

Form ADV Part 2A Brochure

Legato Capital Management, LLC

111 Pine Street, Suite #1700 • San Francisco, CA 94111

Phone: 415-821-8585 • Fax: 877-838-8304

www.legatocm.com

This Brochure provides information about the qualification and business practices of Legato Capital Management, LLC ("Legato"). If you have any questions about the contents of this Brochure, please contact us at 415-821-8585 or info@legatocm.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. Legato is an SEC registered investment adviser. This registration does not imply a certain level of skill or training.

Additional information about Legato is available on the SEC's website at www.adviserinfo.sec.gov.

March 29, 2012

Material Changes

The following is a summary of the material changes since our last annual update dated March 15, 2011:

- As of January 2012, Fawad A. Razzaque, CFA, left the firm to pursue other interests. His responsibilities will be absorbed by the remaining members of the investment team.
- As of March 2012, Godieve L.J. Mertens, CFA, left the firm to pursue other interests. Her responsibilities will be absorbed by the remaining members of the investment team.
- As of March 2012, Lusine Moshkounian joined Legato as Legal Counsel and Chief Compliance Officer.

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Advisory Business

Firm Description

Legato Capital Management, LLC (“Legato”) is an institutional investment adviser, specializing in building customized multi-manager equity portfolios across all domestic and international asset classes, styles and capitalization sizes.

On February 11, 2004, Legato filed its Articles of Incorporation with the California Secretary of State. In October 2004, Legato registered with the State of California as an independent registered adviser and, in August 2005, with the United States Securities and Exchange Commission (“SEC”).

Principal Owners

Legato is a privately held firm that is majority-owned by its employees. The principal owners are:

- Victor L. Hymes, CEO and Chief Investment Officer, a majority shareholder and the managing member of Legato; and
- Forward Management, LLC (“Forward”), an SEC registered investment adviser controlled by Gordon P. Getty.

Types of Advisory Services

Legato provides investment management services, primarily to institutional clients. Clients have the ability to impose reasonable restrictions on the management of their accounts, including the ability to instruct us not to purchase certain securities or types of securities.

Legato’s portfolio construction process is designed to integrate manager selection, asset allocation and risk management to deliver customized multi-manager portfolios. As a manager-of-managers, Legato selects other independent investment management firms (“Sub-Advisers”) and allocates a percentage of the client’s portfolio to these Sub-Advisers. The Sub-Advisers — characterized as Emerging Managers and/or Entrepreneurial Managers — tend to be smaller investment managers, with assets under management of \$2 billion or less. Legato’s strategies are offered in a separate account or a private investment fund format.

Legato serves as a manager for Legato Capital Management Ventures, LLC (“LCMV”) and Legato Capital Management Investments, LLC (“LCMI”). The principal purpose of LCMV is to locate, analyze, provide capital for and make investments in global small and emerging privately-held investment management firms. These firms manage or will manage assets of LCMI.

Assets Under Management

All of Legato's client assets are managed on a discretionary basis. As of December 31, 2011, Legato's assets under management totaled \$1,487,137,169.

Fees and Compensation

Investment Management Fees

Legato provides investment management services on a fee basis. We charge an annual fee based on a percentage of the market value of the assets we manage. Fees are negotiable, but typically range between 0.70% and 1.30% depending upon the type of strategy and the market value of the assets under management, as follows:

DOMESTIC EQUITY

On all Assets.....	Annual Fee
Small Cap	1.00%
SMID Cap	0.90%
Large Cap	0.70%
All Cap	0.75%
Micro Cap.....	1.30%

INTERNATIONAL EQUITY

On all Assets.....	Annual Fee
Large Cap	0.85%

The fees for some private fund clients may differ from the schedule above.

Fee Billing

Legato's fee schedule is typically inclusive of asset management fees for Sub-Advisers. The majority of our clients make a single quarterly fee payment to Legato, and we then compensate all underlying Sub-Advisers directly. Legato does not directly deduct fees from a client's account.

Legato prorates the annual fee and charges quarterly, in arrears. Legato bases the fee on the market value of the assets, including interest, dividends, and cash and cash equivalents as valued by an independent third party. In most cases, the independent third party is the client's custodian.

Investment Management Agreement

Prior to engaging Legato to provide investment services, we will generally require a written agreement. The agreement sets forth the terms and conditions of the engagement and describes the scope of the services to be provided. Either party may

terminate the agreement by written notice to the other. In the event the client terminates our services, the balance of any earned, unpaid fees will be due and payable at the time the account is closed.

When an account is opened after the beginning of a quarter, the market value of the account at inception is used as a valuation, and the fee is prorated for that quarter. Similarly, when the management for the account ends before the end of the quarter, the closing value of the termination date is one of the valuations used and the fee is prorated.

The terms and conditions under which Legato will engage a Sub-Adviser is set forth in separate written agreements between Legato and the respective Sub-Adviser.

Other Fees

Clients may incur certain charges imposed by banks and/or custodians. Such fees may include, but are not limited to custodial fees, charges imposed directly by a mutual fund or exchange traded fund in the account (which will be disclosed in the fund's prospectus), wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to our fee. Legato does not receive any portion of these commissions, fees or costs. Please refer to the "Brokerage Practices" section for additional information.

Other Compensation

Legato does not accept compensation for the sale of securities or other investment products.

Performance-Based Fees & Side-by-Side Management

In providing services to LCMI, we may be eligible for performance-based compensation in addition to a management fee. Performance-based fee arrangements present certain conflicts of interest. Such fee arrangement may create an incentive for Legato to recommend investments that may be riskier than those recommended under a different fee arrangement and/or to favor the performance-based fee accounts in the allocation of investment opportunities. Legato's policies and procedures ensure that we treat all clients fairly and equally, and without the influence of performance-based fees.

Types of Clients

Description

Legato provides investment advisory services primarily to institutional clients, including public and private pension plans and charitable organizations.

Account Minimums

Legato generally imposes a minimum portfolio value of \$5,000,000 for its investment management services. Legato, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future additional assets, dollar amount of assets managed, related accounts, account composition, pre-existing client, account retention, anticipated future earning capacity and pro bono activities. We only accept clients with less than the minimum portfolio size if, in our opinion, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance.

Additionally, certain Sub-Advisers may impose more restrictive account requirements than Legato. In such instances, we may alter our corresponding account requirements to accommodate those Sub-Advisers.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Legato's research methodology employs both qualitative and quantitative analysis to discover Sub-Advisers. The goal of our quantitative analysis is to identify the universe of Sub-Advisers that have demonstrated the ability to produce excess return in different market environments. Our qualitative and quantitative research focuses on evaluating the investment process, portfolio management team, research capabilities, trade execution, business operations, compliance, risk management, marketing potential, integrity and suitability.

Legato applies fundamental research to construct portfolios. We use publically available financial data to analyze the risk profile of each strategy.

Investment Strategies

Legato specializes in building customized multi-manager equity portfolios across all domestic and international asset classes and cap sizes. We construct these portfolios by combining strategies managed by the Sub-Advisers. These strategies have

complementary investment styles and we allocate a percentage of the client's portfolio to each of these Sub-Advisers.

Legato generally allocates client assets among Sub-Advisers for active discretionary management based upon the stated investment objectives of the client. In so doing, we will, directly or through the selection of Sub-Advisers, buy, sell, exchange and/or transfer shares of securities based upon the investment strategy. Clients have the ability to impose reasonable restrictions on the management of their account, including the ability to instruct us not to purchase certain securities or types of securities.

Risk of Loss

A risk of investing in a Legato multi-manager portfolio is that a Sub-Adviser selected by Legato may not meet our risk and return objectives, resulting in a portfolio with differing risk and return characteristic expectations. In addition, Legato constructs portfolios based on assumptions that the underlying fundamental company data is complete and accurate. There is a risk that the market does not price securities based on fundamental company data but on other (e.g., macroeconomic) concepts.

Investing in the securities markets involves risk of loss that each client should be prepared to bear. Investing in foreign securities markets involves additional risks including political, economic and currency risks, as well as risks associated with differing accounting methods.

Disciplinary Information

Legato has no legal or disciplinary information to disclose.

Other Financial Industry Activities and Affiliations

Forward, an SEC registered investment adviser (CRD#109193), is currently a principal owner of Legato (more than 25%, less than 50%). Legato has a three member Board of Managers. Victor L. Hymes, Legato's CEO, is one of the Managers.

Legato Employee, LLC is organized for the sole purpose of facilitating the transfer of Legato ownership profit interests to Legato employees. Victor L. Hymes is the Managing Member of Legato Employee, LLC.

Victor Hymes maintains FINRA Series 7, 24, 63 and 65 license registrations through his affiliation with Forward. Mr. Hymes has elected not to sell securities to clients. If he elects to sell securities in the future, he would be entitled to receive commissions on the sale of those securities. The commissions would be separate from and in addition to any other fees that a client may pay to Legato for investment management services.

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

Code of Ethics

Legato has adopted a Code of Ethics for all employees of the firm ("Access Persons") 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 Access Persons at Legato must acknowledge the terms of the Code of Ethics at least annually.

Personal Trading

Legato also requires that all Access Persons report their personal securities holdings annually and transactions at least quarterly. An Access Person who acquires beneficial ownership of any reportable securities is required to report transaction activity to the Chief Compliance Officer or designated officer within five (5) market-trading days of the trading activity. Written certification that the investment opportunity did not arise by virtue of the Access Person's activities on behalf of a client is also required.

Clients and prospective clients may contact Legato to request a copy of its Code of Ethics.

Brokerage Practices

Selecting Brokerage Firms

Under the multi-manager structure, in general, the Sub-Advisers will recommend or select a broker or dealer most capable of providing the services necessary to obtain the best execution of that transaction. However, upon request of the client, Legato may also make recommendations to certain Sub-Advisers for broker-dealers on behalf of the client.

Best Execution

As a matter of policy and practice, Legato conducts initial and on-going due diligence on Sub-Advisers' policies, procedures and practices regarding soft dollars, best execution and directed brokerage. Legato seeks to ensure that each Sub-Adviser complies with client guidelines and observes best practices.

The Sub-Advisers will act in accordance with their duty to obtain "best execution." However, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where a Sub-Adviser determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, financial strength, commission rates and responsiveness. While the Sub-Advisers will seek competitive rates, they may not necessarily obtain the lowest possible commission rates for client transactions.

A client may direct Sub-Advisers and/or Legato in writing to use a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and neither Legato nor the Sub-Adviser will seek better execution services, better prices or be able to aggregate client transactions for execution through other broker-dealers with orders for other accounts managed by Legato or the Sub-Adviser. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, the Sub-Adviser and/or Legato may decline a client's request to direct brokerage if, in the Sub-Adviser's or our discretion, such directed brokerage arrangements would result in additional operational difficulties.

Review of Accounts

Periodic Reviews

Members of Legato's Investment Team periodically monitor portfolios as part of an on-going process. On a quarterly basis, the Investment Team formally conducts Sub-Adviser due diligence meetings and reviews portfolio exposures relative to specific benchmarks, along with performance and risk attribution.

At least annually, Legato meets with clients for a formal portfolio review. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Legato and to keep us informed of any changes.

Regular Reports

Legato delivers customized reporting with client-specific requirements for each account. The information we provide includes, but is not limited to, monthly and quarterly reports on the total portfolio and on each Sub-Adviser in the client's portfolio:

- Legato and Sub-Adviser organizational updates
- Investment strategy review
- Performance analysis
- Total portfolio and Sub-Adviser performance
- Portfolio holdings and transactions
- Portfolio characteristics

Client Referrals and Other Compensation

Legato does not compensate any person, who is not a supervised person, for client referrals—directly or indirectly.

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. Legato urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Investment Discretion

Legato allocates client assets on a discretionary basis among Sub-Advisers for the active management of those assets, based upon the stated investment objectives of the client. In addition, clients may, in writing, place reasonable limitations upon our discretionary authority.

Voting Client Securities

Generally, Legato delegates proxy voting to the Sub-Advisers who vote according to their policies. As a matter of policy and practice, Legato conducts initial and on-going due diligence on the Sub-Advisers' policies, procedures and practices regarding proxy voting. Legato seeks to ensure that each Sub-Adviser complies with client guidelines and observes best practices regarding proxy voting.

In the event of a conflict of interest between the client and a Sub-Adviser, the client will determine by whom and how the shares are voted. A client may also elect to vote its own proxies and will receive its proxies or other solicitations directly from their custodian or transfer agent.

Clients may obtain their voting records and the Proxy Voting policies and procedures for Sub-Advisers upon request.

Financial Information

Legato has never been the subject of a bankruptcy petition and we are not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to clients.

Legato does not require or solicit prepayment of fees.

Additional Information

As part of our fiduciary duty to our clients and as a matter of best business practices, Legato has adopted policies and procedures for disaster recovery and for continuing our business in the event of an emergency or a disaster. Legato's Business Continuity Plan is available upon request.