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INNOVATE. DELIVER.

HIGH **POINTE**

## Item 1 – Cover Page

### Form ADV Part 2A - Brochure March 27, 2013

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This brochure provides information about the qualifications and business practices of High Pointe Capital Management, LLC (“High Pointe” or “the Firm”). If you have any questions about the contents of this brochure, please contact us by telephone at 312.726.2500 or by email at [rdhingra@HighPointeCapital.com](mailto:rdhingra@HighPointeCapital.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.

High Pointe is an SEC-registered investment adviser. Registration of an investment adviser by the SEC does not imply any particular level of skill or training. Additional information about High Pointe is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

There are no material changes in this year's Form ADV, a disclosure document ("brochure"), compared to the one shared by the Firm with its clients last year.

In the coming years, this section of the brochure will describe any material changes from previous year's brochure. High Pointe will continue its practice of sharing this brochure with its clients within 120 days of the close of its fiscal year on December 31.

## Item 3 – Table of Contents

Item 1 – Cover Page .....	1
Item 2 – Material Changes .....	2
Item 3 – Table of Contents .....	3
Item 4 – Advisory Business.....	4
Item 5 – Fees and Compensation.....	5
Item 6 – Performance-Based Fees and Side-By-Side Management .....	6
Item 7 – Types of Clients .....	6
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	7
Item 9 – Disciplinary Information .....	9
Item 10 – Other Financial Industry Activities and Affiliations .....	9
Item 11 – Code of Ethics .....	9
Item 12 – Brokerage Practices .....	11
Item 13 – Review of Accounts .....	12
Item 14 – Client Referrals and Other Compensation.....	12
Item 15 – Custody .....	12
Item 16 – Investment Discretion .....	13
Item 17 – Voting Client Securities .....	13
Item 18 – Financial Information.....	14
Item 19 – Requirements for State-Registered Advisers .....	14

## **Item 4 – Advisory Business/Services**

### **Firm Description and Ownership**

High Pointe was established in December 1997 by Dr. Gautam Dhingra. Prior to starting High Pointe, Dr. Dhingra was a Principal in charge of managing the Investment Consulting practice of Hewitt Associates in the Midwest, Southwest and Western United States. He has also served as a Lecturer of Finance at Northwestern University's Kellogg School of Management. The Firm is wholly-owned by Gautam Dhingra and Ritu Dhingra.

### **Type of Advisory Services**

High Pointe provides investment advisory services to both individual and institutional clients such as pension and profit sharing plans.

The Firm manages balanced portfolios for individual clients that are diversified across multiple asset classes such as U.S. equity, International Equity, Emerging Markets, Municipal Bonds, Investment Grade Bonds, and High Yield Bonds. For some individual clients, the Firm's mandate is narrowly focused on one or more segments of the equity market.

Institutional clients may retain High Pointe to manage one or more of its equity products. The Firm's main equity products are:

- Large Cap Value U.S. Equity
- Large Cap Growth U.S. Equity
- Small Cap U.S. Equity
- International Equity

A more complete description of the firm's equity products is provided in Item 8.

### **Tailored Relationships**

Some clients retain High Pointe to manage their assets on a Separate Account basis whereby clients directly own the securities in their portfolio. In these relationships, clients can tailor their accounts by specifying guidelines and restrictions for management of their assets. Other clients retain the Firm by buying units of the Limited Partnerships managed by the Firm. These Partnerships typically have lower account minimums than Separate Accounts but they do not allow investors to specify their own guidelines and restrictions.

### **Assets under Management**

As of December 31, 2012, the Firm managed \$203 million, all on a fully-discretionary basis.

## **Item 5 – Fees and Compensation**

### **Investment Management Fees for Separately Managed Accounts**

High Pointe's standard investment management fee structure for separately managed accounts is based on a percentage of assets under management, as described below.

#### **Small Cap Oriented Equity Accounts:**

- First \$20 million: 1.00% of assets per year
- Assets in excess of \$20 million: 0.75% of assets per year

#### **All Other Equity Accounts:**

- First \$20 million: 0.85% of assets per year
- Assets in excess of \$20 million: 0.60% of assets per year

#### **Balanced accounts**

- First \$20 million: 0.75% of assets per year.
- Assets in excess of \$20 million: 0.50% of assets per year

High Pointe may negotiate a non-standard fee with a client at its discretion. The specific fee structure for each client is established as part of the Advisory Agreement between the Firm and the client.

### **Investment Management Fees for Limited Partnership Accounts**

- All Assets: 1.00% of assets per year

### **Billing Practices**

For separate accounts, High Pointe invoices fees in arrears on a quarterly basis based on calendar quarters. For Limited Partnerships, fees are deducted in arrears on a monthly basis.

Separate account clients may choose to pay these invoices directly or authorize High Pointe to directly extract fees from client accounts. Client authorization to withdraw money from client accounts is limited to withdrawal of fees. Fees are prorated for actual numbers of days in a quarter. Fees are also prorated for each significant capital contribution or withdrawal as defined in the Advisory Agreement. Typically, fees are calculated using end of period assets. However, clients may specify any other reasonable methodology for such calculations. For example, some clients ask that fees be based on average of monthly asset values instead of quarter-end values.

### **Fees in Advance**

High Pointe does not charge fees in advance.

## **Other Expenses**

Any fees invoiced by High Pointe to clients are for investment advisory services and do not include brokerage and other transactions costs, custodial charges, and fees and expenses charged by underlying funds, such as mutual funds and exchange traded funds. Clients should be aware that mutual funds and exchange traded funds charge their own management fees and costs that are disclosed in their respective funds prospectus. High Pointe does not receive any portion of these fees and costs. To the extent a client invests in Limited Partnerships managed by High Pointe, the Firm ensures that limited partnership assets are excluded from calculation of fee invoices to avoid double layering of fees.

## **No Additional Compensation**

High Pointe does not invest client assets in mutual funds that levy a sales charge (called “load”). As such, the Firm does not receive any compensation from the mutual funds for recommending or investing in them.

## **Item 6 – Performance-based Fees and Side by Side Management**

High Pointe does not currently have a performance-based fee arrangement with any client. However, the Firm may enter into such arrangements. The Firm intends to implement any future performance-based fee arrangement in compliance with the exemption requirements of Rule 205-3 under the Investment Advisers Act of 1940, or exemptions under Section 205(b) or (e) of such Act, and with applicable state laws and regulations. In accordance with SEC rule 205-3, the Firm will not charge incentive fee to individuals whose net worth is less than \$1 million.

Incentive fee are typically based on the performance of the investment advisory account. Clients should note that performance-based fees could create an incentive for the Firm to make investments that are riskier than would otherwise be the case in the absence of a performance-based fee. With an incentive fee, High Pointe’s compensation could be larger than without it. Although such fee arrangements may create an incentive to favor higher fee paying clients over other accounts, High Pointe has standard procedures in its Trade Policy designed to ensure that all clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities amount clients.

## **Item 7 – Types of Clients**

High Pointe provides portfolio management services primarily to high net worth individuals, institutional client such as corporate and public pensions and profit sharing plans, trusts, estates, foundations, and charitable organizations, and municipalities. High Pointe also acts as a sub-adviser to other advisers.

Standard account minimum for separate accounts is \$2 million and that for limited partnership accounts is \$250,000. High Pointe may waive the minimum account size requirement at its discretion.

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

### **Investment Strategies and Method of Analysis**

High Pointe manages balanced and equity accounts.

#### *Balanced Accounts*

Balanced account management starts with establishing an asset allocation policy to guide the management of the account. Clients also have an opportunity to specify any guidelines and restrictions for their account. High Pointe then proceeds with construction of the portfolio. It typically involves selection of individual stocks to achieve U.S. equity exposure and ADRs, mutual funds and Exchange-Traded Funds to achieve exposure to other asset classes such as international equity, emerging markets, municipal bonds, investment grade bonds, high yield bonds, etc. Clients may also choose to achieve equity exposure through the Limited Partnerships managed by High Pointe. The Firm usually restricts purchase of individual fixed income securities to Government and Agency bonds. However, other types of fixed income securities may be held in client portfolios if they were part of client accounts at the time of transfer of the portfolio to High Pointe.

#### *Equity Accounts*

High Pointe's equity investment methodology, broadly speaking, is to conduct quantitative and fundamental analysis of individual securities to identify those that are selling below their fair value as estimated by the Firm. Analytical techniques employed by the Firm include the following:

- Screening of financial databases,
- Statistical modeling to compare companies based on their valuation relative to their growth prospects and business quality
- Review of financial statements and research reports

This methodology is applied to different segments of the broad equity market to implement the four main equity strategies described below. Some client accounts are invested by selecting and combining investment ideas from more than one of these four strategies.

*Large Cap Value:* This strategy invests a majority of the assets in selected "value" stocks with capitalization in excess of \$2 billion. This strategy invests in stocks that, in the judgment of High Pointe, offer good "value" relative to other companies in a similar business, their growth potential, or their historical valuation levels.

*Large Cap Growth:* This strategy invests a majority of the assets in selected "growth" stocks with capitalization in excess of \$1.5 billion. Such stocks generally have double-digit earnings growth

estimates, and often have estimated earnings growth that exceeds that of the broad market. In selecting suitable growth stocks, High Pointe pays attention to valuation levels, and creates a portfolio that combines high “expected earnings” growth with reasonable stock valuation levels.

*Small Cap:* This strategy invests primarily in stocks of companies with market capitalization of less than \$4 billion. Both value and growth stocks are used.

*International Equity:* This strategy invests primarily in stocks and ADRs of companies that are domiciled in a country other than the U.S., including emerging markets, without any constraints regarding capitalization or style (value vs. growth).

Each of these strategies is also available in a limited partnership format. Names of the Partnerships are as follows

- High Pointe Value Fund, L.P.
- High Pointe Growth Fund, L.P.
- High Pointe Small Cap Fund, L.P.
- High Pointe International Equity Fund, L.P.

### **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear.

Investing in equity-oriented securities such as stocks, ADRs, and equity-oriented mutual funds, exposes client accounts to the risk of a broad market decline as well risks related on poor security or sector selection by the adviser managing the account or the underlying funds.

By investing in fixed income-oriented securities such as bonds and bond mutual funds, client accounts are exposed to risks related to inflation, interest rate changes, speed of mortgage prepayments, creditworthiness of the bond issuer, etc.

Investment in international securities, both equity and fixed income, exposes client portfolios to currency risk and the possibility of weaker accounting and legal standards.

Investment in Limited Partnerships brings with it lesser liquidity and lower transparency regarding portfolio holdings.

High Pointe acts prudently by managing client portfolios in line with agreed upon guidelines and by bringing to the task the knowledge and experience of its professionals. Nevertheless, results are not guaranteed. Clients should note that loss of principal is possible and that past performance is not a guarantee of future results.



## **Item 9 – Disciplinary Information**

Neither High Pointe nor any of its Members have been subject to any legal or disciplinary action throughout the Firm's history.

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

High Pointe is not a broker-dealer and it is not affiliated with a broker-dealer. The firm is also independent of any mutual funds and insurance companies.

### **Sponsorship of Limited Partnerships**

High Pointe sells interests in following four private limited partnerships which are sponsored and managed by the Firm.

- High Pointe Value Fund, L.P.
- High Pointe Growth Fund, L.P.
- High Pointe Small Cap Fund, L.P.
- High Pointe International Equity Fund, L.P.

### **Potential Conflict of Interest and its Mitigation**

Limited Partnerships create a potential conflict of interest since High Pointe benefits from the fees generated by assets invested in the Limited Partnerships. The Firm takes two steps to mitigate this potential conflict of interest. One, High Pointe does not use its discretion in allocating client assets to the Limited Partnerships it manages. If and when a client decides to invest in the Limited Partnerships it completes an application (known as the Subscription Agreement) and submits it for General Partner's approval. Secondly, Limited Partnership assets are excluded from calculation of fee invoices to ensure that there is no double layering of fees. Neither High Pointe nor any of its Members spend any material time on selling interests in the Partnerships.

## **Item 11 – Code of Ethics**

### **Description**

High Pointe has adopted a Code of Ethics and all employees are required to abide by this Code. The Code of Ethics covers topics such as fiduciary duty to clients, personal securities transactions, insider trading prohibition, business conduct such as acceptance of gifts as well as compliance with laws and regulations. All employees must acknowledge the terms of the Code of Ethics annually. High Pointe has made compliance with the Code of Ethics a condition of employment. A copy of the Code of Ethics is available to any client or prospective client upon request by contacting Ritu Dhingra at 312.726.2500 or [rdhingra@highpointecapital.com](mailto:rdhingra@highpointecapital.com).

### **Investing in Same Securities as Clients**

In general, the Code of Ethics is designed to ensure that any personal securities transactions of the Firm's employees will not interfere with making decisions in the best interest of its clients. High

Pointe does permit its employees to invest in the same securities as its clients but only with safeguards to ensure that clients are not disadvantaged.

In particular, no employee directly or indirectly, may purchase or sell a security for his or her own account or the account of a member of the household on the basis of knowledge that High Pointe is effecting, or proposes to effect, transactions in that security or is contemplating changing its investment policy with respect to that security. Each employee must receive written authorization from the Firm's Chief Compliance Officer prior to any transactions in securities in which High Pointe has an interest unless it involves mutual funds or small trades in large capitalization companies as defined in the Code of Ethics.

The guidelines for pre-clearance do not allow trading in close proximity to client trading activities in any given security. The pre-clearance also has a time limit to trade of two business days including the day of approval receipt. If a transaction has not been completed in the time allotted, the approval is nullified and a new pre-clearance approval is necessary.

### **Interest in Client Transactions**

As described in Item 10, High Pointe sells interest in four Limited Partnerships that it manages as well. These Partnerships create a potential conflict of interest since High Pointe benefits from the fees generated by assets invested in the Limited Partnerships. The Firm takes two steps to mitigate this potential conflict of interest. One, High Pointe does not use its discretion in allocating client assets to the Limited Partnerships it manages. If and when a client decides to invest in the Limited Partnerships it completes an application (known as the Subscription Agreement) and submits it for General Partner's approval. Secondly, Limited Partnership assets are excluded from calculation of fee invoices to ensure that there is no double layering of fees. Neither High Pointe nor any of its Members spend any material time on selling interests in the Partnerships.

## **Item 12 – Brokerage Practices**

### **Selection of Brokers**

Transactions are executed through established brokers at commissions comparable to those normally charged by other brokers to customers similar to the Firm. In selecting brokers, the Firm considers factors such as execution capability, brokers' perceived financial stability, responsiveness, clearance and settlement capability and research provided by the broker.

### **Research and Soft Dollars**

High Pointe does not receive any third party research, databases, hardware, or software from any brokers in exchange for client commissions or "soft dollars". The Firm may pay a broker who provides proprietary research on companies, industries and economy commissions that are higher than another broker might have charged if it determines in good faith that the commissions are reasonable in relation to the research services provided. The Firm does receive a benefit because it

does not have to produce or pay for the research and as such it may have an incentive to select a broker based on its interest in receiving research rather than receiving most favorable execution. The research received may be useful in servicing any of the Firm's accounts, but not all of the research may be useful to the account for which the particular transaction was effected. The firm's practices regarding the use of soft dollars are in compliance with and fall within the Safe Harbor provided by Section 28(e) of the Securities Exchange Act and the Firm does not engage in any practice that is outside the scope of Section 28(e).

### **Client-Directed Brokerage**

High Pointe has investment discretion, subject to client guidelines, over client accounts. Such discretion often, but not always, extends to the selection of brokers for trading.

High Pointe's clients may ask for their trades to be directed to a broker of their choice. Clients may use custodial, investment consulting or other services from such brokers. Clients who open accounts through broker-custodians (e.g., Fidelity and Charles Schwab) are hereby notified that either for administrative convenience or because of trading cost considerations or because trading is part of the "package" provided by broker-custodians, such clients' trades will likely be done in entirety through such broker-custodians. The execution cost on such accounts may be higher than that incurred by the Firm's other clients. In addition, these accounts might not be able to participate in "bunched trades" done on behalf of other clients, thus affecting execution quality. The Firm reserves the right to trade such accounts and other directed accounts after non-directed accounts have finished trading.

Clients who direct trades are notified hereby that the broker they designate may not be the one the Firm actually uses to execute their trades. The Firm may bunch directed trades with its other clients for execution and "step-out" a portion of the aggregated trade to the designated broker for clearing. In such instances, the executing broker gives up the trade to the designated broker for clearing and the clearing broker charges commissions and confirms the transaction to Firm and client.

### **Brokerage for Client Referrals**

High Pointe does not engage in the practice of engaging brokers based on their ability to refer clients to the Firm.

## **Trade Aggregation and Allocation**

Orders for the same security, when possible, are typically “bunched”. Accounts affiliated with the Firm may participate in bunched orders. The Firm executes bunched orders in a manner designed to ensure that no client (including affiliated accounts) is favored.

Generally, each client receives the same average price in a bunched transaction and securities are allocated pro-rata, when possible. The Firm could, however, increase or decrease the amount of shares for particular clients. If the Firm is not able to fully execute a bunched order, it may allocate the partial execution in a manner determined in good faith to be a fair and equitable allocation. The Firm may allow variations in holdings among client accounts based on diversification considerations, timing of cash flows, tax considerations, client guidelines and sensitivities, and other relevant factors.

## **Item 13 – Review of Accounts**

All accounts are reviewed by the portfolio manager, Dr. Gautam Dhingra, CEO of High Pointe. The portfolios are reviewed at least quarterly. Normal reviews are conducted on a regular basis for the purpose of making buy, sell and hold decisions. Special reviews may be dictated by client cash flows, market events, or events related to one of the holdings in the portfolio.

All clients receive reports at least quarterly. The reports provide information regarding account balance and, for separate accounts, include security holdings. In addition, clients get a Quarterly Client Letter discussing the Firm’s investment strategy and performance of its main investment products.

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

High Pointe also does not directly or indirectly compensate any person who is not an employee for client referrals. Also, High Pointe does not receive any economic benefit from anyone other than its clients for providing investment advisory services to its clients.

## **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client’s investment assets. High Pointe urges clients to carefully review such statements and compare such official custodial records to the quarterly account statements that the Firm may provide to you. High Pointe’s statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities. If you have questions regarding the statements please call us at 312.726.2500 and ask for assistance in understanding the statements.

High Pointe does not have actual custody of client funds or securities but does have constructive custody of assets in the six private limited partnerships. The Firm complies with the custody

requirements by (i) having a qualified custodian maintain actual custody of Partnership assets, and (ii) mailing within 120 days of the end of the fiscal year, a copy of the audited financial statements to all external partners of the Partnerships.

## **Item 16 – Investment Discretion**

High Pointe usually receives discretionary authority from the client at the outset of an advisory relationship to select the securities to be bought or sold. In all cases, the Firm exercises this discretion in a manner consistent with the stated investment objectives, policies, guidelines and restriction for the particular client account. Such policies and guidelines are documented in writing as part of the Advisory Agreement.

## **Item 17 – Voting Client Securities**

As part of the Advisory Agreement, High Pointe and its clients clearly delineate the roles and responsibilities on proxy voting. Some clients retain the responsibility for receiving and voting proxies for any or all securities maintained in client portfolios. Other clients grant the responsibility to the Firm. High Pointe has developed and implemented policies and procedures that it believes are reasonably designed to ensure that proxies are voted in the best interest of clients, in accordance with its duties. These policies address a variety of subjects, including how the Firm addresses material conflicts between its interests and those of its clients and how clients may obtain information on how the Firm has voted the clients' proxies.

All proxies, for whom the Firm has voting discretion, will be voted in a manner that, in the opinion of the Firm, is in the best interest of the client. For ERISA accounts, the Firm's voting responsibilities include the duty of loyalty, prudence, compliance with the plan, as well as a duty to avoid prohibited transactions.

High Pointe's responsibilities for voting proxies are determined generally by its obligations under each Advisory Agreement or similar document. In order to meet its responsibilities in a timely and consistent manner, the Firm has established guidelines as to how it usually votes on certain issues. These guidelines are contained in a document called Proxy Voting Policies and Procedures. These guidelines are not strict rules. Each vote is ultimately cast on a case-by-case basis, taking into consideration the contractual obligations under the Advisory Agreement and other relevant facts and circumstances available to the Firm at the time of the vote.

High Pointe provides clients with a copy of its Proxy Voting Policies and Procedures upon request. Clients can also obtain information from High Pointe on how their proxies were voted. Request for such information should be addressed to the Firm's Chief Compliance Officer at High Pointe Capital Management, LLC, One North La Salle Street, Suite 2001, Chicago, Illinois 60602.

**Item 18 – Financial Information**

High Pointe has no financial commitment that impairs its ability to meet its contractual and fiduciary commitments to clients, and it has not been the subject of a bankruptcy proceeding.

**Item 19 – Requirements for State Registered Advisers**

Not applicable as High Pointe is an SEC-registered adviser