

**Part 2A of Form ADV: *Firm Brochure***

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This brochure provides information about the qualifications and business practices of Shaker Investments. If you have any questions about the contents of this brochure, please contact us at 216-292-2950 or [kacie@shakerinvest.com](mailto:kacie@shakerinvest.com). 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.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about Shaker Investments also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 119135.

## **Item 2    Material Changes**

This Firm Brochure, dated 03/23/2015, provides you with a summary of Shaker Investments' advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform of the revision(s) based on the nature of the information as follows.

1. Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
2. Material Changes: Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

The following summarizes new or revised disclosures based on information previously provided in our Firm Brochure dated 02/27/2014:

### **SIGNIFICANT CHANGES**

Under "Item 4 Advisory Business" Client Assets now shows \$136.9 million in assets under management as of March 13, 2015.

Under "Item 8 Methods of Analysis, Investment Strategies and Risk of Loss" we have updated the portfolio turnover numbers for 2014 and the comparative returns for the one year, three year, five year and since inception periods ending December 31, 2014.

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## **Item 4     Advisory Business**

Shaker Investments, LLC (also referred to in this document as Shaker Investments, Shaker, or the Adviser) is an SEC-registered fee based investment adviser with its principal place of business located in Ohio. Shaker Investments, LLC began conducting business in 1991.

Shaker Investments is owned by founder Edward Hemmelgarn.

Shaker Investments offers the following advisory services to our clients:

### **INDIVIDUAL ACCOUNT MANAGEMENT**

Shaker Investments is primarily an equity manager specializing in the stocks of growth companies. Shaker manages and makes the investment decisions for the funds in client accounts. This means we direct the purchase and sale of assets as we deem appropriate, and the reinvestment or holding for reinvestment, of any proceeds of sales or trades, or dividends that may be paid into the account.

Our clients' accounts are individually managed accounts that are invested according to a model portfolio strategy that is defined and managed by our portfolio managers Edward Hemmelgarn and Sasha Kostadinov. We currently offer two long-only model portfolio investment strategies. These are our All-Cap Growth portfolio and our Small-Cap Growth portfolio strategies. The All-Cap Growth portfolio strategy invests in growth companies over a wide range of market capitalization that includes large (more than \$10 billion in market value), medium (\$3 billion to \$10 billion in market value) and small (\$3 billion or less in market value) capitalization stocks. The majority of the stocks in this portfolio strategy are small and mid-cap stocks. The stocks in the All-Cap Growth portfolio strategy have a median market capitalization of \$7.4 billion. The Small-Cap Growth portfolio strategy also invests in growth companies and is focused on the small capitalization end of the equity markets. All stocks purchased for our clients trade on U.S. stock exchanges, or over the counter, though a number of them may be companies headquartered outside of the United States.

Our investment decisions are not limited to any specific product, service or security recommendation offered by a broker dealer or insurance company, but represent the results of research conducted at Shaker by our own analysts and portfolio managers.

Because some types of investments such as micro cap stocks or thinly traded stocks involve certain additional degrees of risk, they will only be implemented when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

We manage all advisory accounts on a discretionary basis. Through initial discussions with the client in which the client's goals and objectives are established, we initially determine whether our model portfolio strategy is suitable to the client's circumstances. Once we confirm suitability, accounts are managed on a discretionary basis based on the selected portfolio strategy. Clients have the opportunity to tailor our services to fit their individual needs. This may take the form of the maintenance of cash balances for periodic withdrawal, investment in an area of interest to a client, the inclusion of a fixed income (bond) component as directed by the client, or the placement of reasonable restrictions on the types of investments to be held in their account. Tax efficiency is also considered in our management

strategies, though Shaker is not a tax adviser, nor do we offer tax advice. Shaker does not have custody of the accounts, and clients retain individual ownership of all securities.

Client portfolios are reviewed internally at least quarterly and any time a change is made to the individual stocks held in the account, or upon deposit or withdrawal of capital.

To ensure that our initial determination of an appropriate portfolio strategy remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances, we encourage clients to discuss their accounts and any changes in their circumstances that could influence the suitability of the strategy used for managing their account.

Shaker Investments, LLC is also the Investment Manager for the Shaker Investments Tower Fund, L.P. which is open only to accredited investors (the "***Tower Fund***"). The Tower Fund is a long - short hedge fund which invests in stocks that trade on a U.S. stock exchange.

Additional information on the portfolio management strategies and the Tower Fund, L.P. is provided in the section entitled "Investment Strategies."

## **CLIENT ASSETS**

As of March 13, 2015 Shaker Investments managed a total of \$136.9 million in assets for our clients

### **Item 5 Fees and Compensation**

#### **ACCOUNT MANAGEMENT FEES**

Individual Client Accounts are charged a quarterly fee of 0.25% of the amount of the account balance under management, for a total of 1% on an annual basis as specified in the contract between the adviser and each client. Fee levels for accounts greater than \$10.0 million may be negotiable.

Fees for our individual clients are billed, and are due, at the beginning of each calendar quarter, for that quarter. For the first quarter an account is managed by Shaker the fees are prorated over the number of days the account was under management in the quarter and billed in arrears along with the fee for the following quarter. Thereafter, Shaker will bill the client's account directly on a quarterly basis, in advance, for its management fees. The account balance used in the calculation is the net balance in the account as of the closing day of the prior quarter. Any additional funds deposited into a client account during a quarter are billed on a prorated daily basis for the quarter. The prorated billing is in addition to the amount charged for the next regular quarterly billing, and will appear in the next billing.

If an account is closed during a quarter, the client will receive a refund of any unearned fees that have already been paid to Shaker, pro rated according to the number of days remaining in the billing period. As part of our Management Agreement Clients authorize the custodian for the account to deduct the Shaker Investments management fee directly from the account upon presentation of an appropriate invoice showing the calculation of the fee. A copy of this invoice will also be sent to each client concurrently. If a client uses more than one custodian for a single account, Shaker may send a single invoice to one custodian even if fees reflected on that invoice relate to securities held by other custodians as well. Unless otherwise

arranged in advance by the Client with the custodian(s), the Client, and not the custodian(s), will be responsible for verifying the accuracy of the fee calculations on Shaker's invoices and for reconciling payments by the custodian with the amounts of the invoices. We urge clients to check all Shaker statements carefully against the regular quarterly statement prepared by their custodian. A Shaker Investments client service representative is available to assist you and to help answer any questions related to your statement.

Fees charged to Limited Partners in the Tower Fund, L.P. may include an incentive performance fee. All fees charged to Tower Fund investors are described in detail in the offering memorandum.

Discounts, not generally available to our advisory clients, may be offered to family members of associated persons of our firm.

## GENERAL INFORMATION

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Shaker Investments does not benefit from transaction and brokerage costs incurred in client accounts except to the extent of "soft dollars". Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***Grandfathering of Minimum Account Requirements:*** Pre-existing advisory clients are subject to Shaker Investments' minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

***Fiduciary Duty Prohibits Certain Fees:*** Shaker Investments is deemed to be a fiduciary to advisory clients including clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Shaker Investments and our related persons do not receive any commissions or 12b-1 fees for the sale of any securities or other products.

***Advisory Fees in General:*** Clients should note that similar advisory services may be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of

fees in excess of \$1,200 more than six months in advance of services rendered.

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

### **PERFORMANCE-BASED FEES**

As we disclosed in Item 5 of this Brochure, Investors who are Limited Partners in the Tower Fund may be charged an incentive performance fee. This fee is fully defined in the offering memorandum. The performance fee in the Tower Fund may encourage Shaker to take additional risks in making investments in order to increase that fee. Because Shaker Investments can earn a performance fee based on the performance of the Tower Fund, there is a potential that the investment performance in the Tower Fund may result in a greater benefit to Shaker Investments than the same performance in an individual account managed by Shaker. There is, therefore, a potential that Shaker may have an incentive to direct certain investment opportunities to the Tower Fund in preference to the other accounts managed by Shaker. In addition, because Shaker charges a performance fee in the Tower Fund, it has incentive to place higher risk, more volatile investments in the Tower Fund to earn higher performance fees.

However, Shaker has policies and practices that are intended to address these conflicts of interest. First, a majority of the assets held in the Tower Fund were invested by the Shaker management team. This aligns the interest of the Tower Fund's investment managers directly with the interests of the limited partner clients. Second, the incentive to take more risk because of the performance fee is mitigated by the fact that the Tower Fund's incentive performance fee structure uses a "high water mark" so that any losses experienced by limited partner clients must be recovered before an incentive performance fee is charged. Finally, the total client assets under management is small enough such that there is no investment opportunity that is so limited in size that Shaker's investment managers would be unable to include it in all the Shaker portfolios for which it met the investment criteria. See also Item 10 – Other Financial Industry Activities and Affiliations. There is no incentive performance fee of any kind for Individual Account clients.

## **Item 7 Types of Clients**

Shaker Investments provides advisory services to high net worth individuals, individuals (other than high net worth individuals), trusts, institutions, pension funds and profit sharing plans, endowments or other entities and the Tower Fund LP which is a long-short hedge fund. We manage taxable margin and non-margin accounts, Individual Retirement Accounts (IRA), Roth IRA's and other non-taxable accounts.

### **ACCOUNT MINIMUMS**

Shaker Investments prefers to accept for management Client Account relationships (one or more accounts owned by the same individual) totaling a minimum of \$200,000. Smaller account minimums may be accepted at the discretion of the Portfolio Managers. The Tower Fund has a minimum for new limited partners of \$500,000. In order to invest in the Tower Fund, an investor must meet other requirements stipulated by the SEC. These requirements are discussed fully in the offering memorandum.

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

### **METHODS OF ANALYSIS**

Shaker Investments is a research driven firm. Our investment decisions are based on fundamental research on economic trends, investment themes and individual companies that we perform along with information available from other analysts, economists, the Federal Reserve banks, and the federal government. We start our analysis by considering and analyzing economic and demographic trends because changes in populations and economic conditions strongly influence the prospects of industries and individual companies. An understanding of the economic outlook and demographic factors helps us formulate and recognize growth investment themes and, based on those themes, the industries and then the companies that are likely to benefit. For example, in the 1990's, recognizing that the costs of computing and data communications were declining dramatically every year, and understanding the factors driving those cost reductions led us to the realization that the demand for computers and the data networks used to connect them was very likely to grow. This, in turn, suggested that companies in the computer, semiconductor and networking equipment industries should be of interest as investment candidates. Accordingly, during this period, Shaker's All-Cap Growth Equity Composite was overweighted with the companies in the technology sectors which we believed would be major beneficiaries of these trends.

Having identified industries of interest, we identify companies of interest within the target industries. We evaluate the companies to determine which ones we believe are superior to their competition and, most importantly, which ones we believe are superior growth investment candidates. In making this evaluation we use a variety of information sources and criteria. The information sources may include Commission filings by the company, meetings with company management, contacts with professionals in the same industries, meetings and presentations at investment and trade conferences, business publications, online databases and research obtained from brokerage firms. Among the evaluation criteria is a group of eleven characteristics developed by Shaker that helps determine what we call "fundamental superiority". The group is shown below.

### **Looking For 11 Characteristics of Superior Growth Companies**

#### **3 Growth**

- Minimum Industry Revenue Growth of Approximately 5-10% Per Year
- Company Growth Faster than Industry, ~10% - 25% Per Year
- Company Can Grow Both Near Term and Long-term

#### **4 Sustainable Competitive Advantage**

- Lower Cost Structure
- A Brand Name
- Limited Competition Due to Regulatory Constraints
- Unique Application Knowledge or Patents



- A Dominant Market Position

## **5 Strong Management**

- Cohesive, Strong Management
- Realistic, Timely Responses to Challenges

## **6 Market Leadership**

- Strong Niche Products or Services
- Ranking in Top Three Market Share

## **7 Focused**

- No Conglomerates
- Management Focused on One Business

## **8 Many Customers and/or Many Products**

- Not Dependent on a Few Customers
- Not Dependent on a Few Products

## **9 Quality Leadership in Products or Services**

- Companies Recognized by Customers as “Being the Best at Meeting Their Needs”
- Determined by Discussions with the Company, Customers and Competitors

## **10 New Products/Service Development**

- Significant and Consistent Development of New Products

## **11 Positive Earnings or Cash Flow**

- Not Dependent on External Equity Capital to Remain in Business
- Management Team Focused on Making Money

## **10 Conservative Financial Statements**

- Conservative Balance Sheet – Especially Assets
- Significant Cash Positions
- Strong Cash Flow

## **11 Significant Insider Ownership**

- Management Owns a Significant Interest in the Company
- Management’s Interests are Aligned with Shareholders

We screen and evaluate a large number of companies in order to identify 150 to 200 companies that rate highly on the above criteria. We focus our research on this subgroup. **Value** is a key consideration. Even a company that meets all of our criteria for industry, quality, sustainable advantage and growth can be a poor investment if we purchase the shares at too high a price. For this reason, as part of our process, we analyze the valuations of each company’s stock relative to the market, the industry, other companies in the subgroup, each company’s expected growth in earnings and its historical valuation using a variety of measures. Among these measures are price to earnings (P/E both trailing and prospective), price to book, price to sales, P/E to earnings growth rate, and price to cash-flow.

Our ultimate goal is to select for our portfolio strategies companies that we believe have superior businesses, are capable of sustaining above market rates of growth and whose potential value is not already fully reflected in the company's stock price. The fundamental analysis described above does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

In the following sections we further describe our investment strategies and discuss how we construct portfolios, our buy and sell disciplines, our historical performance and the risks inherent to equity investing.

***Risks for all forms of analysis:*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about the companies and the securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT STRATEGIES**

The investment strategies for Shaker's All-Cap Growth Equity, Small-Cap Growth Equity and Tower Fund portfolios are discussed in the following sections. A more complete discussion of the Tower Fund and the investment strategies it employs are contained in the offering memorandum which is furnished to interested accredited investors on a privately solicited basis.

### **All-Cap Growth Equity Composite**

The All-Cap Growth Equity Composite portfolio was begun on October 1, 1991. The portfolio strategy's goal is to achieve superior long-term equity returns by investing in growth stocks. The portfolio is concentrated and typically consists of some 20 to 50 long positions. These positions are in stocks of United States based companies that the portfolio manager believes are capable of achieving 15%-20% annual growth in earnings over a three to five year period. In addition to U.S. based companies, a small number of foreign based stocks or ADR's may be included in the portfolio. All investments, both domestic or foreign, trade on U.S. stock exchanges. Shaker seeks to enhance the after tax returns realized by portfolio clients by investing in companies with excellent long-term potential and deferring the recognition of gains (when not in conflict with the goal of maximizing returns) until they can be recognized and taxed as long-term capital gains. Investments are chosen from companies with market capitalizations in the range of \$50 million to more than \$300 billion, effectively all capitalization ranges, although the majority of stocks in the portfolio generally are small and mid cap stocks. All investments are researched prior to investment and closely followed after being put into the portfolio. Stocks are chosen in accordance with the methods of analysis described above in the section entitled "Methods of Analysis." Although not all of our purchases result in long-term holdings, we generally purchase securities with the objective of holding them in the client's account for a year or longer. Stocks will be sold from the portfolio and replaced when the portfolio manager believes a better investment is available, when the portfolio manager believes the company is overvalued relative to its expected growth potential, when a company's outlook has fundamentally changed, or to limit portfolio concentration. The portfolio will usually be fully invested in equities. The portfolio manger

may raise cash as a percent of the portfolio by selling investments when he believes market conditions warrant having increased cash levels. For the twelve month period ending December 31, 2014 the All-Cap Growth Equity Composite across all managed accounts had an average portfolio turnover of 51.28%.

As an all-cap product, it is appropriate to compare this strategy with indices that have exposure to stocks of all capitalizations. We think that the Russell 3000 Index and the NASDAQ Composite Index are appropriate comparables. The table below compares the average annual returns of the All-Cap Growth Equity Composite with the returns for the Russell 3000 Index and the NASDAQ Composite Index over the one, three, and five year periods, and since inception of the All-Cap Composite (October 1, 1991) ending December 31, 2014. The table reflects returns for the All-Cap Growth Equity Composite after deduction of a 0.25% management fee every quarter (or 1.0% annually).

The risks of this investment strategy include the risks that the information we've used may prove inaccurate, our assumptions and projections may prove wrong, market conditions may change adversely and rapidly and geo-political events could develop in ways that cause equity markets to decline. The All-Cap Growth Equity portfolio is more concentrated than indices or portfolios that contain hundreds of stocks. This concentration can present additional risks.

#### **Comparative Average Annual Returns for Periods Ending December 31, 2014**

Period / Return	1 Year	3 Year	5 Year	Since 10/1/1991*
All-Cap Growth Composite**	-0.68%	16.30%	13.20%	12.77%
Russell 3000 Index	12.56%	20.51%	15.63%	9.83%
NASDAQ Composite Index	14.75%	23.60%	17.19%	10.55%

\* All-Cap Growth Equity Composite date of Inception

\*\*All-Cap Growth Equity Composite returns shown have been computed after deducting a management fee of 0.25% per quarter. Past performance is not predictive or indicative of future results.

#### **Small-Cap Growth Equity Composite**

The Small-Cap Growth Equity Composite portfolio was established July 1, 2004. The portfolio strategy seeks to achieve superior long-term equity returns by investing in small capitalization growth stocks. In general, Shaker defines small capitalization as companies with a range of market values between \$50 million and \$3.0 billion. The portfolio manager's objective is long-term capital appreciation while outperforming the Russell 2000 Growth Index with volatility similar to the Russell 2000 Growth Index. The portfolio is concentrated with typically 25-40 positions. These positions are in stocks of United States based companies that the portfolio manager believes are capable of achieving 15%-20% annual growth in earnings over a three to five year period. In addition to U.S. based companies, a small number of foreign based stocks or ADR's may be included in the portfolio. All investments, both domestic and foreign, trade on U.S. stock exchanges. In pursuing superior long-term gains, Shaker tries to emphasize stock picking rather than sector selection. The sector weightings in the Small-Cap

Growth are tracked and the portfolio manager will seek to limit the portfolio's sector concentrations to within plus or minus 10% of the sector weightings of the Russell 2000 Growth Index sector weights.

Shaker seeks to enhance the after-tax returns realized by portfolio clients by investing in companies with excellent long-term potential and deferring the recognition of gains (when not in conflict with the goal of maximizing returns) until they can be recognized and taxed as long-term capital gains. For the twelve month period ending December 31, 2014 the Small-Cap Growth Equity Composite had an average portfolio turnover of 81.76%. All investments are researched prior to investment and closely followed after being put into the portfolio. Stocks are chosen in accordance with the methods of analysis described above in the section entitled "Methods of Analysis." Stocks will be sold from the portfolio and replaced when the portfolio manager determines that a better investment is available, the company is overvalued relative to its expected growth potential, or in order to limit portfolio concentration. The portfolio will usually be fully invested in equities. The portfolio manager may raise cash as a percent of the portfolio by selling investments when he believes market conditions warrant having increased cash levels. Small-cap stocks are usually less liquid and often more difficult to buy and sell than larger capitalization stocks. For these reasons, investing in small capitalization stocks can present increased risk of loss.

As a small-cap stock portfolio, it is appropriate to compare the returns of the Small-Cap Growth Equity Composite to the returns of small-cap indices. We think that the Russell 2000 Index and the Russell 2000 Growth Index are appropriate comparables. The table below compares the average annual returns for the Small-Cap Growth Equity Composite with the total returns for the Russell 2000 Growth Index and the Russell 2000 Index over the one, three, and five year periods ending December 31, 2014 and for the period since the composite's inception. The table reflects returns for the Small-Cap Growth Equity Composite after deduction of a 0.25% management fee every quarter (or 1.0% annually).

#### **Comparative Average Annual Returns for Periods Ending December 31, 2014**

Period / Return	1 Year	3 Year	5 Year	Since 7/1/2004 *
Small-Cap Growth Equity Composite**	-6.38%	11.64%	11.87%	7.66%
Russell 2000 Growth Index	5.60%	20.14%	16.80%	8.93%
Russell 2000 Index	4.89%	19.21%	15.55%	8.44%

\* Small-Cap Growth Equity Composite date of inception.

\*\*Small-Cap Equity Growth Composite returns shown have been computed after deducting a management fee of 0.25% per quarter. Past performance is not predictive or indicative of future results.

#### **Shaker Investments Tower Fund, L.P.**

The Shaker Investments Tower Fund began operations on January 1, 1999. The Tower Fund is a long-short hedge fund which invests in growth stocks that trade on a U.S. stock exchange. Shaker Investments, LLC is the fund manager. The fund's objective is long-term

capital appreciation with high tax efficiency. The fund typically holds 40 to 60 long positions and 25 to 40 short positions. Stocks are selected across all market capitalizations, but the fund often has an above-market weighting in small and mid capitalization stocks. Margin is the only leverage used by the fund. Historically the fund has ranged between 60% and 130% net long. Realized taxable income has mainly been in the form of long-term capital gains. All investments are thoroughly researched prior to investment and closely followed after being put into the fund. Long stocks are chosen in accordance with the methods of analysis described above in the section entitled "Methods of Analysis." Short positions consist of individual stocks that the fund manager believes are overvalued, or ETFs selected as a hedge on one or more long positions. Shorting of stocks and ETFs involves increased risk of loss. Investment in less liquid small capitalization stocks may also involve increased risk of loss. The Tower Fund invests in both of these asset classes, and incurs increased risk by doing so. The Tower Fund also restricts withdrawals thereby imposing additional risks. The Tower Fund has a performance incentive fee structure that may also increase risk.

The Tower Fund is offered on a private placement basis to qualified investors. Accordingly, performance data of the Tower Fund is not included here.

### **Risk of Loss**

Investing in corporate securities involves unpredictable risk of loss that clients should be prepared to bear. Past returns are not an indicator of future performance. For this reason, we advise our clients not place in their managed account funds required to meet ongoing living expenses or possible emergency needs and only invest funds for management that they are able and willing to place at risk of substantial loss.

Investing in the Tower Fund entails additional risks which include risks involved in shorting stocks and in more frequent trading which increases transaction costs. The risks are further discussed in the fund's offering memorandum.

## **Item 9 Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

### **Material Relationships or Arrangements with Financial Industry**

The principals of Shaker Investments are also the principals of Shaker Hedge, GP the entity formed as the General Partner of the Tower Fund (the Fund). The General Partner has designated Shaker Investments as having primary responsibility for investment management and administrative matters, such as accounting, tax and periodic reporting, pertaining to the Fund. Shaker Investments and our members, officers and employees will devote to the Fund as much time as we deem necessary and appropriate to manage the Fund's business.

Shaker Investments is not restricted from forming additional investment funds or entering into other investment advisory relationships, even though such activities may involve substantial time and resources of our firm. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of our management personnel and employees might not be devoted exclusively to the existing business of Shaker Investments. The Tower Fund is a private investment fund, in which only accredited investors may invest as limited partners. Shaker may solicit clients, on a private basis, to invest in the Tower Fund. At the time of this disclosure document, approximately 25% of Shaker Investments' clients are invested in this fund.

Because Shaker recommends the purchase of the Tower Fund to some clients, and the General Partner of the Tower Fund is owned by principals and employees of Shaker Investments, and Shaker Investments is the investment adviser for the Tower Fund, this may result in one or more conflicts of interest. Shaker Investments and its principals will receive compensation from the Tower Fund as a result of their positions as investment adviser and General Partner to the fund. This means that Shaker Investments and its principals each have an incentive to recommend that Shaker clients purchase partnership interests in the Tower Fund, even if such an investment would not be appropriate for such client. In order to address these potential conflicts of interest, Shaker has adopted a Code of Ethics and compliance policies and procedures (see Item 11 "Code of Ethics..."). Shaker's policies and procedures state that all Shaker employees recognize that they have a fiduciary responsibility to all of our clients and it is their duty to place the interests of the client first, and that all personal investment activities be conducted in such a manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility. Furthermore, Shaker discloses to all investors and prospective investors in the Tower Fund the nature of the fund's ownership structure and incentive fee arrangement. For additional potential conflicts of interests and the policies of Shaker that address such matters, see Item 11 – "Invest in Same Security Recommended to Clients" for a description of potential conflicts of interest that this may create and how Shaker addresses these matters so as to minimize such risks.

Our firm and our related persons are not engaged in any other financial industry activities and have no other industry affiliations.

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

### **CODE OF ETHICS**

Shaker Investments has established a Code of Ethics which governs the employment and actions of all employees. The Code of Ethics was adopted pursuant to Commission Rule 204A-1, and is meant to ensure that all Shaker Investments personnel are in compliance with Commission regulations for Registered Investment Advisers, including compliance with applicable federal securities laws. The Code of Ethics recognizes that Shaker Investments and our employees have a fiduciary responsibility to our clients, and all our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that

guide the Code. The Code requires that employees place the interests of Clients first, and that any and all personal securities transactions by employees at all times avoid conflicts or potential conflicts of interest between themselves and our clients, and do not abuse their position of trust and fiduciary responsibility.

Our Code of Ethics requires all employees to submit initial and annual securities holdings reports as well as copies of their quarterly brokerage reports for the review of employee securities transactions. The Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. The code further prohibits Shaker Investments and individuals associated with our firm from engaging in principal transactions and agency cross transactions. The code also provides for oversight, enforcement and record keeping provisions.

Shaker Investments' Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [kacie@shakerinvest.com](mailto:kacie@shakerinvest.com), or by calling us at 216-292-2950. The disclosures and policies cited below are taken from or paraphrased from the Code of Ethics.

### **Recommend Securities with Material Financial Interest**

The Shaker Investments Code of Ethics require that no director, officer, general partner or employee of Shaker Investments, LLC shall recommend any securities transaction for any account, including the purchase or sale of a security, without having disclosed his or her interest, if any, in such security or the issuer thereof, including without limitation, (i) his or her direct or indirect beneficial ownership of any security of such issuer, (ii) any contemplated transaction by such person in such security, (iii) any position with such issuer or its affiliates, and (iv) any present or proposed business relationship between such issuer or its affiliates, on the one hand, and such person or any party in which such person has a significant interest, on the other. This set of requirements is designed to assure that the personal securities transactions, activities and interests of our employees 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.

### **Invest in Same Securities Recommended to Clients**

The equity investment accounts of all directors, officers, general partners or Advisory Persons of Shaker Investments, LLC are required to be managed by Shaker. These Shaker personnel may own securities that are also owned in client accounts. They are prohibited from trading in securities substantially identical to those held in client accounts if the security is being considered for purchase or sale by the Adviser and from trading securities being considered for purchase in client accounts. It is the expressed policy of Shaker that no employee may purchase or sell any security prior to any transaction(s) in that security being implemented for an advisory account, thereby preventing any employee from benefiting from transactions placed on behalf of advisory clients.

The securities owned by the Tower Fund are traded on the same trading desk as the securities traded for Shaker Investment's clients. In some instances the same securities owned in our Small-Cap or All-Cap Growth strategies are owned in the Tower Fund. In these situations trades for the Tower Fund are handled in the same manner as trades for our other institutional clients. Trading sequence and priority are decided by a rotation that alternates between institutional and individual clients, and within each category is randomly allocated so that no single account is traded in a sequence that gives that account an advantage over any other account. In addition, order execution is alternated during the trading of a security so that no account, including the Tower Fund, receives an unfair advantage. Trading rotation policies are documented in the Adviser's Trading Policy and Procedure Manual and are available to clients on request.

### **Personal Trading Policies**

All trading in the personal accounts of Shaker employees must be done on the Shaker trading desk, documented and pre-approved by a portfolio manager and the Chief Compliance Officer. Either one may withhold approval if they see any conflict or potential conflict with the interests of Shaker's clients.

## **Item 12 Brokerage Practices**

Shaker Investments does not maintain custody of client assets that we manage. Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or a bank. We often recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a FINRA registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and provide Shaker with a web based trading platform that allows us to buy and sell securities in your account.

Schwab provides Shaker Investments with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to our firm other products and services that benefit Shaker Investments but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts,



including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that

- i. provide access to client account data (such as trade confirmations and account statements);
- ii. facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- iii. provide research, pricing and other market data;
- iv. facilitate payment of our fees from clients' accounts; and
- v. assist with back-office functions, recordkeeping and client reporting.

While we may recommend that you use Schwab as custodian/broker, you may decide to use any custodian/broker you wish. You will open your account with your selected custodian/broker by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. We will be happy to work with the custodian/broker that you select to hold your account.

Generally all trades in individual accounts are executed through the custodian/broker for that account. The client pays the trading execution fee charged by his custodian/broker on each trade according to the agreement in place between the client and the custodian/broker. Shaker does not receive any compensation from these trades.

In Institutional accounts and the Tower Fund, Shaker has more discretion over where a trade is executed. In these cases, Shaker Investments will endeavor to select those brokers or dealers which will provide the best services at competitive commission rates. Among the criteria used in selecting a broker are the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help Shaker Investments in providing investment management services to clients. Shaker Investments may therefore use a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

Consistent with obtaining best execution for clients, Shaker Investments may direct brokerage transactions for clients' portfolios to brokers who provide research and execution services to Shaker Investments and, indirectly, to Shaker Investments' clients. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment our own internal research and investment strategy capabilities. This may be done without prior agreement or understanding by the client (and done at our discretion). Research services obtained through the use of soft dollars may be developed by brokers to whom brokerage is directed or by third-parties which are compensated by the broker. Shaker Investments does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research we receive will help us to fulfill our overall duty to our clients. Shaker Investments may not use each particular research service, however, to service each client. As a result, an Institutional client or the Tower Fund may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Broker-dealers we select may be paid commissions for effecting transactions for our

clients that exceed the amounts other broker-dealers would have charged for effecting these transactions if Shaker Investments determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to its ('brokerage') discretionary client accounts.

Certain items obtainable with soft dollars may not be used exclusively for either execution or research services. The cost of such "mixed-use" products or services will be fairly allocated and Shaker Investments makes a good faith effort to determine the percentage of such products or services which may be considered as investment research. The portions of the costs attributable to non-research usage of such products or services are paid by our firm to the broker-dealer in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934.

When Shaker Investments uses client brokerage commissions to obtain research or brokerage services, we receive a benefit to the extent that Shaker Investments does not have to produce such products internally or compensate third-parties with our own money for the delivery of such services. Therefore, such use of client brokerage commissions results in a conflict of interest, because we have an incentive to direct client brokerage to those brokers who provide research and services we utilize, even if these brokers do not offer the best price or commission rates for our clients. Trades executed at brokers in exchange for providing research are generally charged at a rate of \$0.05 per share.

Shaker also executes trades on the Bloomberg Tradebook platform for Institutional accounts. These trades are charged a fee of \$0.04 per share. Shaker receives a "soft dollar" credit of \$0.03 per share on these trades which is accumulated in a "soft dollar account". The "soft dollars" are used by Shaker to pay for research software and services which help our portfolio managers make better decisions and is beneficial to all of our clients, including individual clients who are not paying for the trades that generate the "soft dollars."

Within our last fiscal year, we have obtained the following products and services on a soft-dollar basis:

- Bloomberg Information Services
- Dow Jones News Service
- Thomson Reuters Knowledge
- TrimTabs
- CornerStone Macro LP - economic analysis and forecasting
- NYSE Market Inc
- Intrinsic Research Systems

Shaker Investments will "block" trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Shaker Investments will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Shaker Investments'

block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Shaker Investments, or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Shaker Investments to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 8) Shaker Investments' client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- 9) Funds and securities for aggregated orders are clearly identified on Shaker Investments' records and to the broker-dealers or other intermediaries handling the transactions, by the

appropriate account numbers for each participating client.

10) No client or account will be favored over another.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Shaker Investments. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend that clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Shaker does not steer executions to brokers in exchange for client referrals. Shaker may allow large institutional clients to direct trades to, not only their custodial broker, but other brokers if this practice is included in such client's Management Agreement. In the event that a client directs Shaker to execute transactions for their accounts through a particular broker-dealer, this direction may impede Shaker's ability to obtain best execution for the client. In these circumstances, Shaker may not have the ability to negotiate commissions, obtain volume discounts or otherwise obtain best execution for such client.

### **Item 13    Review of Accounts**

Shaker Investments reviews Shaker's portfolio performance on a monthly basis to gain a better idea of how we are performing against comparable indices and to help us to better achieve our investing goal of superior long-term capital appreciation for our clients.

We encourage our clients to schedule a review with us of their accounts on an annual basis to discuss their investment goals, review account performance and status, discuss our investment strategies or to help us to have a better understanding of how we can help you meet your investing goals.

#### **Review Triggers**

Shaker does not apply any specific review triggers for review of accounts with our clients.

#### **Regular Reports**

Shaker provides all individual account clients a quarterly report which shows your account's performance positions, and value for the quarter. See Item 15 "Custody" for a more detailed discussion of account reporting.

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

### **CLIENT REFERRALS**

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our Firm Brochure) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

Sales practices for the Tower Fund are described in the offering memorandum.

It is Shaker Investments' policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm may directly debit advisory fees from non-IRA client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, Shaker provides all individual account clients a quarterly report which shows your account's performance for the quarter, and the account's positions and the value of each position. The report for the fourth quarter of the year includes a compilation of income, capital gains, capital losses and dividends for the year which may be used in preparing income tax filings. In addition, on a monthly basis Shaker does an internal reconciliation for each client account.

This process compares our internal account information with the monthly information provided to us by each of the account custodians. For each account we confirm that all positions match, all balances are the same, and that all trades are properly recorded and in agreement with the information we receive from the account custodian.

We urge our clients to carefully compare the information provided on your quarterly Shaker statements with the information provided by the statements received from your account custodian to ensure that all account transactions, holdings and values are correct and current. If there are any discrepancies or questions, please contact Shaker and your custodian/broker. We will be happy to assist you in reconciling any differences.

Investors in the Tower Fund receive a similar quarterly report showing the fund's performance and the value of their capital account at the beginning and end of each quarter. Tower Fund Investors also receive a copy of the annual audit report for the fund, and a form K-1 for preparing and filing income tax returns.

Our firm does not have actual or constructive custody of client accounts.

## **Item 16 Investment Discretion**

Shaker has discretionary authority to trade securities in all client accounts as stated in our Management Agreement with the client. This discretionary authority remains in effect for the one year term of the Management Agreement and any subsequent automatic renewals of that agreement. Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

We do accept trading directions directly from clients in writing. For example clients may request the purchase or sale of specific investments, prohibit the purchase or sale of specific stocks, or require that a certain level of cash be maintained in the account. Clients may also change/amend such limitations by once again providing us with written instructions.

We are ready at any time to discuss your needs and how we can best meet them.

Included in our Management Agreement is a Limited Power of Attorney which formally gives Shaker the discretionary investment authority over the accounts we manage for our clients. The custodian/broker that you have selected is given a copy of the Management Agreement when you become a Shaker Client.

## **Item 17 Voting Client Securities**

We vote proxies for some, but not all of our clients. Clients may in writing request Shaker to vote their proxies in which case Shaker will exercise proxy voting rights with respect to the assets in the client's account in accordance with our determination of what we believe is in the best interest of the client.

Clients may at their election, choose to receive proxies related to their own accounts, in which case we may consult with clients as requested. Unless requested in writing to exercise proxy voting rights, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

For accounts subject to the Employee Retirement Income Security Act (ERISA) – generally pension fund clients- Shaker will exercise proxy voting rights with respect to the assets in the Account, in accordance with the investment guidelines and policies applicable to the assets in the Account, as provided to Shaker from time to time, in writing, by Client.

In the case of the Tower Fund, Shaker exercises the right and responsibility for voting proxies in accordance with our determination of what is in the best interest of the Tower Fund's Limited Partners.

A copy of Shaker's complete proxy voting policy is available upon written request. In addition, information on how specific proxies have been voted is available upon written request.

In the event of legal proceedings involving companies whose securities are held in the client's account(s), e.g. class action settlements on behalf of securities holders, we will make commercially reasonable efforts to assist the client in responding to and participating in the settlement in a timely manner, including, but not limited to, the filing of "Proofs of Claim." If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

Shaker will file all applicable claims on behalf of the Tower Fund.

## **Item 18 Financial Information**

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Shaker Investments has no such financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Shaker Investments has not been the subject of a bankruptcy petition at any time.