

# Form ADV – Part 2 – Brochure Martingale Asset Management, L.P.

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March 31, 2011



This Brochure provides information about the qualifications and business practices of Martingale Asset Management, L.P. If you have any questions about the contents of this Brochure, please contact us at 617.424.4700 or [info@martingale.com](mailto:info@martingale.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Martingale Asset Management, L.P. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Martingale Asset Management, L.P. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure, dated March 31, 2011, is a new document prepared according to the SEC’s new requirements and rules. As such, this Brochure is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Patricia J. O’Connor, Chief Administrative Officer, at 617.424.4700 or [patricia.oconnor@martingale.com](mailto:patricia.oconnor@martingale.com).

Additional information about Martingale Asset Management, L.P. is also available via the SEC’s web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about persons, if any, affiliated with Martingale Asset Management, L.P. who are registered, or are required to be registered, as investment adviser representatives of Martingale Asset Management, L.P.

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## Item 4 – Advisory Business

Founded in 1987, Martingale Asset Management, L.P. (“Martingale”) is an equity specialist. Martingale is an independent, registered investment advisor wholly owned by its employees. Martingale Asset Management Corporation is the General Partner to the limited partnership and is wholly owned by the firm’s four founders. Martingale Asset Management Corporation owns more than 25% of Martingale Asset Management, L.P.

Hallmarks of our firm include fundamental research, systematic stock selection, disciplined portfolio construction, efficient trading practices and close working relationships with our clients. We manage long-only equity portfolios as well as 130/30, low volatility and long/short portfolios. Our clients include many of the world’s most demanding corporate pension plans, foundations, endowments, and public retirement systems. Martingale has remained focused on equity management, combining strategic investment thinking with quantitative tools to manage its clients’ assets. This approach allows us to operate with one investment team of professionals to manage all portfolios across all products. As of 12/31/2010, Martingale’s total firm assets under management were \$1,874,430,000. All assets are discretionary.

Martingale invests primarily in equity securities; in some circumstances, we also invest in other types of securities. In seeking to remain fully invested in equities at all times, Martingale may invest in derivatives, such as stock index futures, options on stock indexes and similar instruments. The major risks of derivatives, which can change dramatically in value, are market risk, credit risk, liquidity risk, settlement risk, legal risk, and operational risk. Clients are encouraged to contact Martingale for more information about Martingale’s use of derivatives. Clients may also restrict the use of derivatives for their accounts. Martingale Asset Management, L.P. is not registered with the Commodities Futures Trading Commission and the National Futures Association (“NFA”) as a commodities trading adviser. Martingale Asset Management, L.P. has filed a Notice of Exemption pursuant to 17 C.F.R. Section 4.14 (a)(8) with the CFTC and NFA by which Martingale represented that it is exempt from registration as a commodities trading adviser because, in part, its commodity interest trading advice is directed only to certain qualified clients and such advice is solely incidental to its business of providing securities advice, and Martingale Asset Management, L.P. does not hold itself out as a commodity trading adviser.

Martingale Asset Management, L.P. offers investment advisory and supervisory services to separately managed accounts and acts as sub-adviser to registered investment companies, Wrap Programs and other investment advisers. In most cases, Martingale holds limited powers of attorney to act on a discretionary basis with client funds. The client funds are deposited in either a brokerage firm or bank custodian account.

At the request of clients, we can tailor our investment management services to meet individual requirements or needs. Examples include benchmark selection, estimated risk target, and stock universe selection. Further, clients may impose specific stock or types of stocks restrictions as warranted and agreed upon between Martingale and the client.

Martingale also provides investment advisory services to clients as part of a “wrap fee” program. Our investment advisory services do not differ from those provided to separately managed account clients. We employ the same investment process in managing wrap assets; however, as is common in wrap programs, Martingale does not handle trade execution duties.

**Item 5 – Fees and Compensation****U.S. Equities – Separate Accounts**

	<b>Fee</b>	<b>Minimum</b>
LargeCap Core                      LargeCap Value	0.70% of first \$25 million	\$20 million
LargeCap Core 500              LargeCap Value 500	0.30% thereafter	
LargeCap Core 200              LargeCap Value 200		
Unconstrained Equity          LargeCap Growth		
Low Volatility LargeCap Equity		

AllCap Core	0.70% of first \$25 million 0.50% thereafter	\$20 million
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MidCap Core	0.70% of all assets	\$20 million
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Small/MidCap Core	0.80% of all assets	\$20 million
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SmallCap Core                      SmallCap Value	1.00% of all assets	\$20 million
SmallCap Growth		

130/30 LargeCap Core	0.75% of all assets	\$50 million
130/30 LargeCap Value		
130/30 LargeCap Core 500		
130/30 LargeCap Growth		
Low Volatility 130/30 LargeCap Equity		

Equity Market Neutral	1.00% of invested capital Plus 20% of profits	\$10 million
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**Other Equities – Separate Accounts**

	<b>Fee</b>	<b>Minimum</b>
Low Volatility International Equity	0.75% of all assets	\$50 million
Low Volatility Global Equity		

**U.S. Equities – Commingled Vehicles****Martingale Series Trust**

	<b>Fee</b>	<b>Minimum</b>
Small Cap Value Fund - Series 1	1.00% of all assets	\$5 million
Enhanced Alpha (130/30) - Series 2	0.75% of all assets	\$10 million

**Equity Market Neutral**

Martingale Equity Market Neutral Fund, L.P.	1.00% of invested capital Plus 20% of profits	\$1 million
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The fee is payable in some cases at the beginning of each quarter and in other cases, quarterly, in arrears, as agreed between Martingale and the client. In most cases, Martingale bills its clients directly for management fees. In certain cases, the client or a designated agent will calculate the management fee and remit payment to Martingale. We will not instruct a client's custodian to deduct our fee directly from a client's assets.

Generally, contracts with clients may be cancelled at any time upon written notice by either party. The management fee, through the date of termination, is charged to the clients. All prepaid but unearned

advisory fees are refunded to the client. Client requested, customized portfolio management will have a fee schedule commensurate with the product.

Martingale Asset Management, L.P.'s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee, and Martingale shall not receive any portion of these commissions, fees, and costs.

**Limited Negotiability of Advisory Fees** Although Martingale has established the aforementioned fee schedule, it retains the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, portfolio style, reports and other factors. The specific annual fee schedule will be identified in the contract between the adviser and each client.

Martingale also provides investment advisory and supervisory services to clients as part of "wrap fee" programs in conjunction with third-party sponsors ("Sponsors"). Under these arrangements, Martingale Asset Management, L.P. does not receive any fees directly from these clients. Instead, each Sponsor pays a management fee to Martingale Asset Management, L.P. for investment advisory and supervisory service. This fee is typically equal to a predetermined percentage of the aggregate amount of assets managed by Martingale for client referred by the Sponsor. When participating in a "wrap-fee" program, Martingale Asset Management, L.P. is selected to provide advisory services to a client by the Sponsor or the client.

**Short Term Idle Cash Investment** Cash not otherwise invested by Martingale will be invested by the client's custodian and can generate an interest return for the client. If the cash is invested through a commingled or mutual fund, then an affiliate of the custodian will normally be the manager of such fund and a portion of the interest earned will be allocated for payment of the fund's separate management fee. Martingale is not affiliated with any such custodian, does not share in that fee, does not participate in such investment decisions and is not liable with regard to such investments.

Item 12 further describes the factors that Martingale considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

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

In some cases, Martingale has entered into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. Martingale will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. Performance based fee arrangements may create an incentive for Martingale to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other

accounts in the allocation of investment opportunities. Martingale has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients. Clients who elect to terminate their contracts will be charged a performance-based fee based on the performance of the account for the measuring period going back from the termination date and pro-rated from the date on which the performance-based fee was last assessed.

### Item 7 – Types of Clients

Martingale Asset Management, L.P. provides portfolio management services to individuals (through wrap programs where we act as investment advisor only), high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, educational institutions, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds such as UCITs and SICAVs, and other U.S. and international institutions.

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

Martingale employs its own proprietary systematic, bottom-up stock valuation process to evaluate companies and construct portfolios. It is designed to feature Martingale's stock selection skills through fundamentally based, quantitative analysis of investment characteristics while controlling for unpredictable elements and risks. Information on stocks comes from external data providers and computer databases as well as newspapers, research material prepared by others, and our own proprietary databases. We apply our insights regarding market, economic, industry, and company fundamentals to calculate intrinsic values for thousands of stocks. Martingale constructs portfolios using a systematic portfolio optimization approach. As with any active equity strategy, investing in securities involves risk of loss that clients should be prepared to bear.

The implementation of Martingale's investment strategies includes long-term and short-term purchases, short sales, and margin transactions. Very seldom, we may employ option writing (including covered options, uncovered options or spreading strategies) as well as trading (i.e., securities sold within 30 days) which can effect investment performance, particularly through increased brokerage and other transaction costs.

Further, specifically for all of Martingale's investment strategies, there is a risk of loss associated with our use of third-party data and risk models in managing client portfolios. In addition, our "130/30" (sometimes referred to as short-extension strategies) and our Equity Market Neutral strategies employ "short selling" and involve establishing a prime brokerage relationship. Further, our strategies that invest in foreign companies are exposed to foreign exchange risk as well as liquidity and trading constraints which may also create other risk.

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Martingale offers several investment strategies, as shown on the next five pages:

## LargeCap Value

**Objective:** The strategy seeks opportunities within the Russell 1000 Value universe that have below-average price-earnings ratios, high sustainable earnings growth, and stable or improving fundamentals.

**Points of Distinction:** Provides diversified exposure to US Stocks, in a value style, suitable for a core, large-cap value style domestic equity mandate. It is actively managed, employing a systematic investment approach.

**Benchmark:** Russell 1000 Value Index

## LargeCap Value 500

**Objective:** The strategy seeks opportunities within the S&P 500/Citigroup Value universe that have below-average price-earnings ratios, high sustainable earnings growth, and stable or improving fundamentals.

**Points of Distinction:** Provides diversified exposure to US Stocks, in a value style, suitable for a core, large-cap value style domestic equity mandate. It is actively managed, employing a systematic investment approach.

**Benchmark:** S&P/Barra Value Index (through 12/31/05); S&P 500 Value Index thereafter

## LargeCap Value 200

**Objective:** The strategy seeks opportunities within the Russell Top 200 Value universe that have below average price-earnings ratios, high sustainable earnings growth, and stable or improving fundamentals.

**Points of Distinction:** The super-large value focus can be complementary to “traditional” larger strategies by exploiting untapped opportunities in most aggregate equity structures. It is actively managed, employing a systematic investment approach.

**Benchmark:** Russell Top 200 Value Index

## LargeCap Core

**Objective:** The strategy seeks opportunities within the Russell 1000 universe that have below-average price-earnings ratios, high sustainable earnings growth, and stable or improving fundamentals.

**Points of Distinction:** Provides diversified exposure to US Stocks, in a value style, suitable for a core, large-cap value style domestic equity mandate. It is actively managed, employing a systematic investment approach.

**Benchmark:** Russell 1000 Index

## LargeCap Core 500

**Objective:** The strategy seeks opportunities within the S&P 500 universe that have below-average price-earnings ratios, high sustainable earnings growth, and stable or improving fundamentals.

**Points of Distinction:** Provides diversified exposure to US Stocks, suitable for a core large-cap domestic equity mandate. It is actively managed, employing a systematic investment approach.

**Benchmark:** S&P 500 Index



## LargeCap Core 200

**Objective:** The strategy seeks opportunities within the Russell Top 200 universe that have below-average price-earnings ratios, high sustainable earnings growth, and stable or improving fundamentals.

**Points of Distinction:** The super-large company focus can be complementary to “traditional” large-cap strategies by exploiting untapped opportunities in most aggregate equity structures. It is actively managed, employing a systematic investment approach.

**Benchmark:** Russell Top 200 Index

## LargeCap Growth

**Objective:** The strategy seeks opportunities within the Russell 1000 Growth universe that have below-average price-earnings ratios, high sustainable earnings growth, and stable or improving fundamentals.

**Points of Distinction:** Provides diversified exposure to US Stocks, in a growth style, suitable for a large-cap growth style domestic equity mandate. It is actively managed, employing a systematic investment approach.

**Benchmark:** Russell 1000 Growth Index

## AllCap Core

**Objective:** The strategy seeks opportunities from the stocks in the Russell 3000 universe that have below-average price-earnings ratios, high sustainable earnings growth, and stable or improving fundamentals. It seeks to add value through modest industry tilting.

**Points of Distinction:** Provides diversified exposure to US Stocks, suitable for a core, all-cap domestic equity mandate. It is actively managed, employing a systematic investment approach.

**Benchmark:** Russell 3000 Index

## Unconstrained Equity

**Objective:** This strategy seeks the most attractively valued securities on an industry relative basis within the Russell 1000 universe of U.S. large cap companies. The strategy is well diversified across a large number of companies, but does not adhere to benchmark weightings at the security, industry or sector level.

**Points of Distinction:** Provides diversified exposure to US Stocks, suitable for a core, large-cap domestic equity mandate. It is actively managed, employing a systematic investment approach.

**Benchmark:** Russell 1000 Index

## MidCap Core

**Objective:** The strategy seeks opportunities within the Russell Midcap universe that have below-average price-earnings ratios, high sustainable earnings growth, and stable or improving fundamentals.

**Points of Distinction:** Provides diversified exposure to US Stocks, suitable for a core, mid-cap oriented domestic equity mandate. It is actively managed, employing a systematic investment approach.

**Benchmark:** Russell Midcap Index

## SmallCap Value

**Objective:** The strategy seeks opportunities within the Russell 2000 Value universe that have below-average price-earnings ratios, high sustainable earnings growth, and stable or improving fundamentals.

**Points of Distinction:** Provides diversified exposure to US Stocks, in a value style, with a market capitalization typically between \$50 million - \$3 billion. It is actively managed, employing a systematic investment approach. The composite includes only separately managed accounts.

**Benchmark:** Russell 2000 Value Index

## SmallCap Core

**Objective:** The strategy seeks opportunities within the Russell 2000 universe that have below-average price-earnings ratios, high sustainable earnings growth, and stable or improving fundamentals.

**Points of Distinction:** Provides diversified exposure to US Stocks, suitable for a core small-cap domestic equity mandate. It is actively managed, employing a systematic investment approach.

**Benchmark:** Russell 2000 Index

## Small/MidCap Core

**Objective:** The strategy seeks opportunities within the Russell 2500 universe that have below-average price-earnings ratios, high sustainable earnings growth, and stable or improving fundamentals.

**Points of Distinction:** Provides diversified exposure to US Stocks, suitable for a core “smid”-cap domestic equity mandate. It is actively managed, employing a systematic investment approach.

**Benchmark:** Russell 2500 Index

## SmallCap Growth

**Objective:** The strategy seeks opportunities within the Russell 2000 Growth universe that have below-average price-earnings ratios, high sustainable earnings growth, and stable or improving fundamentals.

**Points of Distinction:** Provides diversified exposure to US Stocks, suitable for a small-cap growth style domestic equity mandate, with a market cap between \$50 million - \$4 billion. It is actively managed, employing a systematic investment approach.

**Benchmark:** Russell 2000 Growth Index

## Low Volatility LargeCap Equity

**Objective:** The strategy employs a systematic process to invest in companies in the Russell 1000 universe, considering both return expectations and volatility. By emphasizing undervalued and low volatility securities, the strategy seeks to achieve equity market returns with significantly lower volatility.

**Points of Distinction:** Provides diversified exposure to US Stocks, with lower volatility and is suitable for a core, large-cap domestic equity mandate. It is actively managed, employing a systematic investment approach.

**Benchmark:** Russell 1000 Index

## Low Volatility 130/30 LargeCap Equity

**Objective:** The strategy employs a systematic process to invest in companies in the Russell 1000 universe, considering both return expectations and volatility. By emphasizing undervalued and low volatility securities, the strategy seeks to achieve equity market returns with significantly lower volatility. A 130/30 structure provides the additional flexibility to short overvalued and/or high volatility securities to further enhance the strategy's risk reduction and return potential.

**Points of Distinction:** Provides diversified exposure to US Stocks, with lower volatility and is suitable for a core, large-cap domestic equity mandate. It is actively managed, employing a systematic investment approach.

**Benchmark:** Russell 1000 Index

## Low Volatility International Equity

**Objective:** The strategy employs a systematic process to build a portfolio designed to capture low volatility opportunity from approximately 1,000 of the world's largest companies found in the MSCI EAFE universe. By emphasizing low volatility securities, the strategy seeks to achieve equity market returns with significantly lower volatility.

**Points of Distinction:** Provides diversified exposure to international stocks with lower volatility and is suitable for a core, large-cap domestic equity mandate. It is actively managed, employing a systematic investment approach.

**Benchmark:** MSCI EAFE Index

## Low Volatility Global Equity

**Objective:** The strategy employs a systematic process to build a portfolio designed to capture low volatility opportunities from among the largest companies found in the various global (including U.S.) indexes (ex. MSCI World). By emphasizing low volatility securities, the strategy seeks to achieve equity market returns with significantly lower volatility.

**Points of Distinction:** Provides diversified exposure to global (including U.S.) Stocks, with lower volatility and is suitable for a core, large-cap global equity mandate. It is actively managed, employing a systematic investment approach.

**Benchmark:** Various

## 130/30 LargeCap Value

**Objective:** The strategy seeks opportunities from the stocks in the Russell 1000 Value universe that have below-average price-earnings ratios, high sustainable earnings growth, and stable or improving fundamentals.

**Points of Distinction:** Provides diversified exposure to US Stocks, suitable for a large-cap value style domestic equity mandate. It is actively managed, employing a systematic investment approach. It deploys a modest amount of capital to take short positions in overvalued stocks.

**Benchmark:** Russell 1000 Value Index

### 130/30 LargeCap Core

**Objective:** The strategy seeks opportunities from the stocks in the Russell 1000 universe that have below-average price-earnings ratios, high sustainable earnings growth, and stable or improving fundamentals.

**Points of Distinction:** Provides diversified exposure to US Stocks, suitable for a core large-cap domestic equity mandate. It is actively managed, employing a systematic investment approach. It deploys a modest amount of capital to take short positions in overvalued stocks.

**Benchmark:** Russell 1000 Index

### 130/30 LargeCap Core 500

**Objective:** The strategy seeks opportunities within the S&P 500 universe that have below-average price-earnings ratios, high sustainable earnings growth, and stable or improving fundamentals.

**Points of Distinction:** Provides diversified exposure to US Stocks, suitable for a core large-cap domestic equity mandate. It is actively managed, employing a systematic investment approach. It employs a modest amount of capital to take short positions in overvalued stocks.

**Benchmark:** S&P 500 Index

### 130/30 LargeCap Growth

**Objective:** The strategy seeks opportunities from the stocks in the Russell 1000 Growth universe that have below-average price-earnings ratios, high sustainable earnings growth, and stable or improving fundamentals.

**Points of Distinction:** Provides diversified exposure to US Stocks, suitable for a large-cap growth style domestic equity mandate. It is actively managed, employing a systematic investment approach. It deploys a modest amount of capital to take short positions in overvalued stocks.

**Benchmark:** Russell 1000 Growth Index

### Equity Market Neutral

**Objective:** The strategy seeks opportunities from the 1500 largest stocks in the US equity universe that have below-average price-earnings ratios, high sustainable earnings growth, and stable or improving fundamentals on the long side and the inverse on the short side.

**Points of Distinction:** Portfolio maximizes investment impact and neutralizes market exposure. The total risk of this strategy is generally low because it hedges away stock market risk. It is actively managed, employing a systematic investment approach. The composite includes only separately managed accounts.

**Benchmark:** US Treasury Bills

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## Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Martingale or the integrity of Martingale's management.

Martingale Asset Management, L.P. has no information applicable to this Item.

## Item 10 – Other Financial Industry Activities and Affiliations

Martingale Asset Management, L.P. is the General Partner in the following Limited Partnerships:

- Martingale Investment Fund-2, L.P., which invests in equities. Currently the Martingale Investment Fund-2 Limited Partnership has one partner and is not available to external investors
- Martingale Equity Market Neutral Fund, L.P., which invests in equities employing a market neutral strategy

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

Martingale Asset Management's Code of Ethics, (the "Code of Ethics") covers all officers, directors, employees of or partners in Martingale Asset Management who are involved in the advisory process (each an "Advisory Person"). Under the Code of Ethics, an Advisory Person includes members of an Advisory Person's immediate family (living in the same household), accounts over which the Advisory Person has investment control or discretion, and accounts in which the Advisory Person (or member of such Advisory Person's immediate family) has a beneficial ownership interest. Under this Code of Ethics, Advisory Persons are prohibited from trading in individual securities without the prior approval of certain named individuals. Further, Advisory Persons may not trade in securities that in the prior seven days were, simultaneously are or in the following seven days will be purchased or sold for the account of an advisory client, subject to certain *de minimis* exceptions. Pursuant to the Code of Ethics, Advisory Persons are advised to trade through mutual and exchange-traded funds organized as open-end funds (other than those advised by Martingale Asset Management).

Because certain securities may be bought, sold or held in client accounts that are also traded in Advisory Person's accounts, these transactions are subject to the restrictions previously described.

Martingale may also buy, sell or hold securities in its own proprietary strategy incubator accounts that may also be traded in client accounts.

Advisory Persons must submit annual holdings and quarterly security transactions reports to Martingale Asset Management. The Code of Ethics prohibits Advisory Persons from taking directorships (or other comparable positions) without prior approval, receiving gifts above a certain size from any person or entity that has a business relationship with Martingale Asset Management, if the gift recipient is in a position to influence a business relationship for the benefit of the gift giver and accepting special favors as a result of their status as Advisory Persons.

Advisory Persons who violate the Code of Ethics are subject to sanctions. All Advisory Persons must annually re-certify in writing their familiarity and compliance with the Code of Ethics. Martingale Asset Management will provide a copy of its Code of Ethics, as amended from time to time, to any advisory client or prospective advisory client upon receipt of a written request addressed to Martingale Asset Management, L.P., c/o Designated Compliance Officer, 222 Berkeley Street, Boston, MA 02116.

## Item 12 – Brokerage Practices

For the vast majority of clients who do not direct brokerage, Martingale Asset Management, L.P. has discretion to select brokers or dealers to effect transactions for clients. Martingale may cause transactions to be effected with brokers acting as principals on a net basis with no brokerage commissions, or by brokers on an agency basis for a commission. Martingale may use a broker on an agency basis, to buy or sell securities from or to market makers, in which case the client will pay a commission in addition to any markup or markdown the market maker receives.

Martingale may accept client instructions for directing the client's brokerage transactions to a particular broker-dealer. Any direction by the client for use of a particular broker or dealer should include all of the terms and conditions of the directed-brokerage arrangement, procedures for monitoring such directed-brokerage arrangement as applicable, and representations and warranties that such direction is authorized by the client. In addition, we seek to obtain assurance that such direction is in compliance with the client's governing documents or under law, and in the case of directed brokerage arrangement for commission recapture, will solely benefit the client's account. Martingale will attempt to obtain acknowledgment from the client that in designating the use of a particular broker or dealer, the client loses (a) the possible advantage that non-designating clients derive from aggregation of orders for several clients as a single transaction for the purchase or sale of a particular security, including volume discounts, (b) the possible advantage that non-designating clients derive from the Manager having the option of effecting transactions either (i) directly with market makers, brokers or dealers acting as principals on a net basis with no brokerage commissions, or (ii) by brokers or dealers on an agency basis for a commission, either of which may not be available from the broker or dealer designated by the client. Also, as a result of selecting the directed broker there may be a difference between the commissions paid by the account and commissions paid by other advisory clients of the firm (who have not directed brokerage), to a particular broker-dealer because we may not be able to negotiate commissions as favorable. And that the loss of any of the foregoing due to the client's designation of the broker or dealer may result in the Manager being unable to obtain "best execution" in some or all of the transactions effected with the broker or dealer designated by the client.

In selecting brokers and dealers, Martingale's primary objective is to seek to obtain "best execution." In evaluating whether a broker or dealer will be able to provide "best execution," net prices (after brokerage commissions or mark-ups and other transaction costs) are a principal factor, but the selection also takes into account other factors. These include:

- the execution, clearance and settlement capabilities of the broker or dealer generally and in connection with securities of the type involved;
- the broker's or dealer's reliability, integrity, and financial stability;
- the size of the particular transaction and its complexity in terms of execution and settlement;
- the importance of speed or confidentiality in the particular transaction; and the market for the security; and
- for principal trades, the broker's or dealer's ability and willingness to commit its capital to facilitate transactions (by participating for its own account on a principal basis) as well as a broker-dealer's ability to provide securities for short sales.

Martingale does not engage in any soft dollar trading. Further, as a matter of policy, we do not engage in agency cross transactions or principal transactions.

As an adviser and a fiduciary to our clients, our clients' interests must always be placed first and foremost, and our trading practices and procedures prohibit unfair trading practices and seek to disclose and avoid any actual or potential conflicts of interests or resolve such conflicts in the client's favor. Our firm has adopted the following policies and practices to meet the firm's fiduciary responsibilities and to insure our trading practices are fair to all clients and that no client or account is advantaged or disadvantaged over any other.

**Aggregation** The aggregation or blocking of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to clients. Therefore, our firm's policy is to aggregate client transactions where possible and when advantageous to clients. In these instances clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the event transactions for an adviser, its employees or principals ("proprietary accounts") are aggregated with client transactions if conflicts arise, special policies and procedures must be adopted to disclose and address these conflicts.

**Allocation** Martingale's policy prohibits any allocation of trades in a manner that Martingale's proprietary accounts, affiliated accounts, or any particular client(s) or group of clients receive more favorable treatment than other client accounts. Allocation of any partially completed order, will be allocated on a pro-rata basis.

**IPOs** Martingale Asset Management does not participate in any IPOs.

**Trade Errors** If it appears that a trade error has occurred, Martingale will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions (generally, errors) occur, Martingales' policy is to ensure that its clients are treated fairly when correcting such errors, and that its clients will be in a position that is no worse had the error not occurred. In certain cases, a trade error will be processed through Martingale's Error Account. The subsequent transaction can produce a gain or a loss which Martingale will absorb.

### Item 13 – Review of Accounts

In managing client portfolios, a portfolio manager and a member of the compliance department each perform daily reviews of all accounts, using a computer-generated report. It reviews each account against both the client's stated guidelines and our firm's investment guidelines for the strategy. Since several investment professionals are involved in managing every account, Martingale's Chief Investment Officer and Chief Administrative Officer oversee the entire portfolio to ensure it is managed according to the contract's guidelines at all times.

Every quarter, the Chief Compliance Officer and the Chief Investment Officer engage in an account review for every portfolio. They also review portfolios against other accounts managed in the same strategy as well as for product/style consistency.

It is important to note that Martingale's entire investment process takes place in a highly automated, systematic and controlled environment. Portfolio management unfolds in a multi-stage, functional process through which a theoretical trade passes before it becomes an actual purchase or sale. As a result, no

individual employee can administer the entire process by him- or herself. Functions are highly independent among all investment professionals. Of note:

- The portfolio manager reviews and signs each trade list before it reaches the traders. The trader reviews and signs it as well.
- Each client's specific guidelines are programmed into our portfolio management tools before a new account begins.

Because we automate client guidelines and restrictions within our technology, our investment professionals are removed from the process, maintaining the full integrity of a client's portfolio. In fact, careful integration of active insights, customized benchmarks, risk tolerance, and other investment objectives are the hallmarks of our products. Prior to initial investment, we have extensive discussions with our clients to ensure clear communication. Issues covered include explicit determination of risk tolerance, rebalancing intervals for benchmark, anticipated cash flows, and client-mandated prohibited stocks and/or service providers.

**Reporting** Separately managed account clients can receive finalized account reports each month. The reports typically include portfolio holdings with current prices and securities transactions including purchases, sales, dividends, corporate actions, and cash flows. Current and historical performance data will also be included. Clients can receive a quarterly update which includes quarterly and inception to date performance results and a general investment strategy discussion as well as specific items regarding specific portfolios. Separately managed account clients receive a monthly "flash report" e-mail which contains estimated account performance and commentary. Martingale's Wrap clients can receive monthly or quarterly reports, which can include portfolio holdings and securities transactions, such as purchases, sales, dividends, corporate actions and cash flows directly from the Wrap Sponsor. Martingale Limited Partnership and Commingled Account Clients receive account information from Martingale that has been prepared by a third party administrator. Martingale sends audited financial statements to participants annually.

## Item 14 – Client Referrals and Other Compensation

We do not compensate any related party who is not an employee for client referrals. We receive no compensation or economic benefit for providing investment advice other than management fees paid by our clients.

Martingale's advisory services are marketed directly by employees. In certain circumstances these individuals may be compensated based on an established schedule which is generally a percentage based on the account's asset value at a point in time.

## Item 15 – Custody

Clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Martingale urges you to carefully review such statements and compare such official custodial records to the account statements that may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.



## Item 16 – Investment Discretion

Martingale Asset Management, L.P. receives discretionary authority from the client through an executed investment advisory agreement at the outset of an advisory relationship. In all cases, however, such discretion to select the identity and amount of securities to be bought and sold is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Martingale observes the investment policies, limitations and restrictions of the clients for which it advises. Similar to investment policy guidelines, adherence to ERISA regulations is also a primary concern at Martingale. We receive and review a copy of each ERISA plan's Trust and Plan documents. Clients supply us with a list of their affiliates that we review for potential parties-in-interest transactions. In the course of normal business activity, Martingale does not engage in the type of transactions contemplated by the prohibited transaction provisions of ERISA other than those for which there is exemptive relief under ERISA. For registered investment companies, Martingale's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Martingale in writing preferably as part of the executed investment advisory agreement.

## Item 17 – Voting Client Securities

When given authority to vote proxies, Martingale has responsibility for voting proxies for portfolio securities consistent with the best economic interests of the clients. Our firm maintains written policies and procedures as to the handling, research, voting, and reporting of proxy voting and makes appropriate disclosures about our firm's proxy policies and practices. Our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records.

Martingale uses an independent proxy voting service provider, ISS Governance Services (ISS), to research, recommend and vote proxies. Martingale reserves the right, and has the ability, to change a vote recommended by ISS if the recommendation is determined not to be in the best interest of the client.

**Client Requests for Information** All client requests for information regarding proxy votes or requests for the firm's policies and procedures received by any employee should be forwarded to the Manager of Operations. In response to any request, except those associated with Wrap Program clients, the Manager of Operations will ensure that the client receives a written response with the information requested, and if applicable, will include the name of the issuer, the proposal voted upon, and how Martingale voted the client's proxy with respect to each proposal about which the client inquired. If the request is from a Wrap Program client, the Wrap Account Administrator will process the request for information in the above described manner.

**Voting Guidelines** In the absence of specific voting guidelines from the client, Martingale will vote proxies in what we believe to be the best interests of the client. Martingale's policy is to vote all proxies from specific issues the same way for each client, absent client specific restrictions. Clients are permitted to place

reasonable restrictions on Martingale Asset Management's voting authority in the same manner that they may place such restrictions on the actual selection of account securities.

**Conflicts of Interest** Martingale recognizes that, under certain circumstances, a conflict may arise in voting proxies on behalf of clients. As is our Policy, these proxies will be voted consistent with the recommendation of ISS, provided that Martingale believes that such a vote is consistent with the best interest of the clients. Martingale Asset Management will maintain a record of the voting resolution of any conflict of interest. ISS has disclosed their policies, procedures and practices regarding their potential conflicts of interest, and we check annually for any change to their policies.

**Class Actions** The Manager files proof of claim and release paperwork for class action settlements for accounts unless directed otherwise by the client.

**No Authority to Vote** In cases in which a client does not give Martingale authority to vote its proxies, clients will receive proxies or other solicitations directly from their custodian or transfer agent. Clients are free to contact Martingale for questions/information on a particular proxy.

## Item 18 – Financial Information

Registered investment advisers are required in this Item to provide our clients with certain financial information or disclosures about Martingale's financial condition. Martingale has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.