

# MARSICO CAPITAL MANAGEMENT, LLC®

## FORM ADV PART 2A FIRM BROCHURE

**March 29, 2018**

This brochure (“brochure” or “Part 2A”) for clients and prospective clients of Marsico Capital Management, LLC (“MCM”) provides information about the qualifications and business practices of MCM. If you have any questions about the contents of this brochure, please contact us at 303-454-5600 or at [compliance@marsicocapital.com](mailto:compliance@marsicocapital.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.

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

## **Item 2. Material Changes**

None.

This Part 2A client brochure dated March 29, 2018 is the annual update to the previous annual brochure dated March 28, 2017. This update has not introduced material changes to the March 28, 2017 Part 2A brochure, but contains routine updates or enhanced disclosure in certain areas including:

- Item 4 regarding advisory clients and assets under management.
- Item 5 regarding advisory fees.
- Item 8 regarding investment methods and risk disclosures.
- Item 11 regarding allocations of syndicated offerings.
- Item 12 regarding trading issues such as counterparty risks, soft dollars, and directed brokerage.
- Item 13 regarding class actions and related actions.
- Item 15 regarding custody.
- Item 17 regarding proxy voting of clients' securities.

The attached Part 2B of Form ADV includes brochure supplements describing MCM's portfolio managers as of March 29, 2018. Supplements previously were filed with the Part 2A client brochure dated March 28, 2017. In July of 2017, MCM made limited changes to Part 2B and provided them to affected clients. The attached supplements incorporate these changes and other updates.

From time to time MCM may make further updates to its Part 2B brochure supplements and deliver them separately to affected clients without filing them with Part 2A.

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#### **Item 4. Advisory Business**

##### **Description of MCM**

MCM is an independent investment adviser registered with the SEC. MCM manages concentrated growth equity portfolios and other assets for diverse institutional and individual clients, as described further below.

A significant percentage of MCM's clients consists of U.S. registered investment companies (such as mutual funds and variable annuity funds) and other pooled investment vehicles (such as foreign collective investment vehicles) (together, "Fund clients").

MCM also manages separately managed private accounts (or "Private Accounts") for other institutions and individuals, such as corporate pension and retirement plans, foundations, trusts, tax-exempt and charitable institutions, individual retirement accounts, and other institutions and individuals as described further in **Item 7: Types of Clients**. MCM also may advise wrap account programs from time to time.

Founded by Thomas F. ("Tom") Marsico in 1997, MCM is an independent firm controlled by its management through a parent company structure. Mr. Marsico also serves as Chief Executive Officer and Chief Investment Officer of MCM.

##### **Principal Owners of MCM**

MCM is a direct, wholly-owned subsidiary of Marsico Subco, LLC ("Subco"), which is a direct, wholly-owned subsidiary of Marsico Holdings, LLC ("Holdings"). Holdings, in turn, is owned by Marsico Group, LLC ("Group") and by third parties. Group controls Holdings as its managing member, holds 100% of the voting rights in Holdings, and owns approximately 38% of the equity interests in Holdings, the largest block of equity interests held by any single entity.

Group, in turn, is owned by MCM management, including certain MCM employees and their family interests. The principal owner and managing member of Group is a partnership controlled by Tom Marsico. Through the partnership's control of Group, the partnership retains 100% of voting rights and control over the ongoing management and day-to-day operations of Holdings and its subsidiaries, including MCM.

Tom Marsico also directly owns certain equity interests in Holdings in addition to the interests that he and other MCM employees indirectly own through Group. Taken together, Group, Mr. Marsico, and his family interests own approximately 60% of the equity interests in Holdings.

The remaining minority of the equity interests of Holdings not held by Group and Tom Marsico are held by third parties. Because equity interests in Holdings do not include voting rights over management and operations, they are not considered voting securities under pertinent securities laws, and third-party owners of interests in Holdings are not affiliated persons of Holdings or its subsidiaries, including MCM. Equity interests in Holdings may be transferred privately subject to applicable agreements and securities laws.

None of MCM's affiliated companies are public companies, broker-dealers, or investment advisers, are substantially involved in MCM's day-to-day business operations, or are otherwise significant for regulatory purposes.

### **Types of Advisory Services Provided by MCM**

As noted above, MCM manages concentrated growth equity portfolios and other assets for diverse clients.

As discussed further in **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**, the primary strategies through which MCM invests client portfolios consist of:

- Focused Growth
- Large Cap Growth
- Select Alpha Growth
- All Cap Growth
- Flexible Capital
- International Growth
- Global Growth

MCM may invest particular clients' accounts based on combinations or modifications of these or other strategies tailored to each client's individual specifications. MCM seeks to accommodate any reasonable guidelines and restrictions that clients may specify, including restrictions on particular securities or industries. MCM may modify its customary strategies for particular clients if desired.

As discussed further in Item 8 below, MCM primarily uses top-down and bottom-up fundamental analysis in investing for client accounts. From time to time MCM also may use other investment tools or strategies to check, refine, or enhance these methods. While MCM invests primarily in equity securities for clients, client accounts also may hold a variety of other securities and investments including fixed income if desired. MCM does not generally manage portfolios based on alternative strategies such as asset allocation, long-short, risk-neutral, absolute return, or similar strategies, use quantitative filters or screens or optimization techniques in portfolio construction, or target tracking error levels, standard deviations, or other metrics in managing client portfolios.

MCM also does not manage portfolios that invest significantly in derivatives, swaps, commodities, commodity futures, or options on commodities. MCM may exercise its discretion to seek to hedge portfolio exposures to currencies, markets, interest rates and other variables that could potentially affect returns to investors, but is not required to hedge any client account, and historically has rarely done so. MCM does not hold itself out as a commodity trading adviser, and any commodity interest trading advice that MCM may offer is incidental to its business of providing investment advice primarily relating to securities.

### **Clients Include Fund Clients and Separately Managed Private Accounts**

Fund clients served by MCM include U.S. registered investment companies (such as mutual funds and variable annuity funds), which are identified in **Item 10: Other Financial Industry Activities and Affiliations**, and other pooled investment vehicles (such as foreign collective

investment vehicles). MCM may provide services to an entire fund or portfolio or to one sleeve of a fund or portfolio.

In serving Fund clients, MCM typically serves as investment adviser or sub-adviser to the fund or its principal manager. Fund advisory arrangements and fees vary and generally are approved by fund boards. The prospectus or other disclosure document for each fund or portfolio provides information about advisory or sub-advisory services and fees payable to MCM (or to another principal manager which itself may pay MCM).

Separately managed private accounts (or Private Accounts) that MCM manages for other institutions and individuals include corporate pension and retirement plans, foundations, trusts, tax-exempt and charitable institutions, individual retirement accounts, and other institutions and individuals.

### **Clients May Include Wrap Programs**

MCM may provide services to wrap account programs (“wrap programs”) by serving as investment manager (or sub-adviser to a manager) of wrap program accounts or model portfolios. MCM does not sponsor any wrap programs.

Wrap programs are typically sponsored by a broker-dealer or affiliated advisory firm, and may help brokerage clients to obtain the services of selected managers like MCM in buying stocks for accounts that are too small to be managed as Private Accounts. Wrap programs also include other services such as sponsor oversight of investment managers, sponsor execution of trades, and sponsor custody of portfolio securities. Participants should be aware that wrap account fee rates may be higher than fee rates that certain Private Accounts may pay to retain MCM’s services directly if minimum thresholds are met. Program sponsors, not MCM, generally set program fees and determine program services provided to participants.

Wrap programs generally require sponsors and service providers to perform services to many participants. Due to the structure of wrap programs, MCM generally is not in a position to provide the same comprehensive client relationship services to each wrap program participant that it may provide to each Private Account.

**Separately Managed Account Wrap Programs.** In a separately managed account wrap program (“SMA wrap program”), the sponsor and other service providers provide a bundle of services to client participants in return for a single fee paid to the sponsor that “wraps” around the various services. The sponsor’s services typically include assisting the participant in selecting investment managers such as MCM that can implement investment strategies deemed suitable by the sponsor, participant, and manager based on participant investment objectives, overseeing the services provided by each manager, paying each manager, facilitating the execution of trades through the sponsor or its brokerage affiliate, and holding securities in custody.

In SMA wrap programs, MCM typically provides management services, oversees the execution of trades typically through the sponsor, and provides other services to SMA sponsors and participants. MCM typically would receive a portion of SMA account wrap fees for its services.

The SMA wrap program sponsor and participants typically expect the manager to transmit most trades to the sponsor for execution. In unusual circumstances, a manager may request that

another broker execute trades. The quality of trade executions for wrap programs is generally adequate but may vary substantially, as described further in **Item 12: Brokerage Practices**.

In SMA programs, MCM generally would be reasonably available for consultation with the sponsor and the participant or its representative, and would consider reasonable participant investment goals, account restrictions, and other factors to facilitate the provision of individualized investment management services. MCM reserves the right, in its sole discretion, to reject any SMA wrap account for any reason, including, but not limited to, participant investment goals or account restrictions that may not fit well with MCM strategies.

Unified Managed Account Wrap Programs. In a unified managed account wrap program (“UMA wrap program”), the sponsor (or an affiliated or independent “overlay manager” appointed by the sponsor) assumes the primary role in managing client portfolios using recommendations from other investment managers. In return for a fee, UMA program clients receive investment management services directly from the sponsor or overlay manager rather than from investment managers. The sponsor receives limited services from investment managers, which provide ongoing investment recommendations in the form of a model portfolio and periodically update the model portfolio. The sponsor or overlay manager exercises its discretion in how best to implement manager recommendations for clients as the sponsor deems appropriate, often by blending model portfolios provided by multiple managers to create portfolios the sponsor deems suitable for clients. The sponsor or overlay manager also executes most trades for UMA portfolios itself.

In UMA arrangements, if applicable, MCM’s duties typically are limited to providing model portfolios to sponsors. In unusual cases, MCM may advise the sponsor on the execution of certain trades. MCM receives a portion of the UMA wrap fee for its services.

Effect of Participant Restrictions on Wrap Accounts. Participants in SMA or UMA wrap programs may request reasonable investment-related restrictions on the management of their accounts, which may be implemented by the sponsor and the manager in SMA programs, or only by the sponsor or overlay manager in UMA programs. SMA wrap program participants who impose multiple restrictions should be aware that because MCM follows a relatively concentrated strategy favoring a limited number of core equity holdings, it may not be feasible or desirable for MCM to substitute other securities for restricted core holdings. MCM generally may hold cash, cash equivalents or, at times, other securities to fill any portion of an SMA wrap program account that participant restrictions prevent from being invested in core equity holdings. As a result, an SMA wrap program account subject to participant restrictions may hold a higher percentage of cash or cash equivalents compared to other accounts that are not restricted, while paying the same wrap fee as an unrestricted account. This could impact the investment performance of a restricted wrap account compared to a similar account without significant investment restrictions.

Wrap Programs in Which MCM Participates. As of the date of this brochure, MCM did not provide investment management services to wrap programs, but is evaluating potentially providing such services.

## **Client Assets Under Management**

As of February 28, 2018, MCM managed approximately \$3,185,864,000 of client assets on a discretionary basis. As of that date, MCM did not manage any client assets on a non-discretionary basis.

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

#### **Fees for Fund Clients**

As noted in **Item 4: Advisory Business** and **Item 7: Types of Clients**, Fund clients served by MCM include U.S. registered investment companies (such as mutual funds and variable annuity funds) identified in **Item 10: Other Financial Industry Activities and Affiliations**, and other pooled investment vehicles (such as foreign collective investment vehicles).

In serving Fund clients, MCM typically serves as investment adviser or sub-adviser to the fund or its principal manager. Fund advisory arrangements and fees are customized for each fund, and are approved by fund boards. The prospectus or other disclosure document for each fund or portfolio provides information about advisory or sub-advisory services and fees payable to MCM (or to another principal manager which itself may pay MCM).

MCM generally does not calculate its fees for Fund clients or set the value of mutual fund portfolios used in calculating fees. Instead, those calculations are made by another service provider to the fund such as a fund accountant or custodian, in accordance with each fund's policies.

Fund clients also pay other types of fees and expenses to other service providers for custody, fund accounting, administration, transfer agency, distribution, and other services not provided by MCM. Fund clients also pay brokerage and other fees and expenses discussed further below.

#### **Fees for Private Accounts**

For separately managed Private Accounts such as corporate pension and retirement plans, foundations, trusts, tax-exempt and charitable institutions, individual retirement accounts, and other institutions and individuals, the following standard fee schedules generally would apply to new Private Accounts, subject to exceptions negotiated at MCM's discretion:

##### Growth Equity Account:

- Focused Growth
- Large Cap Growth
- Select Alpha Growth
- All Cap Growth
- Flexible Capital
- International Growth
- Global Growth



First \$50,000,000  
Over \$50,000,000

0.75% per annum  
Negotiable

Private Account clients also pay fees and expenses to other service providers for custody and other services not provided by MCM. Private Account clients also pay brokerage and other fees and expenses discussed further below.

### **Calculation of Fees for Private Accounts**

Calculation/Payment of Private Account Fees. Private Accounts typically pay management fees to MCM quarterly in arrears, within 30 days after receipt of a fee invoice. MCM typically calculates the fee by making a separate calculation for each month during the quarter based on the market value of the Private Account on the last calendar day of the month.

For accounts that were open during a portion of the quarter, MCM pro-rates the first or last month's fees based upon the number of days the Private Account was open during that month. To minimize complexity, MCM generally does not pro-rate fees to reflect contributions or withdrawals of account assets during a single billing period.

Fee Arrangements for Wrap Programs. MCM may provide advisory services to certain wrap programs and other clients that use model portfolios in managing their own clients' portfolios. In return for its services in providing model accounts and other wrap program services, MCM may be paid a fee based on a percentage of the total assets of accounts managed in accordance with MCM's recommendations reflected in a model portfolio provided during a given period.

Special Fee Arrangements. MCM reserves the right, in its sole discretion, to negotiate and charge different fees not specified here, such as those discussed in Item 6 below, or to waive fees. Fees may be charged for certain accounts based on the client's particular needs and service requirements, the nature and size of the investment mandate, customary fee arrangements in the relevant market, the nature and size of MCM's overall relationship with the client, overall financial conditions, investment goals, risk tolerance, restrictions, and other factors relevant to existing, new, special, or additional services.

Payment of Invoices Compared to Direct Fee Deduction. Clients may elect to receive an invoice from MCM for its fees and pay the invoice after receipt. In the alternative, a client may instruct its custodian to periodically deduct the agreed investment advisory fees directly from the client's account and pay fees to MCM. For more information on direct fee deduction arrangements, please refer to **Item 15: Custody** below.

Brokerage and Other Account Fees and Expenses. MCM's fees do not include brokerage commissions, spreads, transaction fees, and other costs and expenses of buying and selling securities, which are typically paid directly by each client account. Factors that MCM may consider in selecting broker-dealers for client transactions and evaluating the reasonableness of broker compensation are discussed further in **Item 12: Brokerage Practices** below. Other potential expenses may include, without limitation, fees associated with the execution of foreign currency transactions, transfer taxes, and wire transfer and electronic transfer fees.

Clients also may incur other fees or expenses charged by other service providers such as custodians, accountants, lawyers, fund administrators, fund transfer agents, ERISA plan

administrators, and other advisers selected by clients. Such charges, fees and commissions are generally outside MCM's control, and MCM does not receive any portion of them.

MCM is not affiliated with any broker-dealer. Neither MCM nor any of its supervised persons receives direct compensation for the sale of securities or other investment products to clients, such as asset-based sales charges or service fees from the sale of mutual funds.

### **Pricing of Portfolio Securities**

A key component of fee calculations is the market value of portfolio securities in an account on the fee calculation date. When MCM is responsible for calculating market value, MCM prices assets in good faith consistent with the written fee schedule in the client's advisory agreement and MCM's applicable pricing policies and procedures. Because clients compensate MCM on the basis of the value of assets held in client accounts, MCM may be deemed to have a potential incentive to set a high market valuation for each security. MCM does not knowingly use valuations that are higher than the security's fair value.

MCM relies on prices provided by independent pricing services on the fee calculation date unless such prices are unavailable or appear unreliable. While pricing services usually provide reliable prices, such prices occasionally may be temporarily unavailable or appear to be unreliable or stale because of factors such as a corporate action, technical glitch at an exchange, a closing price or quotation representing a questionable value, a significant change in related circumstances after the price was set, or a market aberration.

For example, a price for a foreign security set on a foreign exchange hours earlier might appear unreliable or stale in light of developments after the close of the foreign exchange but before the close of U.S. markets. As discussed further below under "Fair Valuation of Portfolio Securities," consistent with applicable pricing policies and procedures, MCM may fair value price a security when reliable market quotations are not readily available, or may override a price provided by a pricing service when MCM believes the price provided is not representative of a security's current market value, or more reliable prices may be available from other sources.

### **Fair Valuation of Portfolio Securities**

When MCM values clients' portfolios, it may fair value price a security or other asset (or recommend that a client use fair valuation procedures) in circumstances such as when reliable market quotations are not readily available because, for example, prices from an independent pricing service are temporarily unavailable or may be stale or unreliable, or for other reasons.

The need to fair value securities may arise when, for example, a corporate action is announced that is not reflected in market prices; a newly-issued security has not yet begun to trade on public markets; a security ceases to trade for a time; a security is not priced because it is illiquid, thinly traded, or otherwise difficult to value; substantial market volatility raises questions about the staleness or reliability of previously determined closing market quotations for certain foreign securities; or a significant event is believed to affect the price of a particular security or securities in a manner not reflected in market prices.

MCM uses its good faith judgment, consistent with applicable policies and procedures, to make determinations about related factors such as whether reliable market quotations are not readily

available, , and in determining which factors to consider and how to weigh them in setting fair value prices.

When fair value pricing appears necessary, MCM prices securities and other assets in good faith consistent with its applicable policies and procedures and customary valuation methods. MCM generally convenes its Pricing Review Committee to assist it in pricing such securities. MCM may seek price information from various sources, or otherwise determine in good faith the price that a reasonable buyer under the circumstances would pay for an asset in a reasonably functioning market, the price that a seller might reasonably expect to receive in an arm's-length transaction, or consider other valuation approaches. MCM may rely on information such as broker quotations, gray market quotations, trading in similar securities, trading in related indexes, markets or countries, quotations for the securities of other companies in similar businesses, estimates of the percentage impact of an event on a stock price, or other information from pricing services, broker-dealers, specialized trading markets for securities, or MCM's own staff to assist it in determining fair valuations.

MCM may use a variety of other methodologies and consider other related factors based on its own analysis. Sample factors that may be considered include the nature and type of security or asset, the marketplace(s) in which it trades, other securities or benchmarks that share common characteristics, the pricing and trading history, if any, of the security and similar instruments, and other factors such as discounted cash flows or movements of similar securities. MCM also may take other actions deemed appropriate in pertinent circumstances by its Pricing Review Committee or available members.

Fair value pricing is an inexact process intended to yield a good faith estimate or approximation of the current value of an asset, and cannot be guaranteed to reflect the precise actual or empirical value of any asset as determined with the benefit of hindsight. Determining the value of any security at a given time may be highly subjective, price adjustments could prove incorrect in direction or magnitude, and the value received upon the sale of a security may differ from the value assigned to the security. Although MCM uses its best efforts in making such determinations, assessing the fair market value of a security at a given time may require discretionary judgments, and MCM's judgment could prove to be incorrect at times in hindsight. For example, the fair value assigned to an asset may not match the next available reliable market price, the price at which that asset could have been actually sold, the cost paid for the asset, or the proceeds realized by an account upon the disposition of the asset. Further, the designated fair value may not reflect other developments that may occur after pricing but before the security is traded on markets the next trading day.

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

As discussed in detail in **Item 5: Fees and Compensation** above, MCM is compensated for the advisory services it provides through asset-based fees. Rule 205-3 under the Investment Advisers Act of 1940, as amended ("Advisers Act"), authorizes investment advisers to receive performance-based fees from clients that meet certain qualifications. MCM does not currently receive performance fees for its management of U.S. client accounts, but reserves the right to negotiate such fees with qualified clients in the future.

MCM does have a performance fee arrangement with one sub-advised non-U.S. pooled investment vehicle organized in Australia, where MCM understands performance fees are customary.

Side-by-side management of an account that may pay a performance fee with other accounts could in some circumstances create potential conflicts of interest. For example, an adviser that receives a performance fee for one account might potentially have an incentive to devote more attention to investment decisions for that account, allocate investment opportunities more favorably to that account, and/or take greater investment risks in that account.

In practice, however, MCM seeks to avoid favoring any single account over others. MCM's Compliance Department periodically reviews and compares the performance of client accounts managed under similar strategies to seek to ensure that any material dispersion is attributable to reasonable causes.

### **Item 7. Types of Clients**

As discussed in **Item 4: Advisory Business**, MCM manages concentrated growth equity portfolios and other assets for diverse institutional and individual clients.

Fund clients served by MCM include U.S. registered investment companies (such as mutual funds and variable annuity funds) identified in **Item 10: Other Financial Industry Activities and Affiliations**, and other pooled investment vehicles (such as foreign collective investment vehicles).

MCM also manages separately managed private accounts (or Private Accounts) for other institutions and individuals, such as corporate pension and retirement plans, foundations, trusts, tax-exempt and charitable institutions, individual retirement accounts, and other institutions and individuals. MCM also may advise wrap account programs from time to time.

MCM is flexible in setting minimum investment thresholds that may apply to funds and other investment companies and to Private Accounts.

MCM may waive minimum investment requirements in its sole discretion on a case-by-case basis. MCM reserves the right to decline to accept any new client or to decline to continue to provide investment advisory services to any existing client for any reason.

Regarding wrap programs, minimum investments or minimum account values required to engage MCM's services may vary from one program to another and compared to program minimums imposed by the sponsor. MCM generally does not have authority to waive sponsor-imposed minimums.

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

### **Investment Strategies**

**Primary Strategies.** As discussed in **Item 4: Advisory Business**, MCM manages concentrated growth equity portfolios and other assets for diverse clients. The primary strategies through which MCM invests client portfolios consist of:

- Focused Growth
- Large Cap Growth
- Select Alpha Growth
- All Cap Growth
- Flexible Capital
- International Growth
- Global Growth

MCM seeks to accommodate any reasonable guidelines and restrictions that clients may specify, including restrictions on particular securities or industries. MCM may modify its customary strategies for particular clients if desired.

As discussed further below, MCM primarily uses top-down and bottom-up fundamental methods of analysis in implementing its strategies. From time to time MCM also may use other investment tools or strategies to check, refine, or enhance these methods. While MCM invests primarily in growth equity securities for clients, client accounts also may hold a variety of other securities and investments including fixed income if desired.

As noted in Item 4, MCM does not generally manage portfolios based on alternative strategies such as asset allocation, long-short, risk-neutral, absolute return, or similar strategies, use quantitative filters or screens or optimization techniques in portfolio construction, or target tracking error levels, standard deviations, or other metrics in managing client portfolios.

MCM also does not manage portfolios that invest significantly in derivatives, swaps, commodities, commodity futures, or options on commodities.

**Investment Universe.** MCM's investment strategies involve buying and selling U.S. and foreign growth equity securities of companies based in countries around the world, as well as certain income securities and other non-equity investments. MCM's equity investment universe includes more than 500 large-cap and mid-cap companies and selected small-capitalization companies.

**Core Investments.** MCM's investment approach to equities emphasizes factors such as the selection of what it believes are stocks of high-quality companies with compelling potential for long-term capital appreciation. The core investments of a client portfolio (*i.e.*, the primary investments held by the account over time) generally may include common stocks of established companies expected to offer long-term capital appreciation or growth potential. However, client portfolios also may typically include securities of less mature companies, securities with more aggressive growth characteristics, and securities of companies undergoing significant positive developments, such as a merger, acquisition, the introduction of a new product line, a new

management team, favorable regulatory development, or other favorable change. MCM's investment strategies also may consider whether a particular security or other investment potentially offers current income, including dividend income.

**Income Investments.** MCM also may invest in municipal bonds, corporate bonds, other corporate debt securities, preferred stocks, high-yield securities, Treasury bills, notes, and bonds, mortgage-backed and other asset-backed securities, and other fixed or variable income securities or instruments for client portfolios. Strategy considerations relevant to income investments may include, without limitation, the direction of interest rates, credit risk, prepayment risk, pre-refunding, assessments of economic and governmental effects on interest rate conditions, and other factors.

**Other Investments.** MCM may purchase or sell other types of financial instruments on behalf of its clients, including, but not limited to, convertible securities, index-linked securities, equity-linked, credit-linked, and commodity-linked securities, investment company securities, exchange-traded funds ("ETFs"), exchange-traded notes ("ETNs"), unit investment trusts ("UITs"), private placements, closed-end funds, obligations issued or guaranteed by domestic or foreign governments, Real Estate Investment Trusts ("REITs"), other pass-through securities, participation interests, trust-preferred securities, money market or similar cash equivalent instruments including, but not limited to, discount notes or other obligations of federal agencies or government-sponsored enterprises, commingled short-term investment funds, bankers' acceptances, repurchase and reverse repurchase agreements, straight coupon securities, strip bonds, zero coupon securities, paid-in-kind, step coupon, or variable and floating rate obligations, standby commitments, tender option bonds, inverse floaters, industrial development bonds, municipal lease obligations, Eurodollar and Yankee dollar debt obligations, Brady bonds, foreign debt securities, foreign currencies, margin transactions, forward contracts (including forward currency contracts), purchased or written options on securities and indices, options on futures, options or futures relating to currencies, single stock futures and narrow-based index futures, rights, warrants, swaps including interest rate swaps, swap-related products, hybrid instruments, indexed/structured securities, depositary or custodial receipts or shares evidencing ownership of an underlying domestic or foreign security (*e.g.*, American Depositary Receipts ("ADRs"), Global Depositary Receipts ("GDRs"), or European Depositary Receipts), tangible dividend enhanced common stock, foreign investment funds or trusts, passive foreign investment companies, and securities not readily marketable.

Securities may be purchased on a when-issued, delayed delivery, or forward basis. Although it is not a principal investment strategy of the firm, MCM may sell short a security in certain situations, such as, without limitation, when it may be desirable to hedge a similar long position also held in a portfolio if consistent with client guidelines. MCM also could maintain the equivalent of a short position or negative outlook on a security, index, futures contract, or other investment using other means such as put options, written call options, inverse ETFs, or other instruments.

MCM may invest in the securities of issuers organized under state laws as publicly traded partnerships or master limited partnerships (collectively referred to as "MLPs"). These entities are limited partnerships that are publicly traded on stock exchanges or markets such as the NYSE, NYSE Arca, Inc., NYSE MKT LLC, and NASDAQ. MLPs often own businesses or properties relating to the energy, natural resources, financial services, private equity, and real

estate industries. MCM may also invest client assets in limited liability companies that may or may not trade on public markets.

MCM may invest in securities offered in syndicated initial public offerings (“IPOs”) or syndicated secondary or follow-on offerings (together with IPOs, “syndicated offerings”). Opportunities for clients to participate in syndicated offerings are limited because securities may be priced at a discount to market value, offerings may be heavily subscribed, and the number of shares allocated to MCM may be too small to permit significant participation by all clients that may be eligible to participate. MCM takes reasonable steps to seek to address potential conflicts of interest that could arise in the allocation of such opportunities. As discussed more fully in response to **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading** below, when syndicated offerings are suitable for more than one group of eligible clients, MCM seeks to ensure that over the long term, each eligible client with the same or similar investment objectives receives an equitable opportunity to participate occasionally in syndicated offerings in which MCM participates, and that no eligible client is unfairly disadvantaged, subject to limitations such as those discussed in Item 11.

General Approach to Portfolio Management. MCM’s trading strategies rely primarily on investing in growth equity securities and other investments with long-term growth potential with the expectation that their value will rise over time. MCM often seeks to invest for the long term, purchasing securities for client accounts with the intention of holding those securities until the expected earnings growth has materialized or expectations have changed.

Changes in macroeconomic conditions or company-specific considerations can prompt MCM to sell a security sooner than originally planned. MCM may scale back or sell an investment if, in its opinion, the security reaches MCM’s price target, its fundamentals change substantially, its price appreciation leads to overvaluation in relation to MCM’s estimates of future earnings and cash flow growth, it appears unlikely to realize its growth potential or current income potential, more attractive investment opportunities appear elsewhere, or for other reasons. MCM may purchase and sell a security within a very short period if the portfolio manager believes that doing so may be in the best interests of the account.

Cash management is not a fundamental aspect of MCM’s investment management approach, and cash levels in client accounts are typically a residual of the security selection process. MCM may temporarily increase cash levels when portfolio managers believe that temporary defensive positions may be appropriate, if and as permitted by client guidelines and applicable law.

## **Methods of Analysis**

When investing in equities and other investments selected for their long-term growth potential, MCM primarily uses top-down and bottom-up fundamental methods of analysis as discussed below. From time to time MCM also may use other investment tools or strategies to check, refine, or enhance these methods.

Top-Down Analysis. In selecting investments for a client’s account, MCM uses an approach that combines “top-down” macro-economic analysis with “bottom-up” security selection. The “top-down” approach, which forms the strategic backdrop for security selection, generally considers macro-economic factors that may include, without limitation, interest rates, inflation,

monetary policy, fiscal policy, trade policy, currency movements, demographic trends, the regulatory environment, and the global competitive landscape. MCM also may examine other factors that may include, without limitation, the most attractive global investment opportunities, sector and industry trends, industry consolidation, and the sustainability of financial trends. Through this “top-down” analysis, MCM seeks to identify sectors, industries and companies that may benefit from the overall trends MCM has observed.

Bottom-Up Analysis. MCM then looks for individual companies or securities that are expected to offer earnings growth potential that may not be recognized by the market at large. In determining whether a particular company or security may be a suitable investment, MCM may focus on different attributes that may include, without limitation, the company’s specific market expertise or dominance; its market share position; its franchise durability and pricing power; solid corporate fundamentals (*e.g.*, a strong balance sheet, improving profit margins and returns on equity, the ability to generate free cash flow, apparent use of conservative accounting standards, and transparent financial disclosure); strong and ethical management; commitment to shareholder interests; a security’s reasonable current valuations in the context of projected growth rates and peer group comparisons; current income; and positive, transformational catalysts or indications that a company or security may be an attractive investment prospect. This process is called “bottom-up” company and security analysis.

As part of its fundamental, “bottom-up” research, MCM may visit with a company’s management and conduct other research in order to gain thorough knowledge of the company. MCM also may prepare detailed earnings and cash flow models of some companies. These models may assist in projecting potential earnings growth, current income, and other important company financial characteristics under different scenarios. A model is typically customized to follow a particular company and is generally intended to describe the company’s past, present and potential future performance. Models may include quantitative information and detailed narratives that reflect updated interpretations of corporate data and company and industry developments. Models are helpful tools in some but not all cases, and MCM does not prepare models for some companies or securities in which it invests.

Sources of Information. MCM often uses fundamental, intensive, hands-on research to evaluate securities for client portfolios. Examples of information MCM may consider for selected securities may include sources such as, without limitation, container shipments, railroad volumes, advertising spending, credit card trends, hotel occupancies, meetings with company management, company annual reports, filings with the SEC and company press releases, general market commentary and analysis, research materials prepared by others, and financial publications and websites.

### **Material Risks Associated with Investments in Securities and Markets Generally**

Investing in equity securities, income securities, and similar investments involves the risk of loss of investments, and clients and investors should be prepared to bear that and other risks. Investors should consider their investment goals, time horizon and risk tolerance before investing in the types of securities and other investments that MCM invests in on behalf of its clients.



MCM does not guarantee that any client account will meet a particular level of performance or perform comparably with any standard or index.

Investing in equity securities, income securities, and similar investments can be riskier than other types of investments, and such investments do not represent a complete investment program. The investments managed by MCM are not guaranteed by any agency or program of the U.S. government or by any other person or entity. MCM's equity investment portfolios typically include investments believed to have long-term growth potential, and are intended primarily for long-term investors who hold their investments for substantial periods of time. Investors have lost money investing in equity securities, and could lose money in such investments in the future. Bonds and other fixed income investments may decline in value at times such as when interest rates are rising.

This brochure discusses certain risks of investing in Private Accounts managed by MCM. More information about the risks of investing in mutual funds (such as The Marsico Investment Fund, a registered open-end investment company with six separate portfolios (the "Marsico Funds")), are described in each fund's documents such as the relevant fund prospectus and statement of additional information, which typically can be viewed online (for example, the Marsico Funds prospectus appears at [www.marsicofunds.com](http://www.marsicofunds.com)).

Macroeconomic factors affecting the securities and markets in which MCM invests may include, without limitation, domestic and foreign economic growth and market conditions, interest rate levels, deflation, inflation, monetary policy, fiscal policy, trade policy, credit conditions, the solvency of governments and companies, currency fluctuations, volatility, and political events, among other factors. MCM cannot always accurately predict the applicability of these and other factors or their impact on markets or investments, and, as a result, MCM's investment decisions may not always accomplish what they were intended to achieve. At times, accounts advised or sub-advised by MCM may not perform as well as relevant benchmark indices or peer managers. There may be periods during which certain segments of the investment spectrum, such as bonds, value stocks, or small capitalization stocks, are favored over other segments, such as large cap growth stocks, or periods when bonds and other fixed income investments decline in value such as when interest rates are rising.

At times, the U.S. and global economies have experienced periods of cyclical change and decline resulting in an unusually high level of volatility in domestic and foreign financial markets. Volatility may make it unusually difficult to identify risks and opportunities affecting markets or issuers, or to predict the extent or duration of market movements.

Overall securities market risks affect the value of client accounts. Over time, market forces can be highly dynamic and can cause stock markets to move in cycles, including periods when stock prices rise generally or decline generally. The value of an account's investments may increase or decrease more than markets in general.

### **Material Risks Associated with MCM's Investment Strategies and Analytical Methods**

Divergence from Benchmarks. MCM's investment approach at times may diverge from and be more volatile than certain benchmarks or indices. MCM believes that adding value stems from thoughtfully investing in a concentrated set of best ideas, rather than from being "benchmark-

centric.” A substantial divergence from benchmark indexes in terms of country, sector and industry allocations and individual position sizes can be commonplace in MCM accounts, and should be expected. MCM at times may concentrate client portfolio investments in particular industries or sectors that appear to offer more growth potential, and portfolios at times may have little or no exposure to certain other industries or sectors.

Risks of Concentrated Investing, Large Positions, and Sector Preferences. Although accounts managed by MCM may have substantial diversification across sectors and industries at times, MCM’s strategies frequently are relatively concentrated and may contain fewer securities than portfolios managed by other investment managers. Holding a relatively concentrated portfolio may increase the risk that the value of an account could go down because of the poor performance of one or a few investments.

MCM does not have an investment strategy pursuant to which investments are focused in any particular sector, but as noted above, client portfolios at times may have significant exposure to one or more sectors that appear to offer more growth potential. Portfolios may have little or no exposure to certain other sectors. Client portfolios may face various risks associated with investing substantially in one or more sectors. For example, individual sectors may be more volatile than the broader market or could perform differently. In addition, the stocks of multiple companies within a sector could simultaneously decline in price because of an event that affects the entire sector.

MCM at times may purchase relatively large ownership positions in the same securities for multiple client accounts or strategies. While such securities often may be very liquid instruments issued by large-capitalization or mid-capitalization companies, disposing of large positions occasionally might be challenging, require sales at lower prices, or take longer than would be the case for smaller positions, depending on market and trading conditions. In unusual circumstances limited liquidity might affect an account’s performance.

These risks may be heightened for client portfolios invested in MCM’s Focused Growth and Select Alpha Growth strategies, which are considered “non-diversified” portfolios under mutual fund regulations and in some cases under tax or other regulations. Focused Growth and Select Alpha Growth accounts may hold fewer securities than portfolios that are “diversified” for regulatory purposes, and may invest a greater percentage of their assets in a smaller number of securities. Holding fewer securities increases the risk that the value of portfolios could go down because of the poor performance of a single investment.

**Other material risks associated with investing in portfolios advised or sub-advised by MCM include:**

Risks of Equity Securities. Accounts managed by MCM generally invest primarily in common stocks and other investments selected primarily for their long-term capital appreciation or growth potential. As a result, investors bear the broad risks associated with investing in equity securities markets generally. These risks include, without limitation, that the securities and markets in which client portfolios invest may experience volatility and instability, that domestic and global economies and markets may undergo periods of cyclical change and decline, that investors at times may avoid investments in equity securities, and that MCM may select investments that do not perform as anticipated.

Many factors may affect the performance of an individual company's securities, such as, without limitation, the strength of its management, the demand for its products or services, its ability to innovate and respond to changing market conditions or anticipate consumer demand, the sector or industry it operates in, investors' views of the company's market price and relative value, and other company-specific or broader market factors. The value of the companies in which MCM typically invests is, in part, a function of their expected earnings growth. Underperformance by a company may prevent the company from experiencing the expected growth, which may prevent a client's account from realizing the potential value anticipated by MCM when it selected those securities for the account.

MCM may invest client assets in the common stocks or other equity securities (such as convertible securities or warrants) of companies that may pay dividends or make other distributions as current income. Such companies could in some cases have less dynamic growth characteristics, or their securities may have less potential for gain than companies or securities that pay lower dividends or no dividends or other distributions. Dividends paid by these companies or securities may provide a limited cushion against a decline in the price of the stock. However, dividends may be reduced, suspended or terminated at any time. Dividend paying stocks, like other securities that offer a measure of income, could become less attractive or decline in value as interest rates rise.

Client assets also may be invested in convertible bonds or stocks or other securities that may potentially be converted into equity securities. While the value of convertible securities depends in part on market activity, interest rate changes, and the credit quality of the issuers, the value of these securities will also change based on changes in the value of the underlying equity securities. Income paid by a convertible security may provide a limited cushion against a decline in the price of the security. However, when underlying common stocks appreciate, convertible securities may appreciate to a lesser degree. Also, convertible bonds generally pay less income than non-convertible bonds. Convertible securities, like other securities that offer some income, could become less attractive or decline in value as interest rates rise.

Risks of Foreign Investing. Client assets may be invested in foreign securities, including emerging market securities, depending on market conditions. Various considerations including client guidelines and a company's economic ties to different countries may bear on whether a company's securities are deemed to be foreign securities for a particular account.

Investments in foreign securities involve risks that may differ from or at times exceed the risks associated with domestic securities for a variety of reasons such as, without limitation, unstable international, regional, political, or economic conditions, sovereign solvency concerns, monetary or fiscal considerations, dependence on central bank accommodation or international aid, changes in central bank policies affecting markets, currency fluctuations, rising, falling or negative interest rates, deflation or inflation, inability to borrow at reasonable rates, foreign controls on investment and currency exchange, foreign governmental control of some issuers, restrictions on capital flows or on foreign investments in some countries, potential confiscatory taxation, nationalization of companies or expropriation of assets by foreign governments, withholding taxes, limits on repatriation of assets, a lack of adequate company information, less liquid and more volatile exchanges and/or markets, ineffective or detrimental government regulation, varying accounting, auditing, disclosure, and reporting standards, political or economic factors that may severely limit business activities, diplomatic developments such as

sanctions, and legal systems or market practices that may permit inequitable treatment of minority and/or non-domestic investors. As a result of these and other factors, the values of securities of foreign issuers at times may be subject to greater price fluctuation than securities of U.S. companies. Investments in U.S. securities also may indirectly expose an account to foreign investment risk to the extent that U.S. issuers depend on foreign markets or economies.

Because there is generally less publicly available information about many foreign companies, it may be more difficult at times for MCM to stay currently informed about those issuers. In addition, information concerning foreign corporate actions such as legal actions, acquisitions or divestitures, rights offerings, dividends; foreign legal or compliance developments, requirements or restrictions, and other matters that may affect the value of portfolio securities, also may be more difficult to obtain. Foreign issuers also may impose burdensome proxy voting requirements that may discourage or effectively prevent the exercise of voting rights.

Clients should recognize that most foreign stock markets are not as large or liquid as markets in the United States, and often have different clearance and settlement procedures. In certain foreign markets settlements at times might be unable to keep pace with the volume of securities transactions, making it difficult to conduct transactions or causing trades to fail. Failed trades or inability to dispose of portfolio securities due to settlement problems could result in losses due to subsequent declines in value of the portfolio security or, if an account has entered into a contract to sell the security, could result in possible liability for non-delivery to the purchaser. Payment for securities before delivery of the securities, or delivery of securities before payment of cash for them, may be required in certain foreign markets. Further, an account may encounter difficulties or be unable to pursue legal remedies and obtain judgments in foreign courts.

Arrangements with foreign custodians are generally necessary to hold assets in foreign countries and these arrangements may pose potential risks. A foreign bank or securities depository or other custodian may maintain internal controls that differ from those customarily applicable to U.S. custodians, may face less stringent regulatory scrutiny, and may be subject to less extensive legal or financial protections for asset holders.

Because investments in foreign securities typically are denominated and traded in foreign currencies, the value of the assets of a client account as measured in U.S. dollars may be affected favorably or unfavorably by changes in foreign currency exchange ("FX") rates and exchange control regulations. In addition, a client will incur costs in connection with conversions between various currencies made to facilitate trades or for other purposes. FX transactions generally are required in order to settle trades in foreign ordinary securities for client accounts. As discussed below, MCM can supervise the execution of many FX transactions for client accounts on its trading desk. In some cases, clients' FX transactions must be executed by the client's selected custodian pursuant to standing instructions, which at times may involve additional costs. The risks of currency fluctuations and currency transactions are discussed further in a separate section below.

Emerging Market Securities. Emerging market securities are securities of issuers economically tied to emerging markets. Emerging markets are countries listed in the Morgan Stanley Capital International (MSCI) Emerging Markets Index as well as those that MCM considers to have an emerging market economy or frontier market economy, based on factors such as the development of the country's financial and capital markets, its political and economic stability,

level of industrialization, trade initiatives, per capita income, gross national product, credit rating, or other factors that MCM believes to be relevant. Various considerations including client guidelines may bear on whether a company's securities are deemed to be emerging market securities for a particular client account.

Investing in emerging market securities at times may involve greater risks than investing in U.S. securities or securities issued by entities in other developed countries. Potential increased risks may include, among others, greater political and economic instability (including elevated risks of war, civil disturbances, and acts of terrorism), amplified boom and bust cycles, sensitivity to currency fluctuations including in the value of the U.S. dollar, greater inflation or deflation, increased challenges in borrowing at reasonable rates, burdensome investment or trading requirements, low trading liquidity and volumes and wider spreads, periods of relative illiquidity, significant price volatility, restrictions on capital flows or on foreign investments in some countries, price controls, expropriation or confiscatory taxation, seizure, nationalization, or creation of government monopolies, sovereign solvency concerns, monetary or fiscal considerations, fluctuations in central bank policies, greater volatility in currency exchange rates, devaluation of currencies, unavailability of currency hedging techniques, capital controls and currency transfer restrictions, reduced securities liquidity, possible trade barriers or sanctions, fewer potential buyers, dependence on revenue from particular commodities, greater dependence on international aid, withholding taxes, limits on repatriation of assets, price controls, greater governmental control over issuers and economies, less governmental supervision and regulation, companies that are newly organized, smaller, or less seasoned, differences in auditing and financial reporting standards which may result in diminished availability of material information about issuers, and less developed or effective legal systems.

Investments in emerging markets may also involve other risks such as immature economic structures and less developed and more thinly-traded securities exchanges and markets. Many emerging market securities exchanges are relatively small. Pricing and other valuation information for issuers economically tied to emerging markets may be more difficult to obtain as compared to the securities of issuers tied to developed countries.

Certain emerging market countries have enacted measures that tend to discourage or prevent direct foreign investments, such as through procedural obstacles or the imposition of onerous taxation regimes. Some attendant costs of investing in emerging markets may be greater than those of investing in other foreign markets or the U.S. Repatriation of investment income, capital, and the proceeds of sales by outside investors may be more difficult, and may require governmental registration and/or approval in some emerging market countries. A client account's performance could be affected by limitations or costs associated with investing in emerging market securities.

Risks of Currency Fluctuations and Currency Transactions. Account performance may be materially affected positively or negatively by foreign currency strength or weakness relative to the U.S. dollar, depending upon the extent to which client account assets are invested in foreign securities or other assets denominated in currencies not tightly pegged to the U.S. dollar, or are invested in currency hedging transactions or other investments relating to foreign currencies. Changes in foreign currency exchange rates may have positive or negative effects on the value of any account that holds foreign securities denominated in foreign currencies.

Generally, when the value of the U.S. dollar rises relative to a foreign currency, an investment in an issuer whose securities are denominated in that country's currency (or whose business is conducted principally in that country's currency) loses value, because that currency is worth fewer U.S. dollars. Conversely, when the U.S. dollar declines in value relative to a foreign currency, the value of investments denominated in the foreign currency may increase in relative terms. Devaluation of a currency by a country's government or banking authority may have a significant impact on the value of any investments denominated in that currency. The risk that these events could occur might be heightened in emerging markets.

Client accounts frequently may require foreign exchange or FX trades. To purchase or sell a foreign security priced in a foreign currency, MCM must arrange one or more FX transactions for an account including a purchase of foreign currency to pay for the security, or a conversion to U.S. dollars of foreign currency received in a sale of a security.

MCM rarely may make longer-term investments for client accounts relating to foreign currencies, such as, without limitation, currency forward contracts purchased for hedging purposes or to serve other investment purposes. Currency markets fluctuate unpredictably, and such investments may not be profitable. Some currency investments could be highly leveraged at times. Currency markets frequently are volatile, and generally are not regulated as extensively as securities markets.

Limited Ability to Monitor FX Transactions. If permitted by clients, MCM can oversee and monitor the execution by independent FX dealers of the majority of FX transactions for client accounts, if the transactions involve purchases and sales of currencies that are freely traded on global markets. FX dealers typically realize a profit in FX transactions based on the difference ("spread") between the price at which they buy (or sell) currencies in the market and the price paid (or received) by MCM on behalf of clients. Dealers typically do not disclose their spreads to MCM. For FX transactions that MCM is able to supervise for clients, however, MCM generally seeks to monitor and compare overall dealer prices with spot prices for similar transactions.

For practical and operational reasons, client-selected custodians generally must execute a limited portion of FX transactions because they involve restricted currencies that do not trade freely on global markets, or involve the periodic repatriation into dollars of relatively small amounts of foreign currency dividends or interest payments that accumulate in clients' accounts from their holdings of foreign securities. These transactions typically are executed pursuant to standing instruction programs established by the custodian with the client. MCM has little if any ability to substantively negotiate or monitor the terms or procedures under which clients' custodians execute standing instruction transactions. Foreign exchange rates paid by clients to their custodians for those transactions often may be competitive, but at times might be more expensive than the best available rates charged by other FX dealers. Clients may have the ability to negotiate better rates by discussing them with their custodians.

To the extent that clients' custodians agree to provide data to MCM about their standing instruction FX transactions, MCM may seek to check that data against publicly available data for limited purposes. Any data provided by the custodian typically is limited in scope, and the data and any check by MCM may not necessarily reveal certain potentially significant facts, such as what time an FX transaction was executed, whether transaction pricing was reasonable compared

to other transactions occurring at the same time, or what spreads or fees were received by the custodian for its execution.

Risks of Global Interdependence and Sovereign Debt and Solvency Issues. The inter-relationships of global economies and financial markets may increase the potential impact that economic and financial conditions in one country or region can have on issuers of securities in a different country or region. Declining or improving economic conditions in one country or region may affect other parts of the globe. Similarly, concerns about the solvency of a country or a country's financial institutions could reverberate through the economies of other countries using a common currency or whose banks or other institutions are otherwise exposed to the country with solvency issues. The adoption or expansion of protectionist trade policies or sanctions, changes in economic, monetary, or trade policy in the United States or abroad, or a slowdown in the U.S. economy or other countries could lead to a decrease in demand for products and reduced flows of capital and income to companies in other countries. These events might particularly affect companies in emerging markets.

Risks of Small- and Mid-Capitalization Company Investing. MCM may invest the assets of client accounts in mid-capitalization companies and occasionally small-capitalization companies. Investments in small- and mid-capitalization companies can involve more risk than investments in large capitalization companies because smaller companies potentially have greater sensitivity to adverse business or economic conditions. Normally, these companies have more limited financial resources, markets or product lines, less access to capital markets, and more limited trading in their stocks. This can cause the prices of equity securities of these companies to be more volatile than those of large capitalization companies, or to decline more significantly during market downturns than the market as a whole.

Risks of Fixed Income and Variable Income Investing. Depending on client guidelines and the strategy selected, MCM may invest a portion of an account's total assets in fixed income or variable income securities for current income and/or growth, including investments such as corporate bonds, preferred stocks, high-yield corporate securities, mortgage-backed securities, municipal bonds, Treasury bonds and other government securities, and other income securities. As a result, clients may bear the risks associated with fixed income investing and variable income investing including, without limitation:

Municipal Securities: In addition to the risks related to all fixed income investments, such as credit risk and interest rate risk, municipal securities face certain specific risks. For example, tax policy changes, other legislation or political events and economic conditions may impact the ability of a municipal security issuer to make principal or interest payments. Increasing local government pension liabilities also may affect the value of municipal securities.

Credit Risk: Client accounts could lose money if the issuer of a fixed or variable income security cannot meet its financial obligations and renegotiates terms that are less favorable to investors, or defaults or goes bankrupt.

Interest Rate Risk: The value of investments in fixed or variable income securities may fall substantially if interest rates rise. A potential long-term cycle of rising interest rates could intensify declines in the value of income securities.

Prepayment Risk: Accounts that invest in income securities bear the risk that an issuer will exercise its right to pay principal on an obligation (such as an asset-based security) earlier than expected. This may happen during periods of declining interest rates or at other times. Under these circumstances, an account may be unable to recoup all of its initial investment or may receive a lower-than-expected yield from an investment and may need to reinvest in lower yielding securities.

High-Yield Securities: High-yield corporate debt securities with credit ratings that are below investment grade (also referred to as “junk bonds”) may be subject to higher risks of default and greater volatility than other debt securities, including risks that the issuer may not be able to meet its obligation to repay principal or pay interest. These securities are more susceptible to credit risk than investment-grade securities, and are considered more speculative in nature. This is especially true during periods of economic uncertainty or economic downturns. The value of these lower-quality debt securities is subject to greater volatility and is generally more dependent on the ability of the issuer to meet interest and principal payments compared to higher-quality securities. Issuers of high-yield securities may not be as strong financially as those issuing debt securities with higher credit ratings.

Government Securities: While U.S. government securities have not historically faced a significant risk of default, a further ratings downgrade, temporary default, or other adverse development affecting such securities cannot be ruled out. On August 5, 2011, the credit rating agency Standard & Poor’s downgraded the credit rating of the U.S. government. As the aggregate debt represented by such securities (and other government debt) continues to increase, the sources of funds available to repay principal and pay interest on such debt become less clear, and political consensus on realistic solutions appears elusive, the credit rating of the U.S. government could potentially be downgraded again in the future.

Foreign sovereign debt in some cases may involve a relatively high degree of risk. The governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt, particularly as the debt of many governments is reaching unprecedented levels compared with their limited abilities to repay principal and pay interest on the debt. Some countries’ sovereign debt may present less risk but pay very low rates or even negative interest.

Federal Agency or GSE Securities: Regarding certain securities issued by federal agencies or government-sponsored enterprises (“GSEs”) (such as debt securities or mortgage-backed securities issued by Freddie Mac, Fannie Mae and the Federal Home Loan Banks), the issuer may be chartered or sponsored by an Act of Congress, and the government reassumed control of certain GSEs and funded large GSE bailouts during the 2007-2009 financial crisis. Nevertheless, such an issuer may not be formally funded by Congressional appropriations, and its debt and equity securities typically are neither guaranteed nor insured by the U.S. government. Without a more explicit commitment, there can be no assurance that the U.S. government will always provide financial support to such issuers or their securities.

Risks of Preferred Stocks. Preferred stock generally does not carry voting rights. Preferred stock dividends are generally fixed in advance. Unlike requirements to pay interest on certain types of debt securities, a company that issues preferred stock may not be required to pay a dividend and may stop paying the dividend at any time if, for example, it lacks the financial



ability to do so. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock also may be subject to optional or mandatory redemption provisions, and an issuer may repurchase these securities at prices that are below the price at which they were purchased. Preferred stock could be adversely affected by substantial increases in interest rates. Under these circumstances, a client account holding these preferred securities could lose money.

Risks of REITS and Other Securities Backed by Real Estate. The risks of investing in REITs and other securities backed by real estate, such as mortgage-backed securities and similar investments, include extraordinary weakness and volatility at times such as during the 2007-2009 financial crisis which affected mortgage-backed securities, derivatives, and other investments backed by real-estate related obligations issued by participants in housing finance, commercial real estate, and other real estate-related markets; widespread defaults in such investments; and major disruptions of and illiquidity in markets for such investments. Other adverse factors affecting REITs and other real estate-backed securities include past overinvestment in and defaults on residential and commercial mortgages, weak economic conditions, and environmental and similar considerations. In addition, when interest rates rise, real estate-related investments may react negatively, particularly investments that are exposed to floating-rate debt. To the extent that portfolio assets are invested in REITs, client accounts will indirectly bear their proportionate share of any expenses (such as operating expenses and advisory fees) paid by REITs in which they invest.

Risks of Derivatives, Short Sales, and Other Investments. Depending on client restrictions, MCM may invest on a limited basis in derivative investments or instruments such as currency forward contracts, purchased or written put or call options on securities or indices, structured notes or other synthetic securities, futures contracts, options on futures, swaps, and other investments deemed commodity interests. Derivatives could be used to seek to hedge portfolios, or to serve other investment purposes such as, without limitation, to increase exposure to certain investments, asset classes, or markets.

MCM may exercise its discretion to seek to hedge portfolio exposures to currencies, markets, interest rates and any other variables that could potentially affect returns to investors, but is not required to hedge any client account, and historically has rarely done so. MCM client accounts are not intended to serve as vehicles for investing substantially in derivatives or commodity interests or similar instruments, and tend to hold such investments only infrequently.

If permitted by client guidelines, in unusual circumstances, MCM also may enter into short sales of a security or instrument, including a security that is currently held in the account (or a security equivalent in kind or amount to another security that the account has an existing right to obtain without the payment of additional consideration) (short sale "against the box"), or other securities or instruments not held in the account. If MCM engages in these practices, the intent may be to seek to hedge all or a portion of a client's portfolio, or to serve another investment purpose.

Investing in derivatives or engaging in short sales for hedging or other investment purposes may result in economic leverage and impose significant transaction costs and other substantial costs or losses that may exceed the amount originally invested and reduce account performance. No

assurances can be given that derivative positions or short sales will be used at all, or that they will achieve the desired results such as a targeted correlation with another asset if they are used.

Syndicated Offerings. An account's performance may be materially affected, positively or negatively, by its participation in other types of investments, including IPOs and other syndicated offerings of common stock or other securities. These types of investments may have a magnified impact on an account's performance, especially for smaller accounts. Whether an account participates in these types of investments is dependent on a variety of factors discussed in Item 11 below, and there can be no assurance that any account will participate in them.

Portfolio Turnover. Client accounts pay transaction costs, including brokerage commissions, when securities are bought or sold for the accounts. Portfolio turnover rates for some accounts may be greater than for others due to the investment strategy selected or other reasons, and may be substantially impacted by market conditions. A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes for taxable accounts. These costs can affect an account's overall performance.

Certain Risks Associated with Cybersecurity. Investment advisers such as MCM, and certain service providers that MCM or its clients may use, necessarily rely on digital and network technologies to maintain substantial computerized data to facilitate business activities including services to clients. Like all businesses that use computerized data, MCM and the cyber networks it uses might in some circumstances be subject to possible cybersecurity incidents or related events that could potentially result in unauthorized access or damage to data or destruction of data, or otherwise compromise MCM's business or client records. Such incidents might include, without limitation, the inadvertent disclosure of confidential computerized data or client data to unintended parties, or the intentional misappropriation or destruction of data by malicious hackers mounting an attack on computer systems.

MCM has implemented robust measures reasonably designed to prevent potential cybersecurity incidents from significantly affecting its computer and other electronic systems, and to protect firm and client data from inadvertent disclosure or wrongful misappropriation or destruction. Among other safeguards, MCM maintains information technology security policies and procedures and uses advanced technology and other technical and physical safeguards intended to protect computerized data about the firm's business, clients, and employees from unauthorized access, damage, or destruction. MCM also takes other reasonable precautions to limit the potential for cybersecurity incidents, and to protect data from inadvertent disclosure or wrongful misappropriation or destruction.

Despite all precautions, the risk remains that cybersecurity incidents could potentially occur, and could cause damage to MCM's electronic systems or firm and client data. Such damage in some circumstances might result in unauthorized access to sensitive information about MCM or its clients, impair MCM's activities for clients, or cause economic injury to clients. Given the constant evolution of new cybersecurity threats, there can be no guarantee that any policy will prevent a cybersecurity breach or resulting loss or damage.

In the unlikely event that a cybersecurity incident posed a substantial risk of compromising confidential personal data about clients, MCM, through its incident response plan, would seek to

promptly notify affected clients via telephone, email, or as otherwise appropriate to explain the nature of the incident, MCM's response, and steps to be taken going forward.

#### **Item 9. Disciplinary Information**

Not applicable. MCM is not aware of any legal or disciplinary events that would be material to a client's or a prospective client's evaluation of MCM or the integrity of MCM's management.

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

Financial Industry Activities of MCM and Its Affiliates. As discussed in **Item 4: Advisory Business**, MCM is an independent investment adviser whose sole business is managing concentrated growth equity portfolios and other assets for diverse institutional and individual clients. MCM does not participate in other financial industry activities.

Solely to facilitate the distribution of the Marsico Funds, certain employees of MCM are registered with the Financial Industry Regulatory Authority ("FINRA") as representatives of UMB Distribution Services, LLC, an unaffiliated broker-dealer that distributes the Funds.

MCM's principal owners and certain other affiliates are identified in **Item 4: Advisory Business**. None of MCM's affiliated companies are public companies, broker-dealers, or investment advisers, are substantially involved in MCM's day-to-day business operations, or are otherwise significant for regulatory purposes.

No Affiliation with Third-Party Owners of Interests in Parent Company. As discussed in **Item 4: Advisory Business**, the third-party owners of a minority of the equity interests issued by Holdings, MCM's indirect parent company, are not affiliated persons of Holdings or its subsidiaries, such as MCM, as the equity interests do not include voting rights over management and operations. MCM and its affiliates may have other business relationships with third party equity holders.

Related Registered Investment Companies. MCM serves as investment adviser to the Marsico Funds, which are series or portfolios of a registered open-end investment company and consist of the following:

- Marsico Focus Fund
- Marsico Growth Fund
- Marsico 21<sup>st</sup> Century Fund
- Marsico International Opportunities Fund
- Marsico Flexible Capital Fund
- Marsico Global Fund

Unrelated Registered Investment Companies. MCM serves as investment sub-adviser to other registered investment companies sponsored by other firms. Under the federal securities laws, MCM may be considered an affiliated person of these investment companies for certain purposes, but does not control them. These sub-advised registered investment company portfolios include:

- Cornerstone Advisors Global Public Equity Fund, a series of the Advisors' Inner Circle Fund
- AIG Focused Multi-Cap Growth Fund, a series of SunAmerica Specialty Series
- AIG Focused Alpha Large-Cap Fund, a series of SunAmerica Specialty Series
- International Equity Fund, a series of State Farm Mutual Fund Trust
- International Equity Fund, a series of State Farm Variable Product Trust

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

**MCM's Code of Ethics and Other Policies Addressing Potential Conflicts of Interest**

In accordance with Rule 204A-1 under the Advisers Act and Rule 17j-1 under the Investment Company Act of 1940, as amended (the "Investment Company Act"), MCM and the Marsico Funds maintain a Code of Ethics (the "Code"). The Code imposes restrictions on MCM employees' personal investing and other business activities to help ensure that employees' professional and personal conduct maintains MCM's high standards of ethics and integrity.

The Code is based on principles including that MCM and its employees owe certain fiduciary duties to MCM's clients whom they serve, and should place the interests of clients first; should avoid, minimize, manage, or disclose material conflicts of interest to the extent reasonably feasible; should avoid taking inappropriate advantage of positions of trust; and should comply with securities laws and conduct personal securities transactions in compliance with safeguards in the Code.

To minimize and manage potential conflicts of interest involving personal investments, the Code requires MCM employees (and certain members of their families and other persons whose investments are attributed to employees) to preclear all purchases and sales for their personal accounts of certain types of securities that MCM may regularly purchase or hold for clients, including common stocks and corporate debt securities. Transactions over a certain amount, or transactions in securities below a certain market capitalization, also are subject to limitations based on whether MCM has engaged in recent transactions in those securities or anticipates purchasing or selling them for client accounts in the near future.

The Code also addresses transactions in shares of the Marsico Funds through restrictions including minimum holding periods and pre-clearance requirements for sales of Marsico Fund shares. Employees are generally prohibited from holding shares of mutual funds that are sub-advised by MCM.

Other provisions of the Code require employees to request MCM's pre-approval of purchases of certain other investments such as IPOs and limited offerings, and require regular reporting of personal transactions and holdings. The Code requires employees to help MCM obtain copies of broker account statements for personal securities accounts and personal trade confirmations to assist in assuring compliance with the Code and recordkeeping.

The Code also requires employees to obtain prior approval of service on the board of directors or in a similar capacity for any for-profit company or other for-profit organization. MCM requires employees to notify the Compliance department if they hold any such roles or any investment-

related positions for any organization. In addition, the Code requires employees to notify MCM's Compliance department of any significant outside business activities or business-related family employment arrangements that might appear to raise potential conflicts of interest.

The Code restricts employees from accepting or giving certain gifts and entertainment from or to persons engaged in activities relating to MCM's business, including broker-dealers and other service providers and clients. Gifts and entertainment permitted by the Code must be nominal or ordinary and customary, may not be extraordinary or extravagant, and may be received or given for reasons such as to maintain good working relationships and service quality, evaluate capabilities and limitations, or learn more about alternatives. MCM's Compliance department periodically counsels employees on MCM's policies and procedures relating to gifts and entertainment, provides related training information, and monitors the reporting of permitted gifts and entertainment by certain departments. Permitted gifts and entertainment may not raise any questions about MCM's commitment to work with service providers based on the quality of services provided.

The Code requires employees periodically to certify to their understanding of and compliance with its provisions. MCM's Compliance department provides counseling and other training information to employees about their obligations under the Code.

Penalties for violation of the Code by employees may range from a warning or reprimand to monetary penalties or termination of employment. MCM periodically updates its Code as appropriate to seek to ensure that it satisfactorily addresses relevant issues. MCM will provide a copy of its Code to any client or prospective client upon request.

In accordance with Section 204A of the Advisers Act and related rules, MCM also maintains an insider trading policy that includes procedures reasonably designed to prevent trading or disclosures by MCM's employees that might constitute illegal insider trading or other misuse of confidential information. Among other things, MCM's policy forbids any employee from buying or selling a security for a personal account or client account in breach of a fiduciary duty or other relationship of trust and confidence while in possession of material, non-public information about the security or the issuer.

MCM believes that its insider trading policy, the Code's guidelines for avoiding prohibited acts, and other MCM compliance policies and procedures are reasonably designed to avoid or minimize potential trading-related and other conflicts of interest between MCM or its employees and MCM's clients, or to reasonably manage, disclose, or otherwise address those and other potential conflicts. MCM expends considerable resources in maintaining and enforcing these policies, seeking to identify, avoid, minimize, or manage other conflicts of interest, or disclose potentially significant conflicts to clients in this Part 2A or other disclosure documents.

However, clients should be aware that no set of rules can possibly anticipate or eliminate all potential conflicts of interest, or guarantee exemplary conduct in personal trading or other matters, that conflicts of interest inevitably apply in providing investment advice, and that certain conflicts cannot be fully eliminated, avoided, managed, or disclosed in advance.

## **Participation by Related Persons / Differing Interests Among Clients**

MCM's investment decisions for each client's account are based upon MCM's understanding of the client's investment objectives, guidelines, and restrictions, applicable law and regulations, and MCM's policies, practices and other relevant investment considerations that MCM believes are applicable to that particular account. MCM seeks to ensure that over the long term, all clients are treated as fairly and equitably as possible relative to each other, including related persons of MCM. MCM seeks to reasonably avoid, minimize, manage, or disclose potential material conflicts of interest associated with serving both client accounts and related persons through practices discussed in this brochure, including under **Allocation of Investment Opportunities and Shares of Investments** in this Item 11, other trading practices discussed in **Item 12: Brokerage Practices** below, and MCM's compliance policies and procedures and reviews.

MCM may give different advice to, exercise different investment responsibility for, or take different actions for, some clients (including related persons) compared to the advice given to, responsibility exercised for, or timing and nature of actions taken for, other clients, even though their investment objectives may be similar.

Some differences in handling client accounts naturally result from normal differences between accounts such as, without limitation, each account's differing investment strategies, objectives, guidelines and restrictions, risk tolerance, tax status, account opening dates, account sizes, policies, cash flows, cash availability, issuer and regulatory holdings restrictions, ability to open accounts for trading securities in foreign jurisdictions, unique needs, the limited availability of certain securities such as IPOs and other investment opportunities, portfolio manager decisions customized for specific client accounts, and other differences that routinely arise in the ordinary course of providing individualized investment advice to different clients.

As the result of these and other factors, some clients may not participate at all in investments in which other clients do participate, or may participate to a different degree or at a different time than other clients do. On occasion, MCM could cause some clients (including related persons of MCM) to buy or sell securities or other investments while other clients take different positions or potentially take opposite positions, such as for hedging purposes, in the same investments. MCM also may purchase (or sell) securities for one account but not another, or may take similar actions for different accounts at different times.

Normal differences among accounts such as those discussed above routinely cause the mix of securities held in one account to perform differently from the mix of securities held for another. As a result of these considerations, account performance among client accounts is expected to vary, and some performance dispersion will occur even among accounts managed in the same investment strategy.

MCM occasionally may buy or sell for clients securities in which related persons of MCM may have a financial interest. For example, MCM's owners, officers, employees, their family members, and other affiliates of MCM (together, "related persons") may hold in their accounts or sell or potentially take an opposite position for hedging purposes in the same securities that MCM holds or trades for clients, or in similar or related securities.

In addition, MCM's related persons themselves may be clients of MCM through pooled investment vehicles advised by MCM such as the Marsico Funds or through Private Accounts. MCM may buy or sell securities or other investments for the accounts of related persons, or investment vehicles in which related persons invest, that either may be very similar to, or may be substantially different from, the securities or investments it buys or sells for other clients.

MCM generally seeks to avoid selling short a security for a client if it is aware that other MCM client portfolios hold substantial long positions in the same security purchased by MCM, unless the short sale is intended to hedge an existing long position in the vehicle (through, for example, a short sale against the box).

The ownership interests that related persons of MCM may hold in certain Marsico Fund portfolios may be significant at times, and as a result, those persons at times might be deemed to be "affiliated persons" of, or to have "control" over, one or more fund portfolios managed by MCM, as those terms are defined in the Investment Company Act.

In addition, MCM or its related persons may do other business with, or have other relationships with, certain of MCM's clients, or with issuers whose securities may be held in account portfolios. For example, MCM may purchase or hold for some client accounts securities issued by other clients (or their affiliates). MCM also may purchase or hold for clients securities issued by broker-dealers, banks, or other service providers (or affiliates of service providers) to MCM, its parent companies, the Marsico Funds, or other MCM clients. Similarly, MCM may purchase or hold for clients securities issued or underwritten by investors in MCM's parent companies, or securities issued or underwritten by affiliates of such investors. MCM also may provide investment advisory or sub-advisory services to such investors in MCM's parent companies or to their affiliates.

### **Allocation of Investment Opportunities and Shares of Investments**

MCM may allocate a particular investment opportunity, or allocate trades in a particular security or other investment, to one client or to multiple clients. MCM seeks to allocate investment opportunities, trades, and trading costs to clients as fairly and equitably as possible in light of the particular circumstances affecting the opportunity, trade, security, and account, without favoring particular accounts over the long term, consistent with practical limitations explained below.

When allocating investment opportunities or trades to client accounts, MCM seeks to treat any accounts owned by related persons like other client accounts. No special treatment or favoritism is permitted for accounts owned by related persons. By the same token, such accounts are not required to be placed at a disadvantage to other client accounts.

Allocations may take into consideration factors such as the size of a client portfolio, the strategy in which it invests, the nature, identity, and number of positions in a client's portfolio, concentration and weight of holdings, investment objectives and guidelines, industry and sector exposure, purchase cost and cash availability, ability to obtain meaningful position sizes, liquidity, investment imbalances, prior participation in similar opportunities, limitations on the availability of an investment, special needs, trading considerations, and other factors.

Inevitably, not all clients, including clients within similar investment strategies, can participate in every investment opportunity, or participate to the same degree. MCM may determine that a

limited supply of a particular opportunity or investment or other factors may preclude the participation of some clients in a particular investment opportunity or trade. Similarly, when MCM determines to exit a position for some clients, other clients may not always participate at the same time or to an equal degree.

MCM frequently aggregates or “bunches” trades for more than one client at a time to seek to maximize efficiency and minimize trading costs (generally excluding certain types of trades such as wrap program trades, as discussed in **Item 12: Brokerage Practices** below), and places the bunched trade with one or more broker(s) that MCM believes may provide best execution.

MCM is not required to and does not aggregate trades in all circumstances. Although aggregation of trades is intended to benefit client accounts by reducing overall trading costs, it could potentially increase trading costs or have other adverse effects at times.

MCM seeks to allocate bunched trades and trading costs in a manner that is fair and equitable to participating clients in light of the particular circumstances of the trade, security, and account, without favoring particular accounts over the long term, consistent with practical limitations.

The allocation method most commonly used is an equal percentage or level percentage allocation among accounts in a trading group. This leveling method seeks to bring a particular securities position in each account to a relatively equal percentage of total assets following the trade (*e.g.*, purchasing sufficient shares of one stock to reach 3% of each account’s assets). Other allocation methods used at times may include, without limitation, a pro rata distribution based on account size or the position size within the account; “fill-first” or other priority instructions intended to address particular account needs (such as cash issues, investment imbalances or limited quantities); exchanging one existing position for another; or other methods intended to address particular account or trading considerations.

The amount each account pays to purchase securities or receives for a sale is generally determined by calculating an average price of executions completed and expenses incurred for all accounts participating in the trading activity. Purchase or sale commissions and other transaction costs generally are allocated pro rata to each participating account based on the amount of securities or proceeds received by the account.

### **Allocation of Syndicated Offerings**

Syndicated IPOs or secondary or follow-on offerings (“syndicated offerings”) are offerings of newly issued securities by a syndicated group of dealers that purchase the securities from the issuer and resell them to the public. Syndicated offerings typically present limited opportunities for meaningful client participation. This is true because of factors including the limited frequency of syndicated offerings, limited number of shares offered, strong interest often resulting in oversubscription by investors, the relatively small number of shares that are typically allotted to each manager and its clients, and the specialized nature of many syndicated offerings, which at times may be more suitable for some investment strategies (such as those that invest in small-capitalization or foreign companies) than for others.

Not all client accounts are eligible to participate in syndicated offerings. FINRA Rule 5130 (“Rule 5130”) may restrict a client account from receiving certain syndicated offerings from a broker-dealer such as IPOs or “new issues,” if a substantial portion of the account is beneficially



owned by a “restricted person” affiliated with a broker-dealer, a portfolio manager, or an advisory firm serving as a manager. Related FINRA Rule 5131 restricts certain other types of potential underwriter misconduct in the allocation of new issues that might undermine public confidence in the initial public offering process, such as “quid pro quo” arrangements that offer or withhold new issue shares as consideration or inducement for the receipt of excessive compensation for a FINRA member’s services, “spinning” or allocating new issues to executive officers and directors of former, current, or prospective investment banking clients of a FINRA member (or persons materially supported by them) as a reward or inducement for investment banking business, and other potentially abusive underwriting or trading practices..

Although MCM is not a FINRA member and therefore is not directly subject to Rules 5130 and 5131, MCM could at times cause client accounts to purchase and be allocated IPOs from FINRA members, and might be viewed as a “conduit” entity for such accounts under Rule 5130 in some cases. MCM periodically requests that clients notify MCM whether their accounts are eligible to receive “new issues” in light of these and other restrictions. Some clients may not be eligible to participate in syndicated offerings at all, including clients subject to FINRA or other regulatory restrictions, wrap programs, and other clients. MCM endeavors to avoid purchasing new issues or other shares of syndicated offerings for clients that it believes are ineligible. Certain other clients, such as those subject to the Employee Retirement Income Security Act (“ERISA”), also may be excluded from participation in syndicated offerings, or may participate on a more limited basis, because of complex regulatory limitations on dealings with affiliated brokers that may apply under ERISA or other regulations.

Client accounts that are eligible to receive syndicated offerings still may participate rarely for many reasons such as, without limitation, limited frequency and other factors noted above, expected relative illiquidity of the newly-issued security, investment decisions by MCM or its portfolio managers not to participate or to limit participation, concerns about the issuer’s business or market appeal, the unavailability of meaningful position sizes, client investment guidelines or other account constraints, regulatory restrictions or complexities, or compliance policies.

The occasional syndicated offerings that may be available to MCM clients may possess special characteristics that make them most appropriate for certain investment strategies. For example, many syndicated offerings may be offered by small-capitalization or foreign issuers. These offerings may be most suitable for particular account groups that routinely invest in those types of securities, such as accounts managed under MCM’s All Cap, Flexible Capital, Global Growth, or International Growth strategies. This could result in more frequent allocations of syndicated offerings to accounts or groups with these types of investment strategies, including certain portfolios of the Marsico Funds (in which MCM’s related persons may have invested significantly). Conversely, syndicated offerings may be less frequently allocated to accounts or groups with other strategies, such as Large Cap Growth.

MCM also may allocate IPOs or other offerings to accounts that will be able to obtain a material or meaningful position size relative to the account’s total assets. These allocations at times may benefit smaller accounts or account groups compared to larger accounts or groups.

Secondary offerings are not IPOs, but are subsequent follow-on offerings. MCM may seek to allocate secondary offerings mainly to accounts that already hold positions in the security.

In allocating syndicated offerings, a portfolio manager may issue special instructions intended to address particular account needs such as cash flows or availability, investment imbalances, or other unique account or trading considerations. MCM also may consider special factors such as lack of participation in past offerings, the significance of accounts in obtaining allotments from brokers, or other considerations.

If syndicated offerings are deemed suitable for more than one investment strategy, but are not available in sufficient quantity to allow all account groups within those strategies to participate to a meaningful degree, and some eligible groups appear to have participated to a substantially greater degree than other groups in the past, MCM may allocate such syndicated offerings to eligible client account groups based on considerations such as those discussed above.

In unusual circumstances, MCM may allocate syndicated offerings under an informal rotation procedure that may consider factors such as which accounts have participated in more or fewer offerings in the past than other accounts. If a rotation procedure is used, MCM would seek to make such allocations based on appropriate circumstances relevant to account groups and individual accounts.

Accounts owned by related persons of MCM at times may participate in syndicated offerings to the extent permitted by regulations and other considerations discussed above, or purchase on open markets the securities issued in such offerings on or after the dates of such syndicated offerings.

MCM seeks to promote the fair treatment of clients eligible to participate in syndicated offerings. When syndicated offerings are suitable for more than one group of eligible clients, MCM seeks to ensure that over the long term, each eligible client with the same or similar investment objectives receives an equitable opportunity to participate occasionally in syndicated offerings in which MCM participates, and that no eligible client is unfairly disadvantaged, subject to limitations such as those noted above.

Subject to the considerations discussed above, MCM will not systematically allocate syndicated offerings in a manner that would be unfairly preferential over the long term to: (i) accounts that are beneficially owned or controlled by MCM, its employees or their immediate family members, or affiliates of MCM, if any; (ii) accounts with poor performance; (iii) new accounts for which a strong performance record would be advantageous; (iv) accounts with a performance-based fee; or (v) unless only a small allocation of securities is available, if sufficient securities are available, a limited number of accounts within a larger group of accounts similar in size that are equally eligible to participate in syndicated offerings and share similar investment circumstances, objectives, policies, restrictions, and other relevant suitability factors.

## **Item 12. Brokerage Practices**

### **Best Execution**

When MCM has discretion over broker-dealer selection and execution, it seeks to obtain for client accounts the best execution of portfolio securities transactions that can reasonably be obtained under the circumstances. To seek best execution means to use reasonable diligence in seeking the most favorable execution terms reasonably available in the specific circumstances

surrounding each securities trade, so that a client's total costs or proceeds in each securities transaction are the most favorable reasonably available under the prevailing market conditions.

Certain special aspects of MCM's investment style affect the manner in which it selects brokers and seeks to achieve best execution of client securities trades. MCM follows a growth investing discipline that often requires that it obtain or dispose of sizable securities positions quickly, typically within a few hours or days, with attention to potential price movement at times when the prices of securities may be trending significantly upwards or downwards. Further, MCM's relatively concentrated portfolios may require allocating substantial assets to a relatively small number of securities, compared with other managers that manage less concentrated portfolios containing more securities. This factor at times may require MCM to efficiently execute a handful of large trades relatively quickly to limit market impact.

MCM seeks to quickly locate relatively large sources of trading liquidity when needed, and to arrange trades opportunistically with different counterparties and brokers offering the best terms available in particular trading circumstances. For example, a portion of MCM's trading strategy may involve seeking "natural counterparties," or willing sellers (or buyers) that hold (or seek) relatively large positions and have natural incentives to participate on the other side of a trade. MCM works with both brokers and electronic communications networks or other alternative trading systems ("ATs") to attempt to locate natural counterparties. MCM at times may execute relatively large trades with natural counterparties at prices that may differ from current market prices for smaller trades, depending on the nature of the counterparty, its particular objectives, the size of an available block of securities, efforts to limit price movement and market impact, the scope of any broker services in connection with the trade, and other considerations unique to each trade.

Because liquidity is not always available from natural counterparties or alternatives such as ATs, MCM occasionally may buy (or more commonly sell) a relatively large block of securities through a trade with a full-service broker that agrees to take the other side of the trade while acting as principal, thereby committing its own inventory (or capital) to the trade. MCM believes that such "principal" or "capital commitment" trades with selected brokers can be a useful way to rapidly acquire or dispose of a relatively large block of securities, and at times can contribute significantly to achieving overall investment goals and producing favorable trading outcomes at a reasonable cost to MCM's clients, even if not the lowest cost. Principal trades also may involve smaller trades and stop-loss orders, and may have implicit spreads and explicit commissions at times. To implement investment goals, capital commitment trades at times may be executed quickly at prices that are slightly less favorable than prevailing market prices, although this is not always the case. Certain trading costs associated with these trades may appear relatively high compared to the costs of other types of trades. In general, however, principal trades are intended to serve long-term overall investment goals more efficiently than certain alternatives, such as executing many smaller agency trades over a longer period during which security prices may move in an unfavorable direction.

In seeking best execution, MCM may consider various potential costs associated with the execution of securities transactions, including explicit commission costs, spreads, more subtle costs associated with market impact or other price movement during trades, opportunity costs, costs associated with client commission benefits, and other costs of potentially hampering investment goals (such as acquiring too few shares before a large price advance the next day).

MCM works actively to contain explicit commission costs, but commissions at times may be a less significant consideration than other costs that can have a larger impact on the overall investment results of securities trades.

To promote best execution, MCM typically takes certain steps when implementing trading decisions or at other times, including considering the portfolio manager's overall investment goals, anticipated costs and benefits, selecting a reasonable trading venue for a trade (such as an exchange or off-exchange market), selecting an effective broker or ATS to execute the trade, monitoring the trade as it is executed, complying with client trading guidelines including client-directed brokerage instructions or client restrictions on the use of certain brokers, and periodically evaluating broker quality and other concerns affecting best execution through means such as quantitative broker ratings.

Alternative Trading Systems. When possible in the particular trading circumstances, MCM frequently executes part or all of the trade order through an ATS if such a system is available, execution of a trade on the system appears reasonably feasible, and doing so may be potentially beneficial in relevant circumstances (such as when an ATS appears to offer adequate volume and execution capabilities). ATSs include electronic trading systems, networks, or alternative market systems, such as electronic crossing networks, dark pools, as discussed further below, algorithmic trading systems, order matching systems, and other trading systems, and may permit at least as favorable a quality of execution as may be available through another venue.

Dark pools are crossing networks that provide buy- and sell-side market participants with access to securities quotes or trades that may not be integrated into consolidated quote data or displayed on order books. Dark pools at times may permit access to significant liquidity while also potentially offering a higher level of anonymity than trading with traditional brokers. Participants such as MCM are generally unaware of the identity of the counterparties to trades executed through dark pools. A pool sponsor itself may take the other side of a trade in order to maintain maximum liquidity or for other reasons.

Dark pool trading systems at times have encountered regulatory and disclosure-related issues concerning discrepancies between their representations and their actual practices. MCM typically must rely on the representations of trading systems about how they conduct their businesses, including their compliance with legal and regulatory obligations. Most regulatory issues with trading systems appear not to have significantly adversely impacted execution quality for most trades. Still, there can be no assurances that the representations of ATSs and other execution venues always accurately reflect their operations or business practices.

ATSs including dark pools may be particularly useful for trading securities in anonymous transactions subject to lower commissions. ATSs at times may offer helpful access to liquidity, limited market impact, low commissions, and protection of proprietary information. ATSs also may reduce the role of market makers and can assist buyers and sellers in dealing directly with each other.

ATSs also present certain limitations at times. Factors such as lack of liquidity, time constraints, priority trading needs, resource limitations, or other considerations may make the use of ATSs impractical or undesirable in particular trading circumstances and may favor the use of a

conventional full service broker instead. MCM is not required to use ATSs in any particular circumstances.

MCM seeks to direct trades to ATSs that have provided high quality services. However, the proliferation and linking of newer trading systems such as algorithms and crossing networks has complicated the task of controlling where client trades are ultimately executed. MCM at times may seek to limit the exposure of orders to certain types of market participants that, in its view, may not provide significant benefits.

Broker Selection Criteria. When selecting a broker (including an ATS), MCM may consider factors such as each trade order's timing, size, complexity, special features, the availability of liquidity, current market conditions, the full range and quality of an available broker's services, spreads, fees, or commission rates, the broker's general execution capability, its provision of access to underwritten offerings, the value and extent of the broker's past and expected future contributions to overall portfolio performance on a continuing basis (including by providing or facilitating the provision of research, investment ideas, access to corporate executives, commission sharing arrangements, brokerage execution and communications tools, or other permissible brokerage or research services that may be paid for with client commissions), its ability to obtain a favorable price, provide or locate liquidity (including natural counterparties), willingness to commit capital, handle relatively large or small orders, block trading capability, the broker's reputation, integrity, facilities, financial responsibility and services offered, trading expertise and responsiveness, reliability in executing trades and keeping records, familiarity with the other side of the trade, fairness in resolving disputes, ability to maintain confidentiality, permissible commission recapture arrangements, any client directions to use or not use a particular broker (in accordance with MCM's separate policies and procedures for client-directed brokerage arrangements), and (in trades including the Marsico Funds) the broker's ability (consistent with applicable regulation and regulatory guidance) to use brokerage commission recapture credits to reduce non-distribution-related administrative service expenses charged by the broker or an affiliated service provider to the Marsico Funds for other services such as Fund shareholder recordkeeping.

MCM seeks to ensure that when it selects brokers to execute trades for the Marsico Funds or other mutual funds advised or sub-advised by MCM (as well as other clients), it does not knowingly consider the promotion or sales of fund shares by selling brokers or other client referrals as a factor in selecting brokers.

As noted above and discussed below under the heading **Client Commission Benefits or Soft Dollars**, when selecting a broker (including an ATS), MCM often seeks to obtain from the broker additional research, research-related products, or brokerage services that are intended to assist MCM in its investment decision-making process or in executing trades for clients as effectively as possible, and thereby may benefit MCM's clients as well as MCM itself. Such brokerage services or research may exceed the services or research available from other brokers that may charge lower commissions. The commissions paid to brokers that provide brokerage services or research, as part of "client commission benefits" or "soft dollar" benefits, at times may be higher than the commissions that would be paid to another broker solely for execution or clearing services.

For efficiency, MCM often utilizes "commission sharing arrangements" discussed further below, in which brokers with efficient execution capabilities execute trades, and set aside a portion of

their commissions to pay other brokers or third parties for brokerage services or research. MCM has adopted policies and procedures that seek to ensure that the client commissions that MCM typically pays to these brokers (and the other terms on which MCM uses these entities) are competitive, and the commissions paid are believed in good faith to be reasonable in relation to the value of the eligible research and brokerage services and benefits provided by the broker, either in connection with the particular trade or with MCM's overall responsibilities to the accounts for which it exercises investment discretion in the overall course of dealings with that broker.

Counterparty Risks. Like all investors, MCM's clients necessarily bear certain counterparty risks relating to trading on their behalf. MCM trades for clients in global securities and currency markets with investors, dealers, and other counterparties, including brokers, banks, and exchanges that facilitate trades. In MCM's interactions on behalf of clients with these diverse counterparties, MCM's clients inevitably are exposed to the risk that a counterparty will be unable to complete a transaction or meet related obligations because of financial difficulties or for other reasons.

Counterparty risks are difficult to control, in part because complete information is not available. In typical agency securities transactions, counterparties are not known to each other, and the trade is facilitated by intermediaries such as brokers, banks, and exchanges. Even when an investment manager deals directly with a known counterparty, such as a dealer or broker acting as principal, information about the counterparty's financial condition that is current, transparent, and reliable is often unavailable, and the investment manager may be unable to assess the creditworthiness of the counterparty or other participants in advance of each transaction. As a result, investment managers often have to engage in trading with diverse and often anonymous counterparties despite the presence of some potential risks.

Certain investment and trading practices of MCM may help limit these risks. MCM typically invests primarily in liquid equity securities often traded through brokers or ATSs acting as agents on established securities exchanges. MCM also commonly trades through brokers or ATSs that act as agents between MCM and the counterparty on the other side of the trade. In these trades, clients' primary exposure to counterparty risk may involve the modest settlement risk that applies during the brief period (typically one to three days) between the execution of any trade and its settlement. The counterparty on the other side of the trade could fail to deliver securities or cash, or intermediaries such as brokers, banks, or exchanges could fail to follow procedures intended to reduce such risks, or fail to take appropriate action to complete the settlement as expected. If a counterparty on the other side of an agency trade on an established exchange defaults, the exchange and its dealer members may assume some responsibility for ensuring that the trade is settled despite the default.

Also, MCM rarely invests in off-exchange derivative instruments that may rely substantially on a dealer's own balance sheet over an extended period, although MCM occasionally may invest in currency forward contracts or buy or write options on securities for its clients.

While counterparty risks for MCM clients may be limited in scope, such risks cannot be completely avoided. Greater risks may arise, for example, when MCM at times may execute trades with a broker that acts as principal in committing its own capital to the trade. Settlement-related counterparty risks can encompass a broker's or bank's own creditworthiness when it

holds a counterparty's securities or cash, or acts as principal by using its own balance sheet or inventories to purchase or sell assets from or to MCM clients.

In the event that a broker or counterparty declares bankruptcy, becomes insolvent or is otherwise unable to honor its obligations, trades may fail to be executed or settled, and client assets committed to such trades could be impaired. A trade that fails to settle could result in the loss of market benefits of the trade, if any, or, in unusual circumstances, loss of clients' securities or cash delivered without corresponding receipts of cash or securities. Clients whose accounts participate in failed trades might lose gains that may otherwise have been obtained or sustain losses that otherwise would have been avoided, or miss opportunities as a result.

In unusual circumstances and market conditions over which MCM has no control, these limited risks might increase dramatically, such as when balance sheet problems arise suddenly without warning, when a broker's balance sheet might be affected by the potential insolvency of an affiliated bank, or when the uncertain financial status of sovereign entities or their debtholders unexpectedly impairs the solvency of financial institutions.

It is not feasible to continually evaluate insolvency risk for every dealer or broker that MCM trades with on behalf of clients. MCM may conduct a limited periodic review of the creditworthiness of certain brokers, such as when using a broker for the first time, or if a frequently used broker is believed to face material changes in its financial circumstances. The review may include consideration of the broker's balance sheet or other available financial information to the extent that MCM has access to such information. Such a review occurs periodically, is limited in scope, and cannot practically be comprehensive.

Diligence evaluations generally are not practical or beneficial in most cases, such as for brokers that engage only in agency trades, or that are used only for limited purposes such as to obtain shares of syndicated offerings. In any case, a diligence evaluation may not identify all risks, and no diligence evaluation can eliminate the risk that a counterparty will fail. Inevitably, many counterparties are unknown, do not make information available, or may face financial issues that may be unforeseeable for market participants, and MCM may have no choice but to trade with counterparties on behalf of clients despite the presence of potential risks.

Monitoring of Trade Quality. MCM seeks to monitor ongoing trades by evaluating any of a variety of factors. Considerations that may be monitored include the investment goal, the overall market, the current market price, bid and ask, volume and high and low prices, venue and broker selection, the broker's or alternative trading system's ("ATS's") (together "broker's") presentation of the trade to the market in light of trading volume and market depth, the promptness of feedback and service provided by the broker, the broker's timeliness in finding the other side of the trade and providing prompt execution information, the price obtained for each portion of the trade, the quality of the broker's management of the order in light of changes in the market, the effectiveness of the broker in protecting MCM's (and its clients') confidentiality, and whether the broker appears to be providing effective execution, as applicable. MCM also may consider other information such as the volume-weighted average price during the trade execution, market graphs, securities trading time data, and other data or costs of order execution.

If MCM believes that a broker is not executing a trade effectively, MCM may cancel the balance of the order with the broker and enter the remaining portion of the order with a different broker

or trading system. If a broker's execution performance is seriously deficient, MCM may ask the broker to break and re-execute the trade. MCM also may take steps such as requesting coverage by a different broker representative, or cease using a broker until any concerns have been resolved.

MCM maintains a Trade Management Oversight Committee ("TMOC") that includes representatives of certain MCM departments such as the Investment, Trading, Operations, Marketing/Client Services, Legal, and Compliance Departments. The TMOC is responsible for overseeing the implementation of portfolio management and trade management policies and procedures, and for evaluating their effectiveness and evaluating trading effectiveness generally. The TMOC generally reviews the firm's periodic ratings of the performance of broker-dealers, discusses the nature, volume, and reasonableness of commissions paid, reviews client commission benefit arrangements including budgets and services provided, and otherwise monitors MCM's performance of its duty to seek best execution. The TMOC generally meets semi-annually, and certain members may meet informally at other times if necessary to address related responsibilities.

When periodically evaluating broker quality or other factors affecting best execution, MCM may use an internal quantitative broker rating system to assist in evaluating particular brokers and other efforts to guide trading practices. Members of MCM's Investment, Trading, and Operations Departments periodically evaluate and rate brokers based on factors such as, but not limited to, resource provision, research or brokerage services provided, service, execution ability, ability to locate natural counterparties, settlements, and other considerations. (Promotion of the shares of client funds is not a factor considered in broker ratings.) These ratings are helpful as a general check on the execution quality provided by such brokers, and as a relevant consideration when deciding how to allocate trades among different brokers. The Trading Department and members of the TMOC periodically compare ratings with MCM's actual use of those brokers to confirm whether brokers apparently performing at high levels generally receive a comparable allocation of brokerage, and provide periodic updates about these comparisons to the TMOC.

While MCM seeks best execution of all client securities trades it oversees, it may not always be able to achieve it, particularly when clients restrict opportunities to use diverse trading options, request that MCM direct trades to a particular broker or bank custodian (including wrap program sponsors) as discussed under the headings **Brokerage Arrangements for Wrap Program Participants** and **Client-Directed Brokerage** below, or when MCM must place foreign exchange transactions with client-selected custodians or other counterparties for execution as discussed in Item 8 under the heading **Limited Ability to Monitor FX Transactions**.

### **Order of Execution of Trade Orders for Clients**

MCM may place similar trade orders for a variety of different client accounts or groups, including investment companies, Private Accounts, wrap program participants, and other accounts managed in one or more strategies trading the same security. MCM seeks to ensure that trade orders for different client groups, including accounts for related persons of MCM, are executed in a fair order over the long term, and that no client group is unfairly disadvantaged.

Executing trades for different clients through a single broker may effectively realize certain efficiencies potentially available on larger transactions. (Aggregation of trades is further discussed in **Item 11** above under the heading **Allocation of Investment Opportunities and**



**Shares of Investments.)** Simultaneous execution of trades with multiple brokers may be preferable if, for example, some clients (such as wrap program participants) have directed that trades be sent to one broker, other trades for different accounts can best be executed on different venues, and the trades are not expected to materially impact one another.

Same-security trades for different client groups will not necessarily overlap in time. MCM generally places each trade order with a trading venue once the order is ready for execution. For a variety of reasons, including the different investment guidelines that apply to different clients or strategies, different cash availability, and other circumstances, portfolio managers may make investment decisions for some clients (such as Private Accounts or wrap program accounts) at different times than decisions for other clients (such as Fund clients), or trade orders may take longer to prepare for some clients than for others. For example, orders may be placed first for a Fund client account to address routine cash flows such as subscriptions and redemptions. Trades placed first may have the potential to obtain better (or worse) purchase prices or sale proceeds depending on market movements, especially with respect to large orders or less liquid securities.

Client directions to execute trades through a single designated broker also may affect the order of execution by delaying the execution of trade orders for the directing client, as MCM may have an opportunity to obtain favorable execution from another broker for other accounts not affected by a broker designation. For this and other reasons, MCM at times may execute trade orders for wrap programs and other accounts that direct the use of a particular broker-dealer after the completion of trades for other accounts that do not impose such restrictions. This could have potential adverse (or beneficial) effects on such later-executed trades depending on market movements.

Simultaneous execution of larger trades with multiple brokers has the potential to adversely affect the market for a security by, for example, implying exaggerated demand or supply or materially moving the market price for the security. If factors like these appear likely to apply, MCM instead may choose to execute separate orders in the order in which they were received, place a trade for each client group in turn (or a portion of a group's trades at a time), or may combine orders and use a step-out arrangement to execute the trade through one broker while crediting or clearing the trade through other brokers. For some wrap program trades or other trades, MCM also may rotate among client groups in a random order, so that trades for one group are placed first at times, while others go first at other times, or follow another equitable variable rotation method. If circumstances warrant, MCM instead may follow a fixed rotation under which trades for different groups alternate in a regular order.

## **Trade Errors**

On rare occasions trades might result in errors with a monetary impact. If an error has a positive net monetary impact on a client's account, the error is documented in writing, and gains generally may remain in the client's account or be disposed of in another appropriate manner. If the net monetary impact is negative, the loss generally will be moved to MCM's error account and absorbed by MCM, or MCM will otherwise make the client whole. Any net positive balances

that occur in MCM's error account after the end of a given quarter may be retained by MCM, given to a charity, or disposed of in another appropriate manner.

### **Brokerage Arrangements for Wrap Program Participants**

As explained in **Item 4: Advisory Business** above, wrap program participants generally pay the program sponsor a single fee, or wrap fee, that is intended to cover most costs including most trading costs. Participants generally expect the sponsor to execute most wrap trades, using a portion of the wrap fee to pay brokerage commissions. Thus, the decision to participate in a wrap program generally is an effective decision to direct most brokerage to the sponsor.

In accordance with this implied direction by wrap program participants, MCM (and any service provider that may assist it) generally would send most trades for separately managed account wrap program ("SMA wrap program") participants to the sponsor for execution. In the case of unified managed account wrap programs ("UMA wrap programs"), the sponsor itself typically originates, directs, and executes all trades without MCM's involvement, although MCM may assist the sponsor in trading if requested.

Based on the limited information that MCM may receive relating to trade execution quality in wrap programs, it believes that wrap program sponsors (or the brokers designated by the sponsors) typically provide adequate execution of wrap program trades, although the quality of trade executions may vary. If MCM were to receive information that led it to believe that trade quality may be substantially less than optimal, MCM may notify the sponsor of any material concerns it may have about trading issues.

Wrap program participants should be aware that their effective decisions to direct most brokerage to the sponsor generally prevent the use of other brokers that might execute some trades more efficiently, may prevent the receipt of potential benefits associated with the bunching of wrap program trades with other trades sent to other brokers, and that the quality of trade executions could vary.

MCM may execute trade orders for wrap accounts after the completion of trades for other accounts that do not impose restrictions on the use of a broker. When handling trade orders for multiple wrap programs, trades for different programs may be executed in a fixed, random, or variable rotation because of the need to use a different sponsor for each program. The order of execution could affect prices paid or received and account performance.

SMA wrap program participants or sponsors may authorize MCM to execute wrap trades through other brokers if MCM deems it appropriate, such as if MCM believes that another broker temporarily offers special execution opportunities. For example, MCM occasionally might be authorized to seek to execute wrap orders through a sponsoring broker's electronic algorithmic trading systems instead of its wrap trading desk, or combine wrap account orders with other client orders to be executed by another broker that has a large inventory of a security, or use a broker that commits its own capital to facilitate a relatively large block trade, or use a broker that can convert foreign ordinary shares to ADRs and forward them to the wrap program sponsor.

For various reasons, MCM may rarely use this option if it is available. If a non-sponsor broker executes a wrap program trade, that broker might at times seek commissions or other charges such as broker-dealer spreads or mark-ups, which may not always be transparent to MCM or

wrap program participants. If the wrap program does not make funds available to pay a non-sponsor executing broker for executing wrap program trades, MCM could ask the executing broker to execute those trades without receiving a significant commission, and to transfer (or step out) the wrap portion of the trades to the wrap program sponsor or the broker designated by the sponsor. Step-outs have the potential to affect execution quality, however, because the executing broker's incentives may be reduced since it may not be paid a commission for the stepped-out portion of the trade.

For all of the reasons noted above, although MCM seeks best execution of securities trades for wrap program participants to the extent that it has trading responsibility, and seeks to enhance trade quality if opportunities arise, MCM may have little or no ability to use alternative venues for such trades other than the sponsor. While wrap program sponsors generally appear to provide effective execution of trades to wrap program participants, participants should be aware that MCM's control over and opportunities to potentially improve wrap program execution quality may be limited at times.

### **Client Commission Benefits or Soft Dollars**

Traditional Client Commission Benefits. When selecting a broker or ATS (together, "broker") to execute certain client securities transactions, MCM considers factors including the broker's ability to provide research and brokerage services to MCM and its clients ("soft dollar benefits" or "client commission benefits"). As permitted by applicable law and SEC guidance, these client commission benefits are paid for by client accounts through their payment of commissions for trades executed by brokers.

Eligible client commission benefits that MCM may receive from client commissions may include a variety of brokerage services and resources such as trade communications, settlement services, broker capital commitment to facilitate the execution of certain trades, and other brokerage services, and also may include research, investment information, and other services provided by the broker (either directly or through third parties) that are expected to provide lawful and appropriate assistance to MCM in the performance of its investment decision-making responsibilities. These services often may benefit clients as well as MCM, and in some cases may be unobtainable without the payment of commissions to the providing broker.

To facilitate both effective execution of client trades and flexible payments for client commission benefits, MCM utilizes commission sharing arrangements as discussed further below, in which brokers with efficient execution capabilities execute trades, and set aside a portion of their commissions to pay other brokers or third parties for brokerage services or research. Commission sharing arrangements themselves are one type of brokerage service that may be provided as part of client commission benefits.

Client commission benefits present a potential conflict between the interests of the client and the money manager because they permit the money manager to obtain products or services that benefit the manager (and potentially its clients) without using the manager's own resources to produce or pay for them. In addition, a manager may have an incentive to select brokers that provide client commission benefits over alternative execution venues that do not offer such benefits and that may charge less for executing securities transactions.

Certain client commission benefits may benefit some clients more than others. For example, some clients whose brokerage commissions help to pay for research or brokerage services may not be the beneficiary of those products or services, and other clients may benefit more even though those clients' accounts were not involved in paying for those benefits. Applicable law and SEC guidance address these potential conflicts of interest by requiring certain safeguards to apply in arrangements for client commission benefits.

MCM's client commission benefits arrangements are intended to meet the requirements of the statutory "safe harbor" specifying certain ways to establish permitted arrangements under Section 28(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), as interpreted by the SEC, including SEC Release No. 34-54165 (July 18, 2006) (the "2006 Release"), and to comply with any applicable requirements under ERISA. Under these requirements:

- MCM must have investment discretion over broker selection for client trades involving client commission benefits, and must seek best execution of such trades to the best of its ability.
- In connection with client commission benefits received, MCM seeks to make general determinations in good faith that:
  - Client commission benefits constitute "eligible" research and/or brokerage services under the statutory requirements of Section 28(e)(3)(A), (B), or (C) of the Exchange Act as interpreted by the SEC, including in the 2006 Release;
  - Client commission benefits provide lawful and appropriate assistance to MCM in the performance of its investment decision-making responsibilities; and
  - The amounts of client commissions paid are believed, in good faith, to be reasonable in relation to the value of the eligible brokerage and research services and benefits provided by a broker or ATS (together "broker"), either in connection with the particular trade or with MCM's overall responsibilities to the accounts for which it exercises investment discretion in the overall course of dealings with that broker.
- Client commission benefits may include "proprietary" research or brokerage services made available to MCM by the executing broker itself, and "third-party" benefits made available by a third-party broker or other service provider and paid for by the executing broker. However, all benefits must be paid for or otherwise "provided by" a broker, whether they are proprietary or third party services (which the broker may pay for directly or through commission sharing arrangements discussed further below), and the broker must participate at least indirectly in the handling of trades for clients by participating in execution, clearance and settlement, "step-outs," or other trading functions in a manner consistent with the 2006 Release.
- Client commission benefits must be obtained in connection with eligible agency trades or riskless principal trades involving appropriately disclosed charges.

- Consistent with the safe harbor and SEC guidance, brokerage commissions generated by one account may be used to pay for research or brokerage services that assist MCM in carrying out its investment-related responsibilities for that or other accounts, without tracing specific benefits received to commissions paid by each account.

Some of the products and services (proprietary and third-party) that may be provided by a broker to MCM through client commission benefits arrangements may include, without limitation:

Research:

- Traditional “Wall Street” research (proprietary and third-party)
- Meetings with broker research analysts;
- Introductions to corporate executives, economists, government officials, and others;
- Market and economic data, including data providing market color and execution strategies (such as market quotes, volumes, etc.), and data addressing market commentary, execution strategies, legislative developments, economic factors, trends, and portfolio strategies;
- Certain pre-trade and post-trade analytics;
- Software that analyzes securities and portfolios;
- Specialized publications such as financial newsletters, trade magazines, and other publications intended to serve narrowly defined markets (as distinguished from publications of general interest).

Brokerage Services:

- Brokerage services relating to trade execution, willingness to commit capital, block trading capability, participation in “stop-loss” orders, clearance, and settlement;
- Components of order execution systems (such as trade matching systems and market data, including systems providing live market data from exchanges/markets);
- Trading software that facilitates certain pre-trade and post-trade analysis;
- Trade and other communications services related to the execution, clearing, and settlement of securities transactions, such as connectivity services between money managers, brokers, and custodians (including through order management systems);
- Dedicated communications lines (such as Financial Information eXchange (“FIX”) Protocol facilities);
- Short-term custody services;
- Trading software that routes trades to markets, algorithmic trading software, and functions incidental to such trading software.

MCM believes that broker-provided research generally benefits clients by providing MCM access to sources of research information that facilitate better investment decisions, thereby expanding the investment resources available to MCM, potentially enhancing the quality of investment advice to clients, and lowering some related costs of providing investment decision-making services to clients.

Other brokerage services also may benefit clients by helping MCM to execute trades for client accounts as effectively as possible, potentially facilitating more efficient trades, lowering the cost of trades, and assisting MCM in achieving its overall investment goals. Examples of brokerage

services in addition to those discussed above include the broker's search for market liquidity, assistance in working difficult trades, and access to broker capital when needed, such as when the broker may agree to purchase a relatively large position from MCM or to sell a block to MCM from the broker's own inventory.

Most client accounts pay a portion of their overall agency brokerage commissions for brokerage and research products and services. The overall contribution of any account necessarily varies depending on factors such as differences in the account's size, the nature of the investment strategy used to manage the account (e.g., U.S., global, international), relative commissions paid on different markets (e.g., commissions for foreign trades may be higher at times than commissions for U.S. trades), the amount of trading done for the account, cash flows into and out of the account, the nature of the brokers or brokerage services used to execute trades for the account, the extent to which clients direct brokerage for the account, the availability of ATSs to execute trades, compensation arrangements with each broker, the types of client commission benefits offered by different brokers or third party service providers, and other factors. Some client accounts at times may contribute a greater percentage of their brokerage commissions toward obtaining client commission benefits than other accounts do. Some accounts could indirectly pay for research that benefits other accounts more than the paying accounts, or that relates to investments that paying accounts are restricted from owning.

Certain accounts may make no payments for client commission benefits, although they may benefit from research or brokerage services to the same extent as client accounts that do contribute. For example, wrap program accounts or model-only portfolios, if applicable, may not contribute to client commission benefits because such programs typically limit brokerage discretion. Applicable law does not require an investment adviser to attempt to allocate particular client commission benefits only to clients who pay for them, or to attempt to withhold such benefits from other clients, which would not be feasible in light of MCM's similar treatment of clients in investment research and trading.

MCM seeks to limit "mixed use" arrangements in which products or services obtained for client commissions are used both for investment decision-making (such as research) and also for other purposes (such as administrative functions) that are ineligible under Section 28(e) of the Exchange Act. MCM does participate in paired arrangements in which it receives eligible soft dollar products and services from a vendor that are paid for by client commissions, and separately receives ineligible "hard dollar" products and services from the same vendor that are paid for by MCM. In paired arrangements, MCM may enter into separate contracts for the soft- and hard-dollar items, or may request separate invoices for the items, or otherwise may maintain clear separation of the purposes, costs, and sources of payment for the different items. A paired arrangement may appear similar to a mixed-use arrangement in some cases. Regardless of how such arrangements may be viewed, MCM maintains books and records that document the appropriate allocation of client commissions to eligible uses, and payments from MCM's own resources for any ineligible hard-dollar uses.

Commission Sharing Arrangements. As noted above, MCM obtains a substantial portion of its client commission benefits through commission sharing arrangements ("CSAs") with selected brokers. CSA brokers typically may include electronic ATSs that efficiently execute many trades for MCM clients at lower commissions. Full service brokers at times may efficiently execute large trades and provide useful research or brokerage services, and also may serve as CSA brokers.

MCM believes that CSAs benefit MCM and its clients by allowing MCM to execute trades through selected brokers believed to provide high quality execution services, while setting aside a portion of the commissions generated by those brokers to pay for research and brokerage services offered by third party brokers or service providers that may not execute trades or may execute them less efficiently.

Under CSAs, MCM requests that executing brokers allocate a portion of total commissions paid on certain agency transactions to a pool of credits maintained by the broker that can be used to pay for client commission benefits made available by third-party service-providers. After accumulating a number of credits within the pool, MCM may direct that the CSA broker use those credits to pay appropriate third-party service-providers for eligible client commission benefits made available to MCM, which are deemed to be “provided by” the CSA broker.

MCM seeks to pay client commissions in target amounts sufficient to accumulate CSA credits roughly corresponding to its anticipated client commission benefits requirements, but may have temporary surpluses or deficits in target amounts depending on factors such as the timing of billings for qualifying products or services, obligations to use significant credits relatively early each calendar year, the number of trades executed, the overall amount of assets traded, and the nature of execution terms, among other considerations. From time to time, MCM may alter the CSA brokers that are currently maintaining pools of credits for clients, as well as the percentages and nature of the commissions from eligible agency trades that CSA brokers allocate to these pools, based on factors such as expected trading volumes, trends, current CSA balances, and client commission benefits obligations.

MCM does not own the pools of credits maintained with brokers in connection with CSAs, although agreements with CSA brokers typically authorize MCM to request that the broker consider using pool credits to pay service providers as recommended by MCM. MCM has little or no direct control over these pools. In accordance with SEC requirements for CSAs, brokers maintaining such pools may disclaim obligations to disburse those credits under certain circumstances, and questions could arise regarding who owns such credits. In the event that a broker merges with another broker or declares bankruptcy or in other circumstances, there can be no assurance that pools of credits accumulated as a result of client brokerage will necessarily be maintained or preserved for the benefit of MCM or its clients, and the potential benefits of these credits could be lost. MCM seeks to monitor CSA pool balances and reasonably budget pool balances and flows to reduce these risks, although it cannot eliminate risks altogether.

### **Commissions for Trades on Securities Exchanges**

MCM may pay higher or lower commissions to brokers that provide different services. Under this approach, MCM periodically may classify brokers into categories based on their execution abilities, willingness to participate in CSAs, the availability and quality of research, brokerage services, commitment of capital, block trading capability, ability to locate liquidity, speed and responsiveness, or other services provided by the brokers. Examples of these categories may include, without limitation, full service brokers, electronic ATSs, and execution-only brokers. MCM typically may pay higher commissions to brokers for providing higher quality and more comprehensive services including CSAs, and lower commissions for less comprehensive services such as algorithm executions, except to the extent needed to implement CSAs at necessary target levels. MCM generally pays commissions in the range of \$0.04 per share to

top-tier broker-dealers for full-service domestic transactions, and \$0.025 per share or less to execution-only brokers and ATSs for domestic transactions, subject to periodic changes in commission rates paid for CSAs.

Commissions on foreign securities trades vary depending on the foreign market where they are executed. Foreign trade commissions typically are assessed as a percentage of the value of the security being traded rather than on a cents-per-share basis, and MCM may pay higher commissions for foreign full-service trades than for electronic executions. As a result, foreign securities execution costs generally are relatively higher than U.S. commissions. For typical agency trades, depending on the foreign exchanges on which transactions occur, MCM may pay foreign commissions ranging from approximately 5 basis points or more for electronic trades to 30 basis points or more for full service trades in some emerging markets.

### **Effects of “Step-Out” Transactions**

“Step-out” transactions occur when one broker executes a trade while permitting another broker to handle limited responsibilities such as clearance and settlement. In these transactions, the broker that executes the trade “steps aside” to permit a portion of the commission to be paid to another broker.

In recent years, money managers, brokers, and clients have tended to make infrequent use of step-out arrangements because of factors such as declining commission rates, consolidation of brokerage with key trading partners, confidentiality concerns, and the use of commission sharing arrangements and other more efficient arrangements to facilitate the provision of additional services to advisers and their clients. For these reasons, MCM rarely uses step-outs in its current trading practice.

Step-out transactions occasionally may be employed to implement a client’s decision to direct brokerage commissions to another broker, or MCM’s decision to compensate the other broker for providing (or paying for) brokerage or research services that generally benefit MCM and its clients, as discussed in the “Client-Directed Brokerage” and “Client Commission Benefits or Soft Dollars” sections above. The executing broker generally earns a reduced profit from step-out transactions, and receives a smaller portion of the total commission dollars to cover its execution costs, internal clearing costs, correspondent broker or other costs.

Although MCM typically selects an executing broker based on the belief that it is likely to provide best execution, some step-out arrangements might adversely affect execution quality over the long run because the executing broker’s incentives to provide best execution might be affected by the reduced commissions payable to it in such arrangements.

### **Principal Trades Generally**

As described in the “Best Execution” section above, MCM at times may execute securities trades with a broker that acts as principal instead of as agent and that uses its own balance sheet or inventory to fill the other side of a trade. For example, if MCM’s investment goal calls for selling or buying a sizable block of securities quickly, it occasionally may ask a broker to act as the counterparty using the broker’s own capital or securities inventory to facilitate the trade. To compensate the broker for the risk it takes, the prices at which principal trades are executed may be higher (or lower) than current market prices for affected securities. The trade may include



spreads or commissions that may not be fully transparent, and may be higher than spreads or commissions on other trades.

Principal trades occasionally can play a helpful part in meeting MCM's investment goals, such as completing relatively large or smaller trades before security prices move in an unfavorable direction, even if not at the lowest commission cost. These trades at times have been a useful tool in MCM's menu of trading alternatives, and MCM believes that the net trading and investment results of such principal trades are often beneficial to its clients.

In addition to principal trades arranged by MCM, without MCM's knowledge, a broker executing transactions for MCM on an agency basis at times may complete a transaction by purchasing the remainder of the securities using its own resources on a principal basis, or by filling the order from its own inventory. MCM may not be aware of some occasions when this type of principal trade activity may occur.

### **Internal Cross Trades**

An internal cross trade is a commission-free transaction in which MCM pairs a buy order for one client account with a sell order for another in the same security. For example, MCM may consider causing one client account to participate in an internal cross trade with another when one account is trimming security positions to raise cash while the other is buying the same securities.

Crossing the orders may be beneficial by permitting execution of complementary trades at minimal cost. An internal cross trade may (to the extent of the overlap in the two orders) eliminate the need to find another buyer or seller, eliminate attendant market impact, avoid the need to pay commissions to a broker to execute the trade (other than limited clearing fees that may apply), and achieve the investment goals of both.

Internal cross trades must comply with procedures designed to ensure that the Compliance department and the Trading department oversee such trades and that the trades are fair and in the best interests of the clients involved in the trade. Under these procedures, only eligible accounts (not including accounts affiliated with MCM) may participate, MCM receives no fee (other than its standard advisory fee), the trade generally is effected for cash at an independently determined current market price, clients may not pay brokerage commissions or transaction fees other than transfer fees, MCM seeks best execution through the trade, and MCM seeks to ensure that no participating client is unfairly disadvantaged by the cross trade. If an investment company client participates, additional requirements apply.

MCM may arrange for internal cross trades between eligible client accounts when it appears reasonably feasible and potentially beneficial to do so. Some clients, such as certain ERISA plans and accounts in which an affiliated person of MCM owns a significant interest, cannot participate in internal cross trades.

Because of legal, practical, or account-specific restrictions on internal cross trades for certain types of accounts, cross trades may be difficult to arrange, and MCM has no obligation to effect any internal cross trade for any client in any circumstances.

## **Brokerage for Client Referrals**

MCM does not allocate trades to brokers in exchange for broker referrals of clients to MCM. As required by applicable rules for mutual funds, MCM seeks to ensure, when selecting brokers to execute trades for funds that are advised or sub-advised by MCM, that: (i) MCM does not knowingly consider the promotion or sales of shares of those client funds by selling brokers or other client referrals as a factor in selecting brokers to execute portfolio securities transactions for those funds; and (ii) MCM does not knowingly indirectly compensate such selling brokers that promote or sell the shares of funds advised or sub-advised by MCM for such fund promotion or sales of shares by participating in “step out” or other arrangements in which the selling broker receives any remuneration from fund portfolio transactions effected through another broker, such as a portion of the other broker’s commissions for executing transactions for those funds.

MCM may execute portfolio brokerage or principal transactions using brokers that promote or sell the shares of mutual funds advised or sub-advised by MCM for reasons not related to the promotion or sale of shares of a client fund, such as to meet MCM’s obligation to seek best execution for all portfolio securities brokerage transactions.

## **Client-Directed Brokerage**

A client may request in writing that MCM use a broker designated by the client to execute a portion of MCM’s transactions for the client’s account because the designated broker provides certain benefits directly to the client. If MCM agrees in writing, MCM will use its best efforts to comply with such requests.

Clients should understand that such efforts are subject to the disclosures set forth in this Part 2A brochure and other documents. MCM generally limits client-directed brokerage arrangements to a manageable portion (such as 25%) of all trades for a client’s account, often in the context of account inflows and outflows, to protect trade execution quality for the directing client and other clients. MCM uses its best efforts to meet the target threshold on an annual basis, but may fall short of the target because of limited trading opportunities or other factors.

The availability of client-directed brokerage programs has declined because of the withdrawal of many broker-dealers from client-directed brokerage or commission recapture networks/programs, reductions in overall commission levels, and the growing use of CSAs. The low per-share commissions that MCM pays for client trade executions with certain brokers that participate in client-directed brokerage programs also may reduce or eliminate any recapture credits generated by account trades.

If a client enters into a directed brokerage arrangement, the broker typically agrees to rebate certain commissions to the client, pay costs incurred by the client, or provide administration, consulting, performance calculation, or other services negotiated by the client in return for commissions from client-directed trades.

When a client instructs MCM to direct a portion of the securities transactions for its account to a designated broker, the client makes a decision to retain discretion over broker selection and services that MCM otherwise would exercise for the client’s benefit. The client’s decision necessarily limits MCM’s knowledge and control of certain factors potentially affecting the

quality of the broker's services, such as broker commissions and other terms of trade, the broker's execution quality, and the services or other benefits to be received.

MCM seeks best execution of trades involving directed brokerage arrangements, and seeks to minimize any potential adverse effects by, for example, using its best efforts to execute directed trades as part of any normal trading flow with the directed broker. Because MCM may lack information about some directed broker services and their value to the client, MCM generally is not able to fully evaluate every aspect of the execution of such trades, and the client should satisfy itself concerning the adequacy of the directed brokerage arrangement and related trades.

While a directed brokerage arrangement may be helpful to the client, at times it might have unintended adverse trading effects because the client forgoes the use of other brokers that may be cheaper or more efficient, or forgoes potential benefits of larger trades aggregated with those of other clients, such as higher volumes or lower commissions. For example, directed trades could cost clients more than other trades, or may be executed before or after trades for other client accounts.

Although client-directed trades can achieve good results at times, clients should be aware that MCM has little control over the execution quality of directed trades, and cannot accept responsibility for potential liabilities that any party might incur as a result of directed brokerage arrangements.

### **Item 13. Review of Accounts**

MCM and one or more of its portfolio managers generally provide investment advice and supervision to each client account managed or co-managed by that portfolio manager (subject to limitations regarding wrap program accounts discussed below).

Each portfolio manager regularly monitors his or her client accounts. Portfolio managers receive daily information about security positions in account portfolios and account performance.

The Compliance Department uses computerized compliance monitoring software to assist in monitoring portfolios' compliance with client investment policies and regulatory restrictions, and periodically conducts other reviews of certain portfolios. MCM's Operations staff generally reconcile account information at least monthly to available records kept by other persons, such as available custodial records or broker confirmations. MCM's Accounting, Marketing/Client Services, and Compliance staff also may periodically review and analyze account performance and related matters. If any question arose about an account, MCM would promptly review the account in detail, notify the client if a significant issue is detected, and resolve the issue.

MCM provides account statements to Private Account clients at least quarterly. MCM encourages all clients to carefully review those statements, as well as any statements received from other service providers such as custodians, as a check on investment holdings and activity in their accounts. Specifically, clients should compare statements received from other service providers with statements received from MCM, and notify MCM promptly if they have any questions.

In the case of wrap program participants, as discussed in **Item 4: Advisory Business** above, the wrap program sponsor and the participant would be primarily responsible for ensuring that the

services provided by the program and each investment manager or sub-adviser are suitable for each participant's needs. Due to the structure of most wrap programs, MCM cannot provide the same level of client relationship services to wrap program participants that it may provide to other clients. Still, MCM (or any service provider that may assist it) would be reasonably available for consultation with the sponsor and the participant or its representative.

MCM's Compliance Program. MCM maintains a compliance program that is designed to guide its compliance with applicable laws and rules and to seek to prevent violations of relevant legal requirements and other conditions such as applicable client guidelines. The primary elements of MCM's compliance program include the adoption and implementation of documented policies and procedures that accurately reflect the operations of MCM's business and are reasonably designed to prevent violations of the Advisers Act and rules, as well as certain requirements of other federal laws. The adoption and implementation of these policies and procedures are joint responsibilities shared by MCM's management, the Compliance Department, the Legal Department, and other business units. MCM's Chief Compliance Officer, with the support of MCM's staff, oversees the administration of the compliance program.

MCM devotes considerable time and resources to seeking to ensure that its compliance policies are comprehensive and effective, and seeks to correct any material violations of its compliance policies promptly if they are detected. Of course, any compliance program has limitations, and no program can prevent, detect, or correct every potential violation of applicable law, client guidelines, or internal policies and procedures.

Class Action Policy and Procedures. Clients of MCM at times might have opportunities to pursue possible claims against third parties relating to potentially inappropriate conduct by the management of companies whose securities currently are or formerly were held in a client's account with MCM. For example, a company's current or former shareholders may commence a class action against the company or its management for alleged misconduct that may have caused the company's stock price to drop. While a client need not necessarily participate in a shareholder class action, the client eventually may wish to file a claim in connection with such a lawsuit if, for example, a court overseeing a class action issues a written notice ("claim eligibility notice") stating that the case has been settled, and that persons who owned securities during relevant periods may submit a proof of claim seeking a share of any proceeds that may become payable as a result of the settlement of the case.

Monitoring and responding to claim eligibility notices is primarily the responsibility of the client and its custodian bank or portfolio accountant. MCM may not necessarily receive claim eligibility notices for its clients, and cannot accept primary responsibility for forwarding such notices to clients, or filing, collecting, or taking action on behalf of clients on any claims that a client may be entitled to assert in securities class action lawsuits or other legal actions relating to any securities held (or formerly held) in a client account.

In its role as a client's investment adviser or sub-adviser, MCM is willing to provide limited assistance to clients upon request in obtaining information about class action claims. If a current client requests MCM's assistance, MCM will use its best efforts to forward to the client or its custodian or other representative claim eligibility notices or related material information that MCM receives regarding class actions concerning securities that are or were held in the client's account, provided that there is no indication that the information already was sent to the client or its custodian or other client representative by the court or other parties. MCM also is willing to

provide other limited assistance in processing such notices, such as evaluating when relevant securities were held in a client's account. MCM's assistance to clients in these matters generally ends upon termination of the client relationship.

From time to time, MCM or its clients may be solicited by law firms seeking their participation as lead plaintiff or a named plaintiff in class action suits or other litigation involving securities held in client accounts. In general, MCM does not participate as lead or named plaintiff for itself or for clients in litigating class action lawsuits, or otherwise assume an active role for clients in such cases. Taking an active role in such cases may appear inconsistent with MCM's reputation, core investment strategy, and core competence as a passive investor that does not seek to influence or control the management of companies it invests in, its principal skills in investing rather than litigating, its concerns about substantial costs and commitments for clients relating to participation in litigation, and its limited knowledge of each client's interests and potential issues for the client's autonomy, including the client's need to make its own decisions about key matters, potential client concerns about the publication of clients' names as plaintiffs, the absence of clear grants of authority to MCM to file lawsuits on behalf of clients, and clients' likely preference to handle direct litigation themselves.

As discussed above, MCM will, upon a client's request, use its best efforts to forward to the client or its representative claim eligibility notices or related material information that MCM receives regarding class actions concerning securities held (or formerly held) in the client's account, provided that there is no indication that the information already was sent to the client or custodian or other representative by the court or other parties, so that the client may decide for itself whether to exercise any options presented.

"Opt-Out" Legal Actions. Law firms at times may inquire whether MCM or its clients may wish to "opt out" of settlements of class actions in favor of pursuing independent litigation or other remedies against a defendant issuer. If an opt-out action is successful, the potential recovery for clients in some circumstances might be much greater than the recovery available in a class action settlement.

As in the case of class actions, MCM believes that a decision to bring an action against an issuer and opt out of a class action settlement by MCM on behalf of clients usually may not serve the interests of its clients. Such an action may appear inconsistent with MCM's reputation, core investment strategy, and core competence as a passive investor that does not seek to influence or control the management of companies it invests in, its principal skills in investing rather than litigating, its concerns about substantial costs and commitments for clients relating to participation in litigation, and its limited knowledge of each client's interests and potential issues for the client's autonomy, including the client's own need to make its own decisions about key matters, potential client concerns about the publication of clients' names as plaintiffs, the absence of clear grants of authority to MCM to file lawsuits on the behalf of clients, and clients' likely preference to handle direct litigation themselves.

A decision to opt out of a class action settlement and file a separate suit is an expensive, serious, and potentially speculative endeavor that clients may or may not choose to undertake after conducting a cost-benefit analysis. An opt-out action substantially increases the legal fees, time commitments, discovery exposure, and other costs, burdens, and risks of litigation compared to class action settlements, generally forfeits the benefits of class action settlements, may delay or

prevent the receipt of any relief until after a class action settlement, if at all, and may introduce a new adversarial element in investing that clients may find unappealing. As a result, MCM typically does not accept law firm invitations to opt out of a class action settlement on behalf of itself or clients, and does not forward such invitations to clients, make recommendations as to whether clients should opt out of class action settlements, or provide client contact information to law firms seeking opt-out representations.

In very unusual circumstances, such as if an issuer's management appeared to have made material misrepresentations to MCM that caused serious financial harm to client accounts, or the issuer engaged in other apparent misconduct causing substantial harm to client accounts not adequately redressed by a class action, MCM would consider assisting interested clients in opting out of a class action and bringing suit on their own behalf, if and to the extent that clients request assistance and it is reasonable and feasible for MCM to provide it. In such a case, participating clients may have to delegate substantial authority to counsel and MCM, relinquish some ability to control such litigation, and hold MCM harmless from liability for their participation in an opt-out lawsuit. MCM generally would assist only clients that request assistance, and may not be able to determine which other clients may have an opportunity to opt out, or give notice of the opportunity to opt out to any or all clients or former clients that might potentially participate. MCM's assistance to clients in such matters generally would end upon termination of the client relationship.

MCM ordinarily may not be in a position to assist clients in opting out of a class action because of factors such as the difficulties of evaluating potential misconduct by a company and the magnitude of resulting damages, the need to consider and evaluate applicable defenses, the challenge and cost of retaining and consulting suitable counsel, the difficulty of analyzing factors affecting former portfolio holdings held years ago and whether holdings, investment decisions, and performance may have been affected by issuer misconduct, the limited time frames for contacting clients and taking action, and the need for rapid responses under court deadlines that may apply. MCM reserves the right to decline to participate in such opt-out actions for any reason in its discretion.

Foreign "Opt-In" Legal Actions. Many non-U.S. jurisdictions do not provide for a legal remedy comparable to the U.S. class action. Some may recognize other types of collective legal actions by current or former shareholders against an issuing company that engaged in fraudulent or misleading conduct or other malfeasance.

MCM occasionally receives solicitations from third party service providers asking whether MCM or its clients wish to participate or "opt in" to certain non-U.S. collective legal actions in foreign jurisdictions against issuers of foreign securities held (or formerly held) in client accounts. These actions generally would require substantially more active participation by claimants than class actions do, and would present characteristics similar to direct or "opt out" suits in the U.S. discussed above, as well as unique characteristics of their own.

MCM believes that "opt-in" participation in these types of non-U.S. legal actions by MCM on behalf of clients generally may not serve the interests of its clients. In addition to reasons cited above for not participating in opt-out actions, many of which also apply to opt-in actions, other reasons for not participating in foreign opt-in actions include the sometimes unfamiliar forum and legal framework for such actions in some foreign jurisdictions, uncertainties about the

outcome of relatively new processes in these jurisdictions, foreign judicial and regulatory skepticism of or hostility to investor claims in certain jurisdictions, the potential burdens of participating in or conducting foreign discovery proceedings or monitoring or presenting testimony abroad, the potential to face counterclaims or other liabilities for participating in such claims in some jurisdictions, the lack of legal and factual clarity about potential recoveries, costs, and liabilities before commitments are made regarding the obligations of investors who opt in, potentially onerous contractual requirements regarding costs and other burdens relating to participation, the potential need to pay some expenses on an ongoing basis, and limited expertise regarding certain legal actions and procedures in foreign jurisdictions.

In very unusual circumstances analogous to those that might justify assisting clients to participate in opt-out actions, such as if an issuer's management appeared to have made material misrepresentations to MCM that caused serious financial harm to client accounts, MCM may consider assisting interested clients in opting into a foreign action and bringing suit on their own behalf, if and to the extent that clients request assistance and it is reasonable and feasible for MCM to provide it. Clients who chose to opt into such an action might face substantial risks analogous in some respects to those applicable to opt-out actions. Participating clients may have to delegate substantial authority to counsel and MCM, relinquish some ability to control such litigation, and hold MCM harmless from liability for their participation in an opt-in lawsuit. If MCM did assist any clients in opting into an action, because of the risks and other factors discussed above, MCM generally would assist only clients that request assistance, and may not be able to determine which other clients may have an opportunity to opt in, or give notice of the opportunity to opt in to any or all clients or former clients that might potentially participate. MCM's assistance to clients in these matters generally would end upon termination of the client relationship.

MCM ordinarily may not be in a position to assist clients in foreign opt-in actions because of factors such as those discussed above, and reserves the right to decline to participate in such opt-in lawsuits for any reason in its discretion.

#### Reporting to Clients on Their Accounts.

Mutual Funds: On a quarterly and/or monthly basis, MCM generally furnishes in writing to investment company clients or their representatives information such as portfolio holdings, performance and attribution information, and other information that may be requested by each client. The information about fund performance, turnover, and other matters provided by MCM to investment company clients is generally unofficial, informal information derived from MCM's own systems, and is for clients' internal purposes only. Such reports do not constitute the official books and records of any investment company, and unofficial information such as estimated performance or turnover reports should not be used as the basis for reporting information to investment company shareholders in published standardized mutual fund performance data or otherwise.

Private Accounts: MCM furnishes written account statements to Private Account clients at least quarterly. These statements disclose holdings and performance information about Private Account portfolios.

Wrap Program Clients: Wrap program participants generally would receive account statements from program sponsors at least quarterly.

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

MCM, as a matter of policy and practice, generally does not pay cash referral fees to any persons (whether individuals or entities) for the referral of advisory clients to the firm. MCM employees are compensated based on other criteria, such as the overall performance of MCM and the quality of service provided to clients by MCM personnel. As a result, MCM does not believe that it faces significant conflicts of interest relating to client referrals or similar compensation arrangements. MCM could consider making a potential exception to its general policy against paying cash referral fees at any time, and in that case would seek to ensure that any such arrangement complies fully with pertinent SEC and policy requirements.

In the ordinary course of MCM's business in serving as a sub-adviser, it may receive compensation from third parties for giving advice to clients. For example, the principal investment adviser of a mutual fund typically pays MCM's fees for sub-advising the fund out of the investment advisory fee that the adviser has negotiated with the fund, rather than requiring the fund to pay MCM directly. Similarly, a wrap program sponsor typically would pay MCM's fees for serving the wrap program and its participants from the sponsor's own wrap fee received from participants, rather than requiring participants to pay MCM directly.

Also in the ordinary course of business, broker-dealers may provide MCM and its clients with client commission benefits from their own resources or third party service providers in exchange for client paid commissions in accordance with applicable law and SEC guidance, as described in detail under **Client Commission Benefits or Soft Dollars** in **Item 12: Brokerage Practices** above.

As investment adviser to the Marsico Funds, MCM in its sole discretion may choose to help pay fees to the Funds' financial intermediaries for services relating to the distribution of Fund shares or for other shareholder services, or may help pay distribution, administrative, or other expenses incurred by the Fund using MCM's own resources, including profits from providing services to the Funds and other clients.

#### **Item 15. Custody**

MCM does not act as actual custodian of any client account, and does not seek physical possession of any client's investment cash or assets held in any client's account.

In the ordinary course of business, MCM may enter into advisory arrangements in which it may be deemed to have custody of the assets of certain client accounts by virtue of direct "fee deduction" authority granted by those clients to MCM. In direct fee deduction arrangements, a client expressly authorizes MCM to instruct the client's custodian to periodically deduct the agreed investment advisory fees directly from the client's account and to pay the fees to MCM. These arrangements are authorized by the client, limited to documented fees, and overseen by an independent custodian. In part for these reasons, Rule 206(4)-2 under the Advisers Act provides an exception from certain requirements where an adviser is deemed to have custody solely as a result of direct fee deduction arrangements.



To enhance client protections in these deemed custody arrangements, Rule 206(4)-2 generally requires that (a) the actual custodian of the client's account must be a "qualified custodian" (generally a bank or trust company, savings association, registered broker-dealer, registered futures commission merchant, or foreign financial institution), and (b) the adviser have a reasonable basis, after due inquiry, for believing that the qualified custodian sends an account statement at least quarterly to each client, identifying the amount of cash and securities in the account at the end of the period, and setting forth all transactions in the account during the period. MCM believes that its direct fee deduction arrangements with clients meet Rule 206(4)-2's requirements (subject to MCM's understanding that custodians may provide account statements to their clients by making them available on their websites rather than by sending paper copies to clients).

Clients should carefully review their custodial agreements with their custodians to ensure that the agreements do not contain overbroad language that might inadvertently confer unduly broad custody over clients' assets on an investment adviser such as MCM. MCM does not ordinarily have access to clients' custodial agreements. A custodial agreement can and should authorize the client's investment adviser to give instructions to the custodian to disburse cash or securities from the client's account whenever the custodian believes in good faith that the adviser's instructions are given in connection with ordinary securities trading activity under an investment advisory agreement between the client and the adviser. If the client wishes, the custodial agreement also can allow the custodian to disburse cash to the investment adviser to pay for the direct fee deduction of investment advisory fees.

However, it may be undesirable for a custodial agreement to grant an investment adviser unlimited rights to dispose of money, securities, and property of every kind without any safeguards appropriate for settling securities transactions (such as "delivery versus payment" ("DVP") typically applicable to transactions in most listed securities, excluding certain transactions such as trades in privately issued securities, foreign securities, or derivative transactions). It also may be undesirable for a custodial agreement to allow the custodian to rely without limitation on the investment adviser's instructions without any direction from the client, or to allow the investment adviser to instruct the custodian to disburse cash from the account for any purpose without restriction. It may be desirable for the custodian to agree to ask the client for further guidance about any instructions to deliver cash or securities that are based on authority that may be unclear.

Recognizing that MCM has little knowledge of clients' custodial agreements and has no control over the language of such agreements, MCM requests clients' assistance in removing potentially overbroad custody language such as that described above from their custodial agreements.

Although MCM does not open custodial accounts on behalf of clients, MCM periodically may remind clients, as a sensible check on activity in their accounts, to carefully compare account statements from the custodian with statements from MCM, and to contact MCM with any questions. Clients also should contact their custodians and MCM if they do not receive access to quarterly account statements from their custodians.

MCM takes steps to avoid receiving unintentional custody of client assets, such as checks made out to clients by third parties. At times, however, representatives of corporate issuers whose securities are or were held in clients' accounts, trustees or other administrators of settlement

funds, and other parties may issue checks made out to MCM on behalf of certain clients, or checks made out to clients directly in amounts intended for clients as part of distributions, settlements or other payments to investors. When MCM receives such checks or other client assets, it uses its best efforts to comply with SEC and staff guidance issued pursuant to Rule 206(4)-2, and to identify affected clients and distribute amounts believed to be due to them as quickly as practicable. In some cases, practical necessity or other factors may require MCM to deposit such checks in its own account and pay out amounts to current clients as quickly as practicable, or to take other actions described below.

Certain factors may make it difficult at times to distribute third-party payments to current clients. Distributions may result from events that occurred years earlier, and the paying entity and MCM may not know which clients were affected or in what amounts. Amounts involved in these situations often are minimal, and may not justify costly efforts to distribute them. MCM may face major challenges and delays in attempting to ascertain which amounts may be due to which clients and in seeking to contact them, and cannot assure that all clients will always receive all amounts believed to be due to them that are received from third parties. MCM's assistance to clients in these matters generally ends upon termination of the client relationship.

If amounts at issue are immaterial, difficulties exist in distributing some amounts, or distributions are impractical or undesirable for other reasons, MCM instead may make an equitable distribution of some or all amounts in good faith to certain clients that clearly were affected, retain all or a portion itself to help cover previous expenses such as costs incurred in servicing or closing client accounts, processing payments, or other expenses, donate the amounts to a charity of its choice, or take any other action that appears reasonable or necessary in its discretion.

#### **Item 16. Investment Discretion**

MCM believes that it serves clients best by exercising discretionary authority to determine the type, amount, and price of investments to be bought or sold in client accounts, the brokers to be used to execute trades, and other investment-related decisions, subject to each client's stated investment policies, restrictions, and other considerations that may apply. Unless otherwise agreed upon by the parties, clients generally grant MCM discretionary authority over a new account, and MCM begins investing the account's assets after receiving a certified list of assets from the client's custodian.

To meet regulatory requirements for investment vehicles such as sub-advised funds or trusts, MCM can accept more limited delegations of investment authority if a client wishes. For example, MCM may serve as a sub-adviser to a fund subject to oversight by the principal manager and fund board, or serve as manager of ERISA plan or trust assets subject to oversight and shared discretion exercised by a plan fiduciary or a trustee.

Clients also may limit MCM's discretion by requesting, for example, that MCM take certain actions relating to their accounts, such as retaining certain legacy securities, or keeping part of an account in cash. MCM also will seek to comply with other reasonable guidelines and restrictions set by clients.

As discussed in Item 4 above, in UMA wrap programs, the sponsor (or an affiliated or independent “overlay manager” appointed by the sponsor) typically would assume a more active role in managing client portfolios using recommendations from investment managers. The sponsor or overlay manager would exercise its discretion in determining how best to implement each manager’s recommendations for clients, and execute most trades for UMA portfolios. MCM generally would provide a model portfolio to UMA sponsors, and may offer its views about trading to the UMA sponsor if desired.

Like all investment advisers, MCM is subject to constraints on its investment discretion imposed by regulatory or compliance restrictions. For example, federal, state, or foreign regulatory requirements or company-specific ownership limits may restrict the total percentage of an issuer’s securities that MCM can hold, and the types or amounts of securities available to be purchased for client accounts. Investment companies, ERISA plans, and wrap accounts, are subject to other special restrictions for each account type. The complexity or uncertainty of certain regulatory regimes, such as ERISA, may cause MCM to manage related accounts more conservatively than may be required under law or permitted under account restrictions.

MCM generally has discretionary authority to select the brokers used to execute the purchase or sale of securities or other investments for client accounts. Certain exceptions relating to Client-Directed Brokerage and Brokerage Arrangements for Wrap Program Participants are discussed in **Item 12: Brokerage Practices** above.

#### **Item 17. Voting Client Securities**

MCM maintains a written proxy voting policy and procedures governing its exercise of proxy voting responsibilities as required by Rule 206(4)-6 under the Advisers Act. The policy generally provides that:

MCM seeks to ensure as a matter of policy that, to the extent reasonably feasible, proxy ballots (or “proxies”) for client accounts over which it has voting authority and for which it receives timely notice in good order, are voted or otherwise processed (such as through a decision to abstain from voting or to take no action) in the best economic interests of MCM’s clients with regard to investments managed for them by MCM over the long term (“best interests”). More information about MCM’s proxy policy is summarized here.

- MCM’s security analysts generally review proxy proposals as part of their monitoring of portfolio companies. Under MCM’s investment discipline, one of the qualities that MCM generally seeks in companies selected for client portfolios is good management teams, including boards of directors, that generally seek to serve shareholder interests. MCM believes that the management teams of most companies it invests in generally seek to serve shareholder interests. Therefore, when those companies issue proxies, MCM believes that related recommendations by management, including boards of directors, often are in shareholders’ best interests. As a result, MCM believes that voting proxy proposals in the best interests of MCM’s clients usually, though not always, means voting in accordance with the recommendations of those companies’ management teams, including boards of directors.
- In certain circumstances, MCM’s vote-by-vote analysis of proxy proposals could lead

it to take a different view from management or boards of directors. For example, at times MCM may conclude that particular management or board recommendations may not appear as closely aligned with shareholder interests as MCM may deem desirable, or may reasonably be disregarded in the best interests of MCM's clients as viewed by MCM. In these and other circumstances, MCM, in its sole discretion, may vote in a manner not in accordance with a management or board recommendation (or may abstain or take no action) based on any factors it deems relevant, provided that in MCM's view such a vote appears consistent with the best interests of MCM's clients.

- MCM at times may process proxies (or proposals within such proxies) without voting them, such as by making a decision to abstain from voting or to take no action. Examples of proxies on which MCM may abstain or take no action include, without limitation, proxies issued by companies that MCM has decided to sell, proxies issued for securities that MCM did not select for a client portfolio (such as, without limitation, securities that were selected by a previous adviser, unsupervised securities held in a client's account, money market securities, or other securities selected by clients or their representatives other than MCM), or when voting may be unduly burdensome or expensive, such as for proxies issued by foreign companies that impose unreasonable voting requirements, power of attorney requirements, or holding requirements. MCM also may abstain or take no action on proxies (or proposals within such proxies) when voting may not be in the best interests of MCM's clients, as an alternative to voting with (or against) a management or board recommendation, or if MCM may have a material conflict of interest in voting certain proxies (or proposals within such proxies) and alternative voting procedures are not available or desirable.
- In circumstances when there may be a potential appearance of a material conflict of interest between MCM's interests and the best interests of MCM's clients in how proxies are voted (such as when MCM knows that a proxy issuer is also a direct MCM client), MCM generally will resolve any appearance concerns by causing those proxies to be "echo voted" or "mirror voted" in the same proportion as other votes, voting the proxies as recommended by an independent service provider, or abstaining or taking no action. In other cases, MCM may use other procedures to resolve an apparent material conflict.
- MCM may use independent service providers to assist in functions including, without limitation, translating proxy materials, providing voting recommendations, processing MCM's vote instructions, voting proxies, maintaining voting records, assisting in preparing certain reports, disclosing voting information to clients or others, and other matters.
- MCM may be unable to vote or otherwise process proxy ballots that are not received or cannot be processed in a timely manner due to functional limitations of the proxy voting system, custodial limitations, or other factors beyond MCM's control. Ballots that cannot be processed may include, without limitation, ballots for securities out on loan under securities lending programs initiated by the client or its custodian, ballots not timely forwarded by a custodian, and ballots for which MCM does not timely receive essential information such as modifications to the proxy proposals,

recommendations, or voting deadline date. Other ballots may be voted but not counted, or counted in an unexpected way, because of factors such as foreign voting requirements or other limitations.

MCM generally cannot implement client proxy voting guidelines that do not delegate full discretion to MCM, or that are not consistent with MCM's Proxy Voting Policy and Procedures or its investment policy. MCM encourages a client to retain proxy voting authority over its own account instead of authorizing MCM to vote if the client believes that proxies should be voted based on political or social interests or other client-specific considerations, or seeks to impose client-specific voting guidelines that may be inconsistent with MCM's vote-by-vote analysis, its Proxy Voting Policy and Procedures, or its investment policy. MCM does not generally advise a client on proxy voting issues when the client retains authority to handle such matters itself.

Upon request, MCM will provide clients with (1) a copy of MCM's Proxy Voting Policy and Procedures, and (2) information about how proxies for securities held in their accounts were voted or otherwise processed. With respect to the Marsico Funds, information about proxy votes for the 12-month period ended June 30 of each year is available upon request (without charge) by calling 888-860-8686, and is available on the SEC's website at [www.sec.gov](http://www.sec.gov).

#### **Item 18. Financial Information**

A related party of MCM holds approximately \$38.4 million in medium-term senior loans issued on favorable terms to MCM's parent companies and guaranteed by MCM. MCM and its parent companies have no other debt.

#### **Item 19. Requirements for State-Registered Advisers**

Not applicable.

**MARSICO CAPITAL MANAGEMENT, LLC (“MCM”)**  
**FORM ADV PART 2B**  
**BROCHURE SUPPLEMENTS DESCRIBING PORTFOLIO MANAGERS**  
**COVER SHEET**

**Update as of March 29, 2018**

The attached brochure supplements provide information to clients about MCM’s portfolio managers. These include persons who are supervised by MCM, and either: (a) Formulate investment advice for clients and have direct client contact; or (b) Have discretionary authority over client assets even if they have no direct client contact (except persons who have no direct client contact and have discretionary authority only as part of a team). These supplements constitute Part 2B of Form ADV, MCM’s client brochure.

A previous version of these supplements was filed with Part 2A of Form ADV on March 28, 2017. Subsequently, on July 1, 2017, MCM made limited updates, including minor changes to the supplement about Thomas F. Marsico, removing a supplement about a former portfolio manager, and adding a supplement about a new portfolio manager, and provided the updated supplements to affected clients. Effective March 29, 2018, MCM has made date changes, removed a supplement about a former portfolio manager, and made other updates to the supplements, including minor changes to the supplement about Thomas F. Marsico.

From time to time MCM may make further updates to brochure supplements and deliver them separately to affected clients without filing them with Part 2A of Form ADV.

**MARSICO CAPITAL MANAGEMENT, LLC (“MCM”)**  
**FORM ADV PART 2B**  
**BROCHURE SUPPLEMENT FOR THOMAS F. MARSICO**

**March 29, 2018**

**Item 1. Cover Page**

This document provides information about Thomas F. Marsico that supplements the brochure (also known as Part 2A) provided by MCM to its clients and prospective clients. You should have received a copy of that brochure. Please contact us at 303-454-5600 or [compliance@marsicocapital.com](mailto:compliance@marsicocapital.com) if you did not receive MCM’s brochure or if you have any questions about the contents of this supplement.

Thomas F. Marsico is the founder, Chief Executive Officer, and Chief Investment Officer of MCM. Mr. Marsico sets MCM’s overall research and investment strategy, and is the portfolio manager of accounts managed in MCM’s Focused Growth and Diversified Growth strategies, MCM’s Global Growth and Flexible Capital strategies, and MCM’s Select Alpha Growth strategy, and the co-portfolio manager of accounts managed in MCM’s International Growth strategy.

MCM’s address, telephone number, and website are:

Marsico Capital Management, LLC  
1200 17<sup>th</sup> Street, Suite 1600  
Denver, Colorado 80202-5824  
Phone: 303-454-5600  
[www.marsicocapital.com](http://www.marsicocapital.com)

**Item 2. Educational Background and Business Experience**

Mr. Marsico has over 35 years of experience in the investment management field as a securities analyst and a portfolio manager. His extensive background in rigorous securities analysis led him to recruit and train MCM’s multi-talented Investment team. He is a graduate of the University of Colorado, and holds an MBA from the University of Denver. Mr. Marsico was born in 1955.

**Item 3. Disciplinary Information**

Not applicable.

**Item 4. Other Business Activities**

Mr. Marsico holds other investment-related positions associated with his services to MCM and its clients, including serving as an officer of MCM's parent companies and affiliates, and as a board member and officer of The Marsico Investment Fund, MCM's proprietary mutual fund product. These duties are not undertaken for compensation, and do not present conflicts of interest with Mr. Marsico's services to MCM and its clients generally. Mr. Marsico is not actively engaged in any non-MCM business or other occupation that involves a substantial amount of his time or provides a substantial amount of his income.

**Item 5. Additional Compensation**

Not applicable.

**Item 6. Supervision**

MCM has extensive policies and procedures, software systems, and other controls that seek to ensure that its portfolio managers manage client accounts in accordance with client investment guidelines, contractual obligations, and applicable laws and regulations. Every employee certifies in writing to his or her understanding of relevant compliance procedures, and MCM monitors compliance with procedures and performs periodic review and testing of procedures.

Under MCM's compliance and supervision policy and procedures, every MCM employee has the responsibility to know and follow MCM's procedures, and is subject to supervision by MCM's management and the compliance department. Thomas F. Marsico is responsible for managing MCM's Investment team. If you have a question about the management of your account, you can call Mr. Marsico or a representative of MCM's Compliance department at (303) 454-5321, or write to them at the address for MCM listed on the previous page.



**MARSICO CAPITAL MANAGEMENT, LLC (“MCM”)**  
**FORM ADV PART 2B**  
**BROCHURE SUPPLEMENT FOR BRANDON GEISLER**

**March 29, 2018**

**Item 1. Cover Page**

This document provides information about Brandon Geisler that supplements the brochure (also known as Part 2A) provided by MCM to its clients and prospective clients. You should have received a copy of that brochure. Please contact us at 303-454-5600 or [compliance@marsicocapital.com](mailto:compliance@marsicocapital.com) if you did not receive MCM’s brochure or if you have any questions about the contents of this supplement.

Brandon Geisler is the portfolio manager of accounts managed in MCM’s All-Cap Growth (21<sup>st</sup> Century) strategy. Mr. Geisler is also a senior analyst on MCM’s Investment team.

MCM’s address, telephone number, and website are:

Marsico Capital Management, LLC  
1200 17<sup>th</sup> Street, Suite 1600  
Denver, Colorado 80202-5824  
Phone: 303-454-5600  
[www.marsicocapital.com](http://www.marsicocapital.com)

**Item 2. Educational Background and Business Experience**

Mr. Geisler has over 15 years of experience in the financial services industry. Prior to joining MCM in 2006, Mr. Geisler spent four years with Goldman, Sachs & Co., where he was a Vice President in Equity Research covering the restaurant and other consumer-related industry groups. He received his MBA degree and Honours BS degree from McMaster University in Ontario, Canada. Mr. Geisler was born in 1976.

**Item 3. Disciplinary Information**

Not applicable.

**Item 4. Other Business Activities**

Not applicable.

**Item 5. Additional Compensation**

Not applicable.

**Item 6. Supervision**

MCM has extensive policies and procedures, software systems, and other controls that seek to ensure that its portfolio managers manage client accounts in accordance with client investment guidelines, contractual obligations, and applicable laws and regulations. Every employee certifies in writing to his or her understanding of relevant compliance procedures, and MCM monitors compliance with procedures and performs periodic review and testing of procedures.

Under MCM's compliance and supervision policy and procedures, every MCM employee has the responsibility to know and follow MCM's procedures, and is subject to supervision by MCM's management and the compliance department. Thomas F. Marsico is responsible for managing MCM's Investment team. If you have a question about the management of your account, you can call Mr. Marsico or a representative of MCM's Compliance department at (303) 454-5321, or write to them at the address for MCM listed on the previous page.

**MARSICO CAPITAL MANAGEMENT, LLC (“MCM”)**  
**FORM ADV PART 2B**  
**BROCHURE SUPPLEMENT FOR ROBERT SUSMAN, CFA**

**March 29, 2018**

**Item 1. Cover Page**

This document provides information about Robert Susman, CFA, that supplements the brochure (also known as Part 2A) provided by MCM to its clients and prospective clients. You should have received a copy of that brochure. Please contact us at 303-454-5600 or [compliance@marsicocapital.com](mailto:compliance@marsicocapital.com) if you did not receive MCM’s brochure or if you have any questions about the contents of this supplement.

Robert Susman, CFA, is the co-portfolio manager of accounts managed in MCM’s International Growth strategy. Mr. Susman is also a senior analyst on MCM’s Investment team.

MCM’s address, telephone number, and website are:

Marsico Capital Management, LLC  
1200 17<sup>th</sup> Street, Suite 1600  
Denver, Colorado 80202-5824  
Phone: 303-454-5600  
[www.marsicocapital.com](http://www.marsicocapital.com)

**Item 2. Educational Background and Business Experience**

Mr. Susman has over 15 years of experience in the financial services industry. Prior to joining MCM in 2013, he served in New York City from 2001 to 2005 as an associate in the equity research department at Morgan Stanley before joining the firm’s Corporate Strategy and Execution Team. Mr. Susman later transitioned to the buy-side where he was an analyst for Baron Capital, Inc. from 2007 to 2013. Mr. Susman was awarded the designation of Chartered Financial Analyst (“CFA”) in 2005. He holds an AB degree in Economics from Harvard College and an MBA from Harvard Business School. Mr. Susman was born in 1978.

The CFA program is a three-level graduate self-study program that combines a broad-based curriculum of investment principles with professional conduct requirements tested in several exams, and typically requires 2-5 years and prior qualifying experience to complete.

**Item 3. Disciplinary Information**

Not applicable.

**Item 4. Other Business Activities**

Not applicable.

**Item 5. Additional Compensation**

Not applicable.

**Item 6. Supervision**

MCM has extensive policies and procedures, software systems, and other controls that seek to ensure that its portfolio managers manage client accounts in accordance with client investment guidelines, contractual obligations, and applicable laws and regulations. Every employee certifies in writing to his or her understanding of relevant compliance procedures, and MCM monitors compliance with procedures and performs periodic review and testing of procedures.

Under MCM's compliance and supervision policy and procedures, every MCM employee has the responsibility to know and follow MCM's procedures, and is subject to supervision by MCM's management and the compliance department. Thomas F. Marsico is responsible for managing MCM's Investment team. If you have a question about the management of your account, you can call Mr. Marsico or a representative of MCM's Compliance department at (303) 454-5321, or write to them at the address for MCM listed on the previous page.