

**ITEM 1: COVER PAGE**

SEPULVEDA MANAGEMENT LLC  
(“**We**” or “**Us**”)

Form ADV, Part 2A  
(the “**Brochure**”)

March 28, 2019

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This brochure provides information about the qualifications and business practices of Sepulveda Management LLC. If you have any questions about the contents of this brochure, please contact us at [advpartII@tcw.com](mailto:advpartII@tcw.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.

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

We may refer to ourselves as a “registered investment adviser” or “**RIA**”. You should be aware that registration with the SEC or a state securities authority does not imply a certain level of skill or training.



## ITEM 2: MATERIAL CHANGES

See Attachment I of this Brochure for a summary of the material changes that we have made to this Brochure since our annual Amendment filed March 28, 2018.

## ITEM 3: TABLE OF CONTENTS

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#### ITEM 4: ADVISORY BUSINESS

**WHO WE ARE.** We are an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) and were established in May 26, 2016. We are a Delaware limited liability company.

We are owned by The TCW Group, Inc. (the “**TCW Group**” and together with its affiliated companies, “**TCW**”), WAM Capital LLC (“**WAM**”), an affiliate of Wedbush Capital (“**Wedbush**”), certain members of our investment team (the “**Investment Team**”) and certain other minority owners (collectively, the “**Ownership Group**”). Initially, we are managed by a board of managers comprised of representatives from each of TCW and the Investment Team.

In February 2013, TCW management and private investment funds affiliated with alternative asset manager The Carlyle Group (together with such affiliated funds, “**Carlyle**”) acquired TCW Group. On December 27, 2017, Nippon Life Insurance Company acquired a 24.75% minority stake in TCW Group from Carlyle. As a result of the transaction, TCW management and employees have increased their ownership in the firm to approximately 44.07% and Carlyle maintains a 31.18% interest in TCW Group.

**THE SERVICES WE OFFER.** We provide investment advice and management services to Funds, as defined below, and separate accounts (each, an “**Account**”) that invest all or a significant portion of their assets in publicly-traded companies. We manage investments of the Funds, as defined below, in accordance with the investment objectives and strategies set forth in the Funds’ offering documents. Such investments are tailored to the Funds’ particular needs, but are not tailored to the individual needs of any Fund investor (limited partner). We manage Accounts in conformity with a client’s chosen strategy and clients have a limited ability to tailor such strategies or restrict certain securities.

We provide investment advisory services to the following investment vehicles:

- **TCW Sepulveda Long/Short Equity Fund I LP and TCW Sepulveda Long/Short Equity Master Fund, Ltd.** (collectively, the “**Funds**”), whose investment objectives are to deliver attractive risk-adjusted returns while protecting capital in various market conditions. We seek to achieve the Funds’ investment objective by making value-oriented investments through an opportunistic, fundamentally-driven, long/short equity strategy, primarily in the equity securities of small capitalization companies. We employ a focused, bottom-up research intensive and fundamental value-based approach to building a portfolio of high conviction investment opportunities. We seek to preserve capital and mitigate risk through limited diversification, hedging activities and adherence to a value-oriented investment philosophy.

We will generally offer the Funds only to certain qualified institutional and individual investors. The terms of each Fund are described in its private placement memorandum and limited partnership agreement or similar agreement (“**Offering Material**”), which are delivered to each potential investor prior to the time they invest. Although the Funds are not managed with the specific objectives and risk tolerances of investors in mind, we may agree with certain Account



clients on investment guidelines that restrict the securities or types of securities that we invest in on their behalf.

**ASSETS UNDER MANAGEMENT.** As of December 31, 2018, we had \$208,152,966 in discretionary assets under management and \$0 in non-discretionary assets under management. The TCW Group of Companies, including affiliated entities, had approximately \$190.7 billion in assets under management as of that date.

**IMPORTANT NOTICE.** This Brochure may be provided to a prospective investor (“**Investor**”) in one of our Funds, together with the Fund’s Offering Material and other related documents (“**Governing Documents**”), in connection with Investor’s consideration of an investment in a Fund. While this Brochure may include information about the Funds, it does not represent a complete discussion of the features, risks or conflicts associated with the Funds. More complete information about each of our Funds is included in its Governing Documents.

**In no event should this Brochure be considered an offer of interests in a Fund or relied upon in determining to invest in a Fund. It is also not an offer of, or agreement to provide, advisory services directly to any recipient.** Rather, this Brochure is designed only to provide information about us to comply with regulatory requirements under the Advisers Act, which may cause information in this Brochure to differ from the information provided in the Governing Documents. If there is any conflict between the information in this Brochure and similar information in a Fund’s Governing Documents, you should rely on the information in the Governing Documents.

## **ITEM 5: FEES AND COMPENSATION**

The fees and compensation we receive from clients are generally computed as a percentage of market value of the assets under management in the relevant Account or Fund. These fees are billed, rather than deducted from the assets we manage for Accounts, but are typically deducted from the assets we manage for Funds. Our clients typically pay our management fees monthly in arrears, although some Accounts and Funds pay us quarterly. Accounts are generally subject to a minimum account size.

**SEPARATE ACCOUNTS.** The expected management fee charged to an Account is 1.5% on a per annum basis, although fees may be negotiable in some instances.

**FUNDS.** Each Fund will pay us a monthly management fee which is typically equal to 0.125% (1.5% per annum) of the month-end net asset value of the Fund, prior to reduction for any performance allocations or for the management fee determined for such period. The management fee will be payable in arrears as of the last business day of the calendar month for which it is determined and will be prorated for any period that is less than a month.

Our affiliate, in its capacity as general partner of the Funds, will be allocated from each investor in a Fund an annual performance allocation typically equal to 20% of the net profits achieved by such investor during a fiscal year (including both realized and unrealized gains and net of the management fee with respect to such period). Performance allocations are assessed in arrears on



an annual basis, and are only applied to the portion of profits that exceed the cumulative losses previously allocated to or incurred by Fund investors (i.e., a “high water mark”).

We may waive, reduce or modify the determination of the management fee or performance allocation with respect to any investor for any period of time, or agree to apply a different management fee or performance allocation for such investor, including Fund investors affiliated with us. We comply with Rule 205-3 under the Advisers Act to the extent required by applicable law. The receipt of performance allocations by our affiliate may create an incentive for us to make more risky and speculative investments than we would otherwise make. See Item 6, Performance-Based Fees and Side-By-Side Management.

**EXPENSES.** Our Account clients will typically pay fees to their custodian in addition to our management fees. Depending on the strategy in which the Account invests, the Account will incur brokerage fees for most equity trading, and the effect of the difference with respect to the bid/ask spread for trading in fixed income instruments. See Item 12, Brokerage Practices. If the strategy for the Account involves derivatives, the Account may be required to make payments related to the derivatives to counterparties.

The Funds will typically incur the same expenses as Accounts described above, as well as fees for maintenance of books and records, custody fees, audit expense, tax preparation expense, organizational expense, fees to fund administrators, insurance expense, and annual licensing and registration fees and taxes. If a Fund permits borrowing or other leverage, there may be interest expense and fees for credit. The Fund Offering Documents describe these fees and expenses in greater detail.

#### **COMPENSATION OF OUR EMPLOYEE MARKETING REPRESENTATIVES.**

Our employees who act as our marketing representatives are not normally paid a sales commission by our Funds for marketing those Funds to our clients. If they were to be paid a sales commission by any of our Funds, we would fully disclose that in the Fund documents provided to potential investors prior to investment.

We may, however, compensate our Marketing Representatives from the management fees we earn on Accounts that they are responsible for and for their clients who invest in our Funds. This practice presents a conflict of interest and gives our marketing representatives an incentive to recommend our investment strategies and Funds based on the compensation received, rather than on a client’s needs.

#### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We (or our affiliates) may receive performance-based compensation from some of the Accounts and Funds that we manage. The performance-based compensation is generally based on the Account or Fund achieving new net gains over a previously-established “high water mark.”

Our portfolio managers (including the Investment Team) may share in performance compensation. In each case such compensation is specifically authorized by the Account or Fund documents and disclosed in any Fund Offering Material. For other Accounts and Funds we



manage that make the same or similar investments, we may receive investment advisory fees based only on a percentage of assets or a fixed fee. Performance compensation creates a risk that:

- we may have an incentive to allocate more attractive investment opportunities to Accounts or Funds that charge performance compensation; and
- we may cause the Account or Fund to make investments that are more speculative than we would for an Account or Fund with similar investment guidelines that does not charge performance compensation. However, we may receive no performance compensation or a reduced compensation if the Account or Fund has losses, which can align our interest with the client and temper this risk.

To mitigate these risks, we monitor Accounts and Funds for compliance with investment guidelines and follow investment allocation policies. Under our allocation policies, when a particular investment would be appropriate for several Accounts and Funds we manage, we apportion the investment in a manner that we determine in good faith to be fair and equitable. Our apportionment may not be pro rata depending on our determination of all relevant factors such as differing investment objectives, diversification considerations, and cash availability. We follow similar good faith apportionment policies when disposing of investments for our Accounts and Funds. These allocation policies could in certain circumstances adversely affect the price paid or received by our Accounts and Funds. See Item 12 of this Brochure, describing our Brokerage Practices, for more information.

## **ITEM 7: TYPES OF CLIENTS**

We provide investment advice to investment funds, such as the Funds. Those investors in the Funds include individuals, high net worth individuals, trusts, pooled investment vehicles, pension and profit sharing plans, charitable organizations, and corporations.

The minimum initial investment for a limited partner in the Funds is \$500,000 for individuals and \$1,000,000 for institutions. Investments of lesser amounts in the Funds may be accepted in the discretion of the Funds' general partners.

We also provide investment advisory services to Accounts. Account clients may include institutions, corporations, pension funds, charitable organizations, investment funds and high net worth individuals and families. Accounts are generally subject to a minimum account size which is generally not negotiable but in some cases may be negotiated.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

An investment in any of our strategies involves risk, including the risk that an investor can lose money. An investment in any of these strategies by itself is not a balanced investment program for purposes of an investor's portfolio diversification needs. Investors should consult with their financial adviser regarding the appropriateness of an investment in any of these strategies for their overall investment program.



## **OUR STRATEGIES.**

Each Fund's investment objective is to achieve capital appreciation while preserving capital and mitigating risk. We seek to achieve the Funds' investment objectives by making value-oriented investments through an opportunistic, fundamentally-driven, long/short equity strategy, primarily in the equity securities of small capitalization companies. We employ a focused, bottom-up research intensive and fundamental value-based approach to building a portfolio of high conviction investment opportunities. We seek to preserve capital and mitigate risk through limited diversification, hedging activities and adherence to a "value" oriented investment philosophy.

We intend to apply our highly-selective investment strategy to underfollowed small capitalization companies as we believe that this universe provides a large number of public companies that lack institutional research coverage, which can result in greater pricing inefficiencies. We will seek to invest in companies that are at an "inflection point" which can often precede significant changes in a company's stock price. Examples of inflection points are: (1) industries going under a transition or shift; (2) a turn-around in operations; (3) financial events, such as debt or equity restructurings or other events that result in complexity or uncertainty; (4) management or ownership changes, including spin-offs, mergers and acquisitions; (5) temporary shifts in stock prices caused by an overreaction to a short term event; and (6) anticipated improvement in investor recognition of the stock. Events around inflection points often cause inefficiencies where the market price is significantly below or above a company's intrinsic value. We intend to employ proprietary methods to source and research investment opportunities in order to develop a differentiated view from other market participants. We seek to combine the Investment Team's experience with access to the Ownership Group's resources and network to identify companies that are at inflection points where a company's intrinsic value is not reflected in the market price of the company's securities.

Due to their small size and relatively limited attention from capital market participants, small capitalization companies often lack access to sophisticated and patient financing sources and find it necessary to rely on alternative financing. These alternative sources of financing, provided exclusively by specialized institutional investors such as the Funds and other capital providers, potentially offer higher returns than traditional equity investments. Such alternative sources of financing investments include convertible securities, private investments in public equity (PIPEs) and block-trades. While these financing transactions are not central to our investment strategy, we plan to utilize the experience and relationships of the Investment Team to identify attractive investments, including investments in securities issued in such alternative financing transactions on a selective basis.

The Investment Team has significant investment experience and believes that they have developed an effective strategy to identify and capitalize on investment opportunities in the equity securities of small capitalization companies. We intend to employ an investment strategy incorporating the expertise and experience developed by the Investment Team while managing the Fund's predecessor since 2007 and assets in this strategy since 2003. We believe that the network and established brand of TCW may permit the Funds to access investment opportunities not available to other investors.



There is no guarantee as to the absolute or relative performance of any investments identified by the Manager. The past performance of the Partnership and the Investment Team is not indicative of the investment results that the Partnership may achieve.

The investment strategies summarized above represent our current intentions, are general in nature and are not exhaustive. There are no limits on the types of securities in which we may take positions on behalf of our clients, the types of positions that we may take, the concentration of our investments or the amount of leverage that we may use. We may use any trading or investment techniques, whether or not contemplated by the expected investment strategies described above. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities and commodities markets and the economy generally, we may pursue any objectives or use any techniques that we consider appropriate and in clients' interest.

We expect that any Account will pursue investment strategies that are substantially similar to the Funds, subject to client-specific investment objectives, guidelines and restrictions.

## **RISKS OF OUR STRATEGIES.**

The principal risks of our strategies are:

- Client accounts may not achieve their investment objectives. A strategy may not be successful and investors may lose some or all of their investment.
- Investor sentiment on the market, an industry or an individual stock, fixed income or other security is not predictable and can adversely affect an account's investments.
- An account may hold stocks that disappoint earnings expectations and decline, and may short stocks that beat earnings expectations and rise.
- Some of an account's positions have limited liquidity, in which case we may not be able to sell such positions.
- An account may have higher portfolio turnover and transaction costs than a similar account managed by another investment adviser. These costs reduce investments and potential profit or increase loss.
- We sell securities short, which could result in a theoretically unlimited increase in the market price of a particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. In addition, purchasing securities to close out a short position can itself cause the price of the relevant securities to rise further, thereby increasing the Funds' loss. Furthermore, the Funds may be forced to prematurely close out a short position if the counterparty demands the return of the shorted securities, potentially resulting in a loss and unhedged exposure to a long, unmatched trade.
- We may use leverage by borrowing on margin, selling securities short and trading futures, other commodity interests and derivatives, which increases volatility and risk of loss. These instruments can be difficult to value. An incorrect valuation could result in losses.



- We may buy and sell put and call options or warrants on securities and securities indices. The purchase of an option or warrant runs the risk of losing the entire investment and causing significant losses in a relatively short period of time.
- We may invest in equity-related convertible securities (including bonds, debentures, notes and preferred stock) that may be converted into or exchanged for common stock. If a convertible security held by the Funds is called for redemption by the issuer, the Funds will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Fund's ability to achieve its investment objective.
- Counterparties such as brokers, dealers, futures commission merchants, custodians and administrators with which we do business on behalf of clients may default on their obligations. For example, a client may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.
- We may cause clients to invest in securities of non-U.S., private and government issuers. The risks of these investments include: changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of non-U.S. taxes, less liquid markets and limited information, higher transaction costs, non-U.S. government restrictions, less government supervision, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.
- Changes in economic, social and regulatory conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting in volatile securities markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.
- An account's investments may not be diversified. Therefore, concentration in a particular position, market, industry or sector in which the Funds have invested could expose the Funds to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those investments.
- An account may be concentrated in securities of companies with micro- to small-sized market capitalizations that involve substantially higher risks than do investments in securities of larger companies or companies in other sectors. For example, stock prices of small-capitalization companies are more volatile and vulnerable to insolvency as well as business and economic developments than larger capitalized companies are. Also, thin trading in such small-capitalization securities may render them illiquid, which would make it difficult for the Funds to buy and sell such securities.
- The performance of the Funds depends heavily on the management, skill and acumen of the Investment Team in analyzing, selecting and managing the Funds' investments.

## **METHODS AND SOURCES OF OUR ANALYSIS.**

We follow a disciplined investment process which consists of five steps: discovery, research, relationship building, investment, and on-going monitoring. Risk management is central and applied at each step of our investment process.



*Discovery:* Our investment ideas are generated from a wide variety of sources, including primary research, industry and investment community contacts, review of SEC filings, trade and financial publications, trade shows, investment conferences and quantitative screens. When evaluating potential investments, we use a strict investment discipline based on what we believe to be a time proven and exhaustive “bottom-up” investigative research process.

*Research:* After identifying investment candidates, we perform a detailed analysis of each company including a detailed evaluation of management, ownership, strategy, technology, and financial performance. In particular, historical financial performance is analyzed within the context of the broader economic environment and market conditions. We will also seek to utilize our transaction experience and network of contacts to enhance clarity and understanding of the investment opportunity, including engaging in active dialog with management where appropriate, advisers, customers and competitors.

*Relationship Building:* Through site visits where appropriate, participation on conference calls, one-on-one meetings, and other means, we maintain on-going communication with our portfolio companies. We get to know these companies and their management teams over time, which often leads to better insight into similar industries and further investment opportunities.

*Investment:* We intend to make disciplined open market purchases to patiently build positions. As a result of the management team’s background and experience in complex financial transactions, we expect to be able to take advantage of multiple ways of acquiring ownership interests in companies, including via privately negotiated transactions for block shares.

*On-going Monitoring:* Post investment, we will strive to maintain close monitoring of our investment companies and continue our relationship building and research activities. We intend to evaluate milestones of each investment, while continuing to reassess its level of conviction and adherence to a viable investment thesis.

*Risk Management:* Managing risk is central to our investment strategy which emphasizes valuation and preservation of capital as well as return on investment. We will seek to manage risk, at both the portfolio level and individual security level, through rigorous research and analysis. The manager will closely monitor position concentrations as well as sector and geographic concentrations. Generally, we will seek to sell an investment when the market price exceeds its estimated fair value, business fundamentals change, our investment thesis is no longer valid, or if more attractive investment alternatives develop that provide better portfolio balance and risk management.

## **ITEM 9: DISCIPLINARY INFORMATION**

Not Applicable.



## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### TCW AFFILIATION.

In addition to partially owning and controlling us, TCW has entered into a services agreement with the Funds and has employed the members of the Investment Team for purposes of providing services to and managing the day-to-day investment activities of the Funds and Accounts. TCW and its affiliates are engaged in a broad spectrum of activities, including providing financial advisory services and brokerage services, making principal investments, and sponsoring and offering public and private investment funds. In the ordinary course of its business, TCW may engage in activities in which its interests or the interests of its clients may conflict with or be adverse to the interests of the Funds and Accounts. TCW and its affiliates (including us) are not precluded from conducting activities unrelated to the Funds and Accounts. However, TCW believes that these other activities will not materially interfere with our responsibilities to the Funds and Accounts.

Our relationship with TCW and its affiliates is broad and creates certain potential conflicts of interest, including the ones described below.

**Broker-Dealer.** TCW Funds Distributors LLC (“TFD”) is a registered broker-dealer that is affiliated with us. Some of TCW’s employees are registered representatives or principals of TFD. These registered representatives and principals may receive compensation from us for selling interests in open- and closed-end commingled investment vehicles that we manage including the Funds. They do not receive sales commissions from those investment vehicles, unless specifically disclosed. For information on the affiliation of Wedbush broker-dealers, please refer to the section below titled “Wedbush Affiliation”.

**Commodities Registration.** TCW Asset Management Company LLC (“TAMCO”), TCW Investment Management Company LLC (“TIMCO”), and Metropolitan West Asset Management, LLC (“MetWest”) are registered investment advisers that are affiliated with us. TAMCO and TIMCO are registered as commodity pool operators (“CPOs”). Both TAMCO and MetWest are registered as commodity trading advisers (“CTAs”). Some of our officers may be registered as associated persons of those affiliates. These associated persons may receive compensation from those affiliates for selling interests in funds or for accounts those affiliates manage. They do not receive sales commissions or other compensation from those funds or accounts, unless specifically disclosed.

**Investment Advisers.** The various other affiliated TCW entities listed below are also registered as investment advisers with the SEC. See the ADV Part 1 and the Brochure for each registered investment adviser described below for additional information regarding their investment management services.

- Buchanan Street Partners, L.P. (SEC Number: 801-78627; CRD Number: 169052)
- Metropolitan West Asset Management, LLC (SEC Number: 801-53332; CRD Number: 104571)



- TCW Asset Management Company LLC (SEC Number: 801-6642; CRD Number: 105742)
- TCW Investment Management Company LLC (SEC Number: 801-29075; CRD Number: 106546 )
- TCW-WLA JV Venture LLC (SEC Number: 801-71746; CRD Number: 154760)
- TCW Special Situations, LLC (SEC Number: 801-77428; CRD Number: 166286)

**Private Funds.** We, or one of our affiliates, is the general partner or managing member of the limited partnerships and limited liability companies listed below, each of which is a private commingled investment Fund to which we provide investment management services.

- TCW Sepulveda Long/Short Equity Fund I LP
- TCW Sepulveda Long/Short Equity Master Fund, Ltd.

#### **WEDBUSH AFFILIATION.**

As described above, we are partly owned and controlled by WAM. WAM is a wholly-owned affiliate of Wedbush, for which Mr. Eric Wedbush serves as President. Wedbush is a strategic investment firm focused primarily in the financial services industry. Its current portfolio of financial related holdings includes broker dealers, registered investment advisers and wealth management firms, private and public equity funds, and specialty lending providers.

Wedbush's wholly-owned subsidiary, Wedbush Securities, Inc. ("**Wedbush Securities**"), was founded in 1955 and today is a full-service securities firm and investment bank, providing financial solutions through Client Services, Capital Markets, and Clearing & Execution. Wedbush Securities acts as the prime broker to one of the Funds (the "**Prime Broker**"). Wedbush Securities may also act as placement agent for the Funds receiving compensation from the Funds for referring investors.

Due to this relationship and the fact that the Prime Broker receives substantial brokerage commissions and/or margin interest related to the securities transactions of the Funds, we have an incentive to continue using Wedbush Securities as the Prime Broker, which may be in conflict with our fiduciary obligation to obtain best execution for the Funds.

In addition, from time to time, the Prime Broker or its affiliates may engage in transactions with or provide services to portfolio companies, their competitors, or other parties that might be in conflict with or adverse to the interests of the Funds, one or more portfolio companies or certain Fund investors. Although we have fiduciary obligations under each Fund's partnership agreement and applicable law, Wedbush and its other affiliates generally would not be bound by any such duties to the portfolio companies or individual Fund investors. Therefore, it is possible that actions undertaken by Wedbush or its affiliates may be in conflict with or inconsistent with the best interests of the Funds or their investors.

Wedbush and its affiliates from time to time may be authorized to engage in transactions in which one of them acts as a broker or other representative of the Funds and the Funds' investors, on the one hand, and for another person on the other side of the transaction, on the other hand. In any such situation, Wedbush and its affiliates may receive commissions or other fees from, and have a potential conflicting division of loyalties and responsibilities regarding, both parties to such transactions.

Our relationship with Wedbush and its affiliates is broad and creates certain potential conflicts of interest, including those described below.

In connection with acting as Prime Broker, Wedbush Securities may extend credit to the Funds under derivative instruments, margin loans or otherwise. The interests of Wedbush Securities as creditor of the Funds may conflict with those of the Fund investors. With respect to any such extension of credit, Wedbush Securities will deal with us, acting on behalf of the Funds, and will be entitled to exercise its rights as a creditor of the Funds without regard to any potential effect on the interests of the Funds' investors. We review the terms of such arrangements regularly to determine if they are reasonable given industry practice.

As part of their regular business, Wedbush and its affiliates hold, purchase, sell and trade both for their own accounts and for the accounts of their clients, on a principal or agency basis, securities and other investments and financial instruments of all types including those of the type in which the Funds are expected to invest. Wedbush and its affiliates also provide investment banking, customer financing, asset based financing, corporate finance, commercial finance and investment advisory services, among other services, and engage in private equity investment activities. Wedbush and its affiliates will not be restricted in their performance of any such services or in the types of debt or equity investments which they may make. In connection with such activities, Wedbush and its affiliates may hold, purchase, sell or trade in Securities or investments of the type that may be suitable for the Funds and the Accounts. Wedbush and its affiliates may also take positions, give advice and provide recommendations contrary to those which may be taken by, given or provided to the Funds and Accounts and may hold interests potentially adverse to those of the Funds and Accounts. Wedbush and its affiliates may (i) engage in transactions with, and may provide services to, the Funds, the owners of the Accounts or us, and (ii) provide services to and invest in, advise, sponsor or act as investment manager to other entities which may have investment objectives and policies similar to those of the Funds and Accounts and which may compete with such entities. The activities of Wedbush and its affiliates could affect the prices of investments or the ability of the Funds and Accounts to dispose of such investments, any of which could have an adverse impact on the Funds' and Accounts' performance. In conducting such activities, Wedbush and its affiliates will act for their own account or the account of their customers and will have no obligation to act in the interests of the Funds and Accounts.

Wedbush and its affiliates in the ordinary course of their business may provide investment banking and other financial services to borrowers of loans, issuers of securities and derivative counterparties and other counterparties to investment vehicles in which the Funds and Accounts may invest, as well as to the creditors of such borrowers and issuers and other parties with dealings with such borrowers and issuers. The interests of one of these clients with respect to the



borrower of a loan or the issuer of a security or a counterparty in which the Funds and Accounts have an investment or position may be adverse to the interests of the Funds and Accounts. In conducting such activities, Wedbush and its affiliates will have no obligation to act in the interests of the Funds and Accounts.

## **INVESTMENTS BY AFFILIATED INVESTORS.**

The members of the Ownership Group, their affiliates and some of their personnel may invest in the Funds and/or in the underlying securities of the Funds. These related persons may not be charged any management fee or performance-based compensation with respect to their investment. We disclose this potential conflict to Fund investors.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **SUMMARY OF OUR CODE OF ETHICS.**

Our officers, directors and employees are generally subject to our Code of Ethics (the “**Code**”). We will provide a copy of our Code of Ethics to any client or prospective client upon request. Our contact information appears on the first page of this Brochure.

The Code includes:

- **Conduct Principles.** General principles of conduct for all employees;
- **Restrictions on Personal Investment.** We maintain restrictions on investment transactions in which our officers, directors and certain other persons have a beneficial interest to avoid any actual or potential conflict or abuse of their fiduciary position. The Code permits personnel subject to the Code to invest in securities, but contains several restrictions and procedures designed to eliminate conflicts of interest including: (a) pre-clearance of non-exempt personal investment transactions; (b) quarterly reporting of personal investment transactions and initial and annual reporting of securities holdings; (c) a prohibition against personally acquiring securities in initial public offerings, (d) a five day “black out period” prior or subsequent to a client transaction during which investment personnel are prohibited from making certain transactions in securities which are being purchased or sold by a client of the firm; (e) a prohibition, with respect to certain investment personnel, from profiting in the purchase and sale, or sale and purchase, of the same (or equivalent) securities, within 60 calendar days; (f) a prohibition against buying or selling any security that we are trading for our clients at the time a pre-clearance request is made; and (g) a prohibition on acquiring any shares of a third party, non-exchange traded, mutual fund we advise or sub-advise.
- **Insider Trading Rules.** A policy statement on insider trading that provides generally that none of our officers, directors or employees (a) may buy or sell a security either for themselves or others while in possession of material non-public information about the company, or (b) communicate material, non-public information to others who have no official need to know. The policy statement provides guidance about what is material



non-public information, lists common examples of situations in which our personnel could obtain that information, and describes our procedures regarding securities maintained on its "Restricted Securities List" and for establishing ethical walls. It also identifies parties to contact for questions in connection with the requirements of the policy statement.

- **Gifts & Entertainment: Anti-Corruption Policy.** A policy statement requiring compliance with our gifts and entertainment rules and applicable anti-corruption laws and rules, including the Foreign Corrupt Practices Act. The policy also prohibits any of our employees from making any gift, payment or other inducement for the benefit of any person, including a foreign or domestic official, with the intent that the recipient misuse their position to aid our firm in obtaining, retaining or directing business. The policy explains the process by which our personnel may provide or accept gifts and entertainment. It also describes the approval process to engage third-party representatives to act on behalf of our firm. The statement identifies possible anti-corruption compliance "red flags" and requires our personnel and third-party representatives to report to our firm any potential violation of this policy that they may become aware of.
- **Restrictions on Employee Outside Activities.** A policy governing an employee's activities outside of their employment with us, including outside employment, service in any capacity for any non-affiliated company or institution, fiduciary appointments, and serving in any ongoing capacity for any non-investment related organization that is exclusively charitable, fraternal, religious, or civic and is recognized as tax exempt. The policy provides guidance on the approval and reporting of such outside business activities.
- **Restrictions on Political Contributions and Activities.** A policy on political activities and contributions, containing general rules governing contributions and solicitation, responsibility of individuals for personal contribution limits, quarterly reporting of political activities by certain employees and rules for political activities on our premises and for using our resources. The policy further requires employees and certain of their related parties to obtain pre-clearance of political contributions, solicitations and volunteer activity.
- **Confidentiality Requirements.** Policies governing the confidentiality of our client and business information.
- **Whistleblower Provisions.** A policy stating it is our practice that employees report illegal activity or activities not in compliance with our formal written policies and procedures, including the Code.

## PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

**Transactions Involving Related Persons.** There are broker-dealers and other financial intermediaries and institutions that are controlled by or under common control with TCW. With respect to those related persons:



- We will enter into transactions or services involving related persons only in accordance with applicable laws and where we determine that the transactions or services are being done on an arm's length basis at fees or rates comparable to: (i) those generally available to the related person's other clients and (ii) those available to us in the marketplace from unrelated parties.
- Where required under Section 206(3) of the Advisers Act, and related rules, or Rule 17e-1 under the Investment Company Act, we will obtain client consent prior to effecting transactions with related parties, either on a case-by-case basis or on a blanket basis, as required or permitted by law. Certain funds we manage specifically authorize transactions with related parties and us, or an affiliate may consent to those on behalf of those funds.
- From time to time, we may take the following actions on behalf of our clients, or recommend to our clients that they take such actions:
  - buy or sell securities in which persons related to us have a financial interest;
  - effect transactions through related persons, including broker-dealers acting as principal or as agent for non-clients;
  - buy or sell securities to or from related persons who are broker-dealers;
  - buy or sell securities in which we, parties related to us or our other client's accounts are at the same time effecting a sale or purchase; and
  - effect transactions with brokers that have clearing relationships with related persons who are broker-dealers.

In any transaction with a related party, the related party may receive compensation. Furthermore, we may act as investment adviser for related persons and may act as investment adviser for pension vehicles of related persons. We may be restricted under certain circumstances from entering into principal and agency and other transactions with affiliates. We have adopted procedures to identify affiliated brokers, and such procedures are designed generally to prevent the purchase for certain clients of securities issued by certain affiliates. We have also adopted policies and procedures with respect to permitted transactions with our affiliates designed to assure that client interests are not adversely affected.

**Investment Products.** We may, from time to time, recommend to or purchase or sell on behalf of clients, securities or other investment products ("**Investment Products**") in which we, our affiliates or other related persons have a financial interest as the investment manager, general partner or trustee or as a co-investor in such Investment Products.

**Consulting and Structuring Fees.** We and our affiliates may receive fees from third parties for performing consulting, merger and acquisition structuring or other financial advisory services or acting as directors, officers or creditors' committee members. These fees can relate to actual, contemplated or potential investments of our clients. Such fees may be retained entirely by our affiliates or us.

Certain funds pay us or an affiliate up-front structuring fees. In each case the fees are specifically authorized by the Fund documents and disclosed in Fund or account disclosure documents, if any. All or a portion of any structuring fees may be credited against investment advisory fees that we earn from the Fund.

**Transactions by Different Accounts, Funds and Strategies.** We may recommend or enter into for clients of any investment strategy:

- sales of or short positions (if allowed) in securities of an issuer, at the same time other of our or our related investment strategies purchase securities of the same issuer for their clients; or
- investments in securities in the same and/or different parts of the capital structure of an issuer than other of our, or our related, strategies.

In the above circumstances, investment opportunities in the same security may be pursued or held by both investment strategies so long as either (i) the investment issuer is a marketable security, or (ii) in the event of a non-marketable security an independent decision-making process is followed.

**Securities We Purchase, Hold or Sell.** We may recommend, buy or sell securities of issuers in which we or related persons may also purchase, hold or sell securities. These securities may be either publicly traded or private placements. Our Code of Ethics described above establishes various procedures with respect to investment transactions in which our related persons have a beneficial interest that are designed to reduce the potential for conflicts of interest.

**Board of Director Memberships.** Our officers or employees may from time to time be members of the boards of directors of publicly or privately held companies which may be permitted investments of various investment strategies we offer. In these cases, we take steps, such as establishing appropriate “ethical wall” procedures or placing the security in question on a restricted list, which may limit or preclude us from purchasing or selling such securities for our clients.

## ITEM 12: BROKERAGE PRACTICES

**GENERAL.** We and our affiliates seek to achieve best execution when selecting broker-dealers to execute securities transactions. Generally, this means seeking to achieve the best overall terms for a transaction available under the circumstances by employing an efficient trading process, and does not necessarily result in the lowest available price or commission for any particular transaction. Best execution is not easily quantifiable, or definable, because it encompasses many potential factors such as: (i) price; (ii) commission; (iii) speed of execution; (iv) confidentiality/transparency; (v) market depth; (vi) capital commitment; (vii) relationship with broker (including: responsiveness, accuracy, reputation, timeliness, credit strength); (viii) services offered by the broker; (ix) access to company information; and (ix) recent order flow. Some or all of these factors may play a role in determining what constitutes best execution. We do not necessarily measure best execution by the circumstances surrounding a single transaction

and may seek best execution over time across multiple transactions. Other goals include execution of trades on behalf of clients in a timely and cost effective manner, fairness to clients, both in priority of order execution and in the allocation of the price obtained in execution of trades, and compliance with client trading related mandates and investment restrictions.

**EQUITIES.** Transactions in equities are not always executed at the lowest available commission, and we may effect transactions which cause the client to pay a commission in excess of a commission that another broker-dealer would have charged. We do that if we determine that such commission is reasonable in relation to the value of the brokerage and research services we or any client accounts receive.

- Allocation of Public Offerings.** We generally share allocations of equity securities in a pro rata fashion based upon assets under management of those accounts eligible to participate in the initial public offering. We may, however, determine not to allocate shares to Accounts or Funds below a certain minimum threshold. Portfolio managers are also required to designate whether their interest in an equity new issue allocation is to establish a long-term position or is for trading purposes, and priority is given to allocations for long-term positions. Our CIO of Equity may make a determination that the New Issue should be allocated to the Accounts managed by the portfolio manager or team that has been researching the New Issue most extensively. In all other cases, the share allocation among “Position” Equity Accounts and, separately, among “Trade” Equity Accounts will be pro rata based on the AUM of each Equity Account within the two respective groups; provided, however, that the Head of U.S. Equity Trading may determine not to allocate shares to Equity Accounts below a certain de minimis threshold. In that event, such Equity Accounts will not receive any allocations from the New Issue. In addition, fully directed equity accounts will not be allocated shares in initial public offerings.
- Client Directed Brokerage.** Clients may expressly direct us to place, or set expectations that we place, some or all of the transactions for their accounts with one or more broker-dealers they specify. Clients may do so for several reasons, including offsetting consulting and other fees or participating in a bundled services program. In such circumstances, we may not be able to negotiate commissions, obtain volume discounts or select a broker based on the most favorable price and execution for the transaction. Because of that, such accounts may pay higher commissions than those that do not direct brokerage and may not get best execution. Depending upon the amount of directed brokerage, accounts with directed brokerage instructions may be excluded from block trades and their directed orders will generally be executed following completion of any non-directed trades. As a result, performance results for these accounts may vary from other client accounts we manage in the same strategy. In some instances, the client may direct us to make all or substantially all of their account trades with specific broker-dealers (“*fully directed*” accounts). Fully directed account clients may be required to sign certain acknowledgments, including the fact that such direction regarding brokerage may compromise best execution and that the client’s account may trade after other accounts. Clients may also prohibit us from placing transactions for their accounts with certain broker-dealers. This may prevent us from selecting a restricted broker-dealer

even though such broker-dealer may offer a more favorable price and execution for the transaction. Clients should understand that for any amount directed by the Client, it may not be feasible to meet all of the above factors of best execution, as we may be limited in our ability to negotiate/obtain some or all of these factors. In addition, the client may lose the possible advantage that non-designating and unrestricted clients may derive from block trades, utilizing alternative trading venues, or alternative trading techniques for the purchase or sale of a particular security. We require all requests for directed brokerage to be in writing and originate from the client. Generally, we limit directed brokerage to 20% of total commissions for any Account (except wrap and similar Accounts) but clients may request directed brokerage in excess of 20%. Any such request must be reviewed and approved by both our Trade Review Committee and our Legal Department, and may be subject to additional conditions if approved.

- Affiliated Brokers.** We expect our affiliate Wedbush Securities to serve as the prime broker for the Funds. Wedbush Securities also may act as custodian for Funds and Accounts. The services that Wedbush Securities provides as prime broker and/or custodian may include custody, margin financing, clearing, settlement and stock borrowing in accordance with the terms of the agreements entered into between that firm and the particular Fund or Account. We and our affiliates may also receive other services from that firm. These services may include, but are not limited to: technology services (such as internet access and IT support, Bloomberg connections, wireless networking, e-mail archiving and disaster recovery systems), capital introduction services, portfolio reporting and access to electronic communications networks. Although many prime brokers and custodians provide similar services to investment advisers in exchange for brokerage, custody and clearance fees and other charges, if we and our affiliates did not receive these services from that firm, we would be required to pay for all or some portion of such goods and services, and such goods and services could be deemed to be outside the Exchange Act Section 28(e) safe harbor. Neither we nor our affiliates are required to continue to use that firm as our clients' prime broker and custodian, but we have an incentive to do so based on the prior and continued services from that firm.
- Client Commissions Used for Research.** When appropriate under its discretionary authority and consistent with its duty to seek best execution, we may direct brokerage transactions for accounts to broker-dealers who provide brokerage and research services. In some cases, research is provided directly by an executing broker-dealer ("*direct research providers*") and in other cases, research may be provided by third party research providers such as a non-executing third party broker-dealer or other third party research service ("*third party research providers*"). Research services furnished by direct research providers or third party research providers generally may be used for any or all of our clients, as well as clients of affiliated entities, and in some instances may be used for specialty research that benefits only certain of our clients. In addition, research services generally may be used in connection with accounts other than those whose commissions were used to pay for such research services.

Research services include items such as reports on industries and companies, economic analyses, review of business conditions and portfolio strategy, and various trading and

quotation services. They also include advice from broker-dealers as to the value of securities, availability of securities, availability of buyers, and availability of sellers. In addition, they include recommendations as to purchase and sale of individual securities and timing of transactions.

We maintain records of all services that are provided under client commission arrangements or directly for third-party research. The records include descriptions of research services and products, the costs of these services, and the brokers with whom we have these arrangements. We may receive products or services from broker-dealers that are used for both research services and other purposes, such as corporate administration or marketing ("*mixed-use products or services*"). We make a good faith effort to determine the relative proportions of mixed-use products or services that may be attributable to research services. The portion attributable to research services may be paid through the allocation of brokerage commissions, and we pay the non-research service portion in cash.

Upon request, we may provide clients with commission reports that show commissions paid to brokers with whom the client's account has traded in a given period. In addition, upon request, we may provide clients with reports that disclose the extent to which commissions paid on a client's account have been used to pay for research services.

We use client brokerage commissions to obtain research or other products or services and receive a benefit because we do not have to pay for the research, products or services. We have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products and services, rather than on our clients' interest in trading at the most favorable prices.

- **Commission Rates.** The head of our Equity Trading Department, with the approval of senior management, determines the guidelines for commission rates paid to broker-dealers for equities (other than for directed brokerage orders, discussed above). Both fixed income securities and equity securities may also be purchased from underwriters at prices that include underwriting fees. Because commission rates are fixed in some international markets, we may be unable to negotiate commissions to any meaningful degree in such markets.

**FIXED INCOME.** We take into account such factors as price (including the applicable dealer spread), size of order, and difficulty of execution when executing fixed income trades. Transactions are not always executed at the best available price. Other goals include execution of trades on behalf of clients in a timely and cost effective manner, fairness to clients, both in priority of order execution and in the allocation of the price obtained in execution of trades, and compliance with client trading related mandates and investment restrictions.

Fixed income securities are generally purchased from the issuer or purchased from/sold through a market maker acting as a principal. Pricing is on a net basis, reflecting a dealer spread within the quote, without an explicitly stated and charged commission. Fixed income securities may also be purchased from underwriters at prices that include underwriting fees. Because of this

pricing structure, research, and products and other services are not paid for from trades in fixed income securities.

- **Block Trades.** In an effort to achieve efficiencies in execution and reduce trading costs, we and our affiliates frequently aggregate securities transactions on behalf of a number of accounts at the same time, generally referred to as "*block trades*." When executing block trades, trades will be allocated among accounts using procedures that we consider fair and equitable. Participation of an account in the allocation is based on such considerations as investment objectives, guidelines and restrictions, availability of cash, amount of existing holdings (or substitutes) of the security in the accounts, investment horizon and directed brokerage instructions, if applicable. We may execute securities transactions alongside or interspersed between block orders when we expect that such execution will not interfere with our ability to execute the order in a manner believed to be most favorable to our clients as a whole. We may exclude trades for accounts that direct brokerage or that are managed in part for tax considerations from block trades.

In some cases, various forms of pro rata allocation are used, and in other cases, random allocation processes are used. However, considerations such as lot size, relative liquidity of the position, existing or targeted account weightings in particular securities, account size, cash availability, diversification requirements and investment objectives, restrictions and time horizons may result in more particularized allocations. In connection with multi-account purchase or sale programs, and in other circumstances, if practicable, if multiple trades for a specific security are made with the same broker in a single day, those securities are allocated to accounts based on a weighted average purchase or sale price.

- **Allocation of New Issues.** For new issues of fixed income securities, various forms of pro rata allocations among eligible accounts are generally used, and in other cases, other allocation processes that we consider appropriate, including random allocation processes are used. If a small amount of par value is allocated to us, we may allocate disproportionately, taking into consideration lot size, existing or targeted account weightings in particular securities and/or sectors, account size, diversification requirements and investment objectives/restrictions.
- **Client Directed Brokerage.** We may not be able to obtain volume discounts or negotiate price with a broker for accounts that direct brokerage. Because of that, such accounts may not get best execution. Accounts with directed brokerage instructions may be excluded from block trades and their directed orders will generally be executed following completion of any non-directed trades. As a result, performance results for these accounts may vary from other client accounts we manage in the same strategy. In some instances, the client may direct us to make all or substantially all of their account trades with specific broker-dealers ("*fully directed*" accounts). Fully directed account clients may be required to sign certain acknowledgments, including the fact that such direction regarding brokerage may compromise best execution and that the client's account may trade after other accounts.



**CROSS-TRADES.** We may seek to adjust or rebalance Account and Fund portfolios by effecting cross-trades between or among those portfolios (for example, by causing an Account to sell securities to one or more other Accounts). We will effect a cross-trade for an Account or Fund only if we believe that the transaction would be in the best interests of all participating clients, and the cross-trade would not be prohibited by the Account or Fund agreements, firm policy or applicable law. In effecting these cross-trades, we seek to improve the overall quality of the transaction for participating Accounts and Funds compared to what we believe could be achieved through a transaction with the market. Improvements could include reduced transaction costs, lower market impact or improved execution certainty and quality. All such cross-trades will be consistent with the investment objectives and policies of each Account or Fund involved in the trades in addition to our firm policies, and will be effected at the current independent market price of the securities involved in the trades. For securities that trade on an exchange, the independent current market price is the last reported sales price on the principal exchange on which the security trades or, if no sales were reported on that day, the average of the highest current independent bid and lowest current independent offer for such security. For securities and other investments that do not trade on an exchange (excluding municipal securities), the independent current market price is determined by taking the average of the highest bid and the lowest offer obtained from three brokers. Municipal securities are priced at the current vendor price.

If a mutual fund is one of the participants, then the price and other terms would comply with additional requirements under Rule 17a-7 adopted under the Investment Company Act of 1940, as amended. The Accounts or Funds involved in cross-trades will not pay any brokerage commissions or mark-ups in connection with the trades, but may reimburse their custodian or broker-dealer for any customary costs and/or transfer fees.

We prohibit broker-dealer interposed cross trades (i.e. the selling of a security to a broker-dealer followed by the repurchase of the security from the same broker-dealer for another client account).

**AFFILIATED BROKER-DEALERS.** Broker-dealers selected may include broker-dealers in which clients or their affiliates, or, indirectly we or our affiliates, have some financial interest. For additional discussion on the affiliation of Wedbush broker-dealers, please refer to the paragraph above in this Item 12 titled “Wedbush Affiliation.”

**WOMEN-OWNED/MINORITY-OWNED BROKERS.** We may, subject to our duty to seek best execution, select broker-dealers for the execution of portfolio transactions that are majority-owned or operated by women and/or members of minority groups. We will select such a broker-dealer only if the broker-dealer can achieve best execution for the account and if selecting the broker-dealer will not cause our clients to pay brokerage commissions or incur portfolio transaction costs in an amount greater than would have been incurred if we had not used such firm.





## **ITEM 13: REVIEW OF ACCOUNTS**

Our Accounts and Funds are divided among investment professionals according to the investment strategy of the portfolio. Portfolios are typically monitored and reviewed by the investment personnel who handle the strategy on an ongoing basis. The details of the monitoring vary based on the nature of the investment strategy.

Separately, our investment operations and investment compliance functions perform account monitoring and review. Such review may include daily, monthly, or quarterly reviews of transactions and guidelines. In addition, our client services, investment compliance, compliance and legal groups periodically review client guidelines, discuss modifications to guidelines, and agree on guideline interpretation.

Our Portfolio Analytics Committee, a combined team including senior members of our portfolio analytics group, investment, operations, legal, and compliance personnel, review quarterly and as needed, on an exception basis, the performance and risk analytics for each marketable security investment strategy. This Committee focuses on changes or shifts to investment style and anomalous results, as well as quantitative metrics, including performance, historical trends, and risk profiles. If necessary, the team holds additional formal or informal meetings with individual investment professionals to further review their respective strategy in order to gain a deeper understanding of the fundamental drivers of the performance metrics. Our Portfolio Analytics Committee also convenes for the purpose of approving changes to investment composites, benchmarks, portfolio management teams, and substantive changes which may have an impact on investment composites and maintaining compliance with GIPS.

Separately, the Equity Trading and Allocation Committee provides a formal periodic forum for the review of the equity trading activities on behalf of client accounts. This Committee also meets quarterly and more frequently as needed. Relevant topics include broker concentrations; broker commissions; new approved brokers; directed brokerage; trade analysis; performance dispersion; allocation of new issues; trade exceptions, broker fails, best execution and the use of commissions for research. Committee members include certain portfolio managers, one or more representatives of the trading desks, and senior members of our Operations, Compliance, and Legal departments. Equity trading and allocation issues are also monitored by independent consultant, Abel Noser.

In addition, investment activities for certain alternative investment strategies are reviewed quarterly and more frequently as needed. Participants in the review may include members of the investment committee for the strategy, senior portfolio management personnel from the investment strategy, members of legal and compliance teams and/or other personnel as appropriate.

Separately from our review of Accounts and Funds, we pursue an enterprise-wide risk management process by which we assess, control, and monitor risks from all sources. We employ a combination of decentralized and centralized risk controls, which we consider the most effective approach to risk management. The fundamental risk analysis is decentralized, so that dedicated personnel are primarily responsible for addressing risks within their area of expertise.



For example, our Chief Information Security Officer and his team have primary responsibility for day-to-day management of cybersecurity risk, subject to oversight by our Cybersecurity Committee. Our Business Risk Analytics Group focuses on operational and other business risks, including the interface between operations, IT and the investment teams. The Finance Department monitors financial and accounting risk. Our General Counsel and Chief Compliance Officer monitor legal and regulatory risk. Our centralized risk management includes our review of enterprise-wide risks. We have identified over 200 business risks, which we monitor by reviewing the probability and severity of the risk, steps that can be taken to mitigate, the implementation and effectiveness of the mitigation. We update our internal index of risks annually. Systematic oversight of the centralized risk management program is the responsibility of our Enterprise Risk Management Committee, consisting of department heads throughout the firm, which meets quarterly and as needed, to review and address risks arising in any part of TCW's business. The key departments and groups provide reporting at least quarterly to the Enterprise Risk Management Committee. The Board of Directors of The TCW Group, Inc., in addition to the public-company Boards of our registered investment companies and UCITs, have ultimate oversight over any significant business risks.

#### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

From time to time, we may pay a non-affiliated third party ("Solicitor") a fee or compensation for referral of a client to us in a separate account. The Solicitor is required to provide prospective clients with a current copy of our Brochure and the Solicitor's written disclosure statement. The Solicitor's statement will disclose the particulars of the referral relationship and the compensation we will pay to the Solicitor. We will obtain a signed and dated acknowledgement from each referred client of the receipt of the Brochure and the disclosure statement, as required by Rule 206(4)-3 of the Investment Advisers Act of 1940.

At times we may pay persons affiliated with us a fee or compensation for referring a client to us in a separate account. Those persons will disclose to clients the nature of their relationship to us at the time they solicit the clients for us. As discussed more fully in Item 10 above, Wedbush Securities may refer investors into the funds.

Many of our clients engage the services of consultants in connection with their investments and investment managers. Compensation we pay to consultants would typically be disclosed as indicated by the paragraph above, as required by law. We may also pay from time to time a portion the cost of conferences, seminars and other activities we attend that are sponsored by consultants.

#### **ITEM 15: CUSTODY**

Due to certain arrangements, we may be deemed to have "custody" of client accounts within the meaning of Rule 206(4)-2 under the Advisers Act because we may have access to or authority over client funds and securities for purposes other than issuing trading instructions. If we are deemed to have custody over an account, the custodian will send the client investor periodic account statements (generally on a quarterly basis) indicating the amounts of any funds or securities in the account as of the end of the statement period and any transactions in the account during the statement period. Clients should review these statements carefully. Additionally, a



client should contact us immediately if he or she does not receive account statements from the custodian on at least a quarterly basis. As noted in Item 13, above, we may provide a client, separately, with reports or account statements providing information about the account. A client should compare these carefully to the account statements received from the custodian. If a client should discover any discrepancy between the account statements, please contact us immediately.

We are deemed to have custody over the Funds because our affiliates serve as general partner of the Funds and because our affiliate, Wedbush Securities, holds funds and securities for the Funds in its capacity as prime broker to the Funds. To meet regulatory custody requirements:

- We send each investor in the Funds, annual audited financial statements within 120 days of each Fund's fiscal year-end.
- We annually obtain a written internal control report from Wedbush Securities prepared by an independent public accountant registered with PCAOB, stating: 1) the accountant's opinion as to whether controls in place at the Wedbush Securities are suitably designed to meet control objectives related to custodial services; and 2) the accountant verified the funds and securities are reconciled by Wedbush Securities to a custodian other than other than us.

#### **ITEM 16: INVESTMENT DISCRETION**

We enter into written agreements for each Account and Fund that we manage that state our discretion to manage the Account or Fund. We typically have discretionary authority for the investments of these Accounts and Funds, subject to specific investment guidelines and restrictions of those agreements. We enter into these agreements after legal and compliance review on our behalf.

#### **ITEM 17: VOTING CLIENT SECURITIES**

We will accept proxy voting authority from our clients, and follow our Proxy Voting Policy, which is summarized below. If we have accepted proxy voting authority from the client, we do not provide the client the option to direct a proxy vote with respect to a particular solicitation. We do, however, agree with some clients to use their proxy voting guidelines when voting proxies on their behalf.

Some of our clients do not give us the authority to vote proxies on their behalf, choosing to vote proxies themselves. Those clients will likely receive proxy solicitations from a custodian and transfer agent, and not through us. Those clients occasionally contact us with questions about a particular solicitation. Our Senior Proxy Specialist will discuss our guidelines with respect to the solicitation with the client.

#### **SUMMARY OF PROXY VOTING POLICY**

The following is a summary of our Proxy Voting Policy. We will provide a copy of our Proxy Voting Policy to any client or prospective client upon request. Our contact information appears on the first page of this Brochure.

If we have responsibility for voting proxies in connection with our investment advisory duties, or have the responsibility to specify to an agent how to vote the client's proxies, we exercise such voting responsibilities through the corporate proxy voting process. We believe that the right to vote proxies is a significant asset of our clients' holdings. In order to provide a basis for making decisions in the voting of proxies for our clients, we have established a proxy voting committee (the "**Proxy Committee**") and adopted proxy voting guidelines (the "**Guidelines**") and procedures.

Where we have retained the services of a sub-adviser to provide day-to-day portfolio management for the portfolio, we may delegate proxy voting authority to the sub-adviser; provided that the sub-adviser either (1) follows our Guidelines; or (2) has demonstrated that its proxy voting policies and procedures are consistent with our Guidelines or otherwise implemented in the best interests of our clients and appear to comply with governing regulations. We also shall be provided the opportunity to review a Sub-Adviser's Proxy Voting Policy and Procedures as deemed necessary or appropriate by us. Consistent with its fiduciary obligations, we will be responsible for periodically verifying the sub-adviser's implementation of its proxy voting policy with respect to the portfolio we manage.

The Proxy Committee generally meets quarterly (or at such other frequency as determined by the Proxy Committee), and its duties include establishing proxy voting guidelines and procedures, overseeing the internal proxy voting process, and reviewing proxy voting issues. The members of the Proxy Committee include our personnel from the investment, compliance, legal and marketing departments. We also use an outside proxy voting service (an "Outside Service") to help manage the proxy voting process. The Outside Service facilitates our voting according to the Guidelines (or according to guidelines submitted by our clients) and helps maintain our proxy voting records. In the event of a conflict between contractual requirements and the Guidelines, we will vote in accordance with the contractual obligations. Our proxy voting and record keeping is dependent on the timely provision of proxy ballots by custodians, clients and other third parties. Under circumstances described below involving potential conflicts of interest, we may also request the Outside Service to help decide certain proxy votes. In those instances, the Proxy Committee shall review and evaluate the voting recommendations of such Outside Service to ensure that recommendations are consistent with our clients' best interest. In the event that we inadvertently receive any proxy material on behalf of a client that has retained proxy voting responsibility, and where it is reasonably feasible by us to determine the identity of the client, we will promptly forward such materials to the client.

As a matter of firm policy, we do not disclose to unaffiliated third parties how we expect to vote on upcoming proxies and do not disclose the way we voted proxies without a legitimate need to know such information.

**Philosophy.** When voting proxies, our utmost concern is that all decisions be made solely in the interests of the client and with the goal of maximizing the value of the client's investments. Generally, proposals will be voted in accordance with the Guidelines and any applicable guidelines provided by our clients. Our underlying philosophy, however, is that our portfolio managers, who are primarily responsible for evaluating the individual holdings of our clients, are best able to determine how best to further client interests and goals. The portfolio managers



may, in their discretion, take into account the recommendations of our management, the Proxy Committee, and the Outside Service.

**Overrides and Conflict Resolution.** Individual portfolio managers, in the exercise of their best judgment and discretion, may from time to time override the Guidelines and vote proxies in a manner that they believe will enhance the economic value of clients' assets, keeping in mind the best interests of the beneficial owners. The Guidelines provide procedures for documenting and, as required, approving such overrides. In the event a potential conflict of interest arises in the context of voting proxies for our clients, the primary means by which we will avoid a conflict is by casting such votes solely according to the Guidelines and any applicable guidelines provided by our clients. If a potential conflict of interest arises, and the proxy vote to be decided is predetermined under the Guidelines, then we will follow the Guidelines and vote accordingly. On the other hand, if a potential conflict of interest arises and there is no predetermined vote, or the Guidelines (or any applicable TCW client guidelines) themselves refer such vote to the portfolio manager for decision, or the portfolio manager would like to override a predetermined vote, then the Guidelines provide procedures for determining whether a material conflict of interest exists and, if so, resolving such conflict.

**Proxy Voting Information and Recordkeeping.** Upon request, we provide proxy voting records to our clients. These records state how votes were cast on behalf of client accounts, whether a particular matter was proposed by the company or a shareholder, and whether or not we voted in line with management recommendations. To obtain proxy voting records, a client should contact our Senior Proxy Specialist.

We or an Outside Service will keep records of the following items: (i) the Guidelines and any other proxy voting procedures; (ii) proxy statements received regarding client securities (unless such statements are available on the SEC's EDGAR system); (iii) records of votes cast on behalf of clients (if maintained by an Outside Service, that Outside Service will provide copies of those records promptly upon request); (iv) records of written requests for proxy voting information and our response (whether a client's request was oral or in writing); and (v) any documents we prepared that were material to making a decision how to vote, or that memorialized the basis for the decision. Additionally, we or an Outside Service will maintain any documentation related to an identified material conflict of interest.

We or an Outside Service will maintain these records in an easily accessible place for at least five years from the end of the fiscal year during which the last entry was made on such record. For the first two years, we or an Outside Service will store such records at its principal office.

**International Proxy Voting.** While we utilize the Guidelines for both international and domestic portfolios and clients, there are some significant differences between voting U.S. company proxies and voting non-U.S. company proxies. For U.S. companies, it is relatively easy to vote proxies, as the proxies are automatically received and may be voted by mail or electronically. For proxies of non-U.S. companies, although it is typically both difficult and costly to vote proxies, we make every reasonable effort to vote such proxies.



## **CLASS ACTION NOTICES AND PROOFS OF CLAIM**

From time to time, securities that our clients have owned are the subject of class action lawsuits. Generally, holders of securities within a given class period are entitled to participate in the recovery or settlement in a class action lawsuit by filing a proof of claim. All class members normally are bound by a court-approved settlement or judgment in a class action unless they have filed with the court or claims administrator a timely notice choosing to opt-out of the settlement.

We view the decision to file of a proof of claim in class actions as a corporate action that normally is to be performed by the custodian for our client. In addition, the decision to elect to opt out of a settlement is an individual decision to be made by our client.

Normally, custodians will receive notices of rights to participate in, or opt out of class action settlements. We sometimes receive such notices and have adopted procedures to assist our clients in the performance of class action processing functions. Our actions and responsibilities with respect to class action matters will depend on the role we have with respect to the client.

## **ITEM 18: FINANCIAL INFORMATION**

Not applicable.



## **ATTACHMENT 1 MATERIAL CHANGES**

We have made the following material changes to this Brochure since our annual Amendment filed March 28, 2019.

### **ITEM 4: ADVISORY BUSINESS**

**Who We Are.** We amended Item 4 to reflect the name change of WEDBUSH, Inc. to Wedbush Capital.

**Assets Under Management.** We have updated our assets under management to December 31, 2018. At that time, we had \$208,152,966 in discretionary assets under management and \$0 in non-discretionary assets under management.

### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**Private Funds.** We added a disclosure that we or our affiliates are a general partner or managing member of our funds.

**Wedbush Affiliation.** Wedbush Securities no longer refers investors to the Funds so we have removed references to that effect.

### **ITEM 13: REVIEW OF ACCOUNTS**

We have updated this section to provide greater detail on the additional review of accounts periodically performed by other internal departments of ours.