unless it is determined that a different vote would add more value to the client's holding of the security in question. Direction from a client on a particular proxy vote will take precedence over the guidelines. LSV's use of GLC is not a delegation of LSV's fiduciary obligation to vote proxies for clients.

Should a material conflict arise between LSV's interest and that of its clients (e.g., a client bringing a shareholder action has solicited LSV's support; LSV manages a pension plan for a company whose management is soliciting proxies; or an LSV employee has a relative involved in management at an investee company), LSV will vote the proxies in accordance with the recommendation of the independent third party proxy voting service. A written record will be maintained describing the conflict of interest, and an explanation of how the vote taken was in the client's best interest.

LSV may refrain from voting a proxy if the cost of voting the proxy exceeds the expected benefit to the client, for example in the case of voting a foreign security when the proxy must be translated into English or the vote must be cast in person.

Clients may receive a copy of LSV's voting record for their account by request. LSV will additionally provide any mutual fund for which LSV acts as adviser or sub-adviser, a copy of LSV's voting record for the fund so that the fund may fulfill its obligation to report proxy votes to fund shareholders.

Recordkeeping. In accordance with the recordkeeping rules, LSV will retain:

- (i) Copies of its proxy voting policies and procedures.
- (ii) A copy of each proxy statement received regarding client securities (maintained by the proxy voting service and/or available on EDGAR).
- (iii) A record of each vote cast on behalf of a client (maintained by the proxy voting service).
- (iv) A copy of any document created that was material to the voting decision or that memorializes the basis for that decision (maintained by the proxy voting service).



- (v) A copy of clients' written requests for proxy voting information and a copy of LSV's written response to a client's request for proxy voting information for the client's account.
- (vi) LSV will ensure that it may obtain access to the proxy voting service's records promptly upon LSV's request.

LSV will maintain required materials in an easily accessible place for not less than five years from the end of the fiscal year during which the last entry took place, the first two years in LSV's principal office.

If a Client has elected not to have LSV vote proxies for their account, Clients will receive all voting information or solicitations directly from their custodian or proxy voting agent. Because of LSV's quantitative investment process, LSV does not formulate or provide independent analysis of proxy issues.

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

LSV has no financial commitments or arrangements that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.