

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

**Ativo Capital Management LLC**

11 S LaSalle Street Suite 820  
Chicago, IL 60603-1232

Telephone: 312-263-7600 x115  
Email: [jstuart@ativogroup.com](mailto:jstuart@ativogroup.com)  
Web Address: [www.ativogroup.com](http://www.ativogroup.com)

2/24/2010

This brochure provides information about the qualifications and business practices of Ativo Capital Management. If you have any questions about the contents of this brochure, please contact us at 312-263-7600 x115 or [jstuart@ativogroup.com](mailto:jstuart@ativogroup.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.

Additional information about Ativo Capital Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 125303.

## **Item 2    Material Changes**

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 12/16/2010, is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

<b>Item 3</b>	<b>Table of Contents</b>	<b>Page</b>
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	7
Item 7	Types of Clients	8
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	8
Item 9	Disciplinary Information	11
Item 10	Other Financial Industry Activities and Affiliations	11
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	12
Item 12	Brokerage Practices	14
Item 13	Review of Accounts	16
Item 14	Client Referrals and Other Compensation	16
Item 15	Custody	17
Item 16	Investment Discretion	18
Item 17	Voting Client Securities	18
Item 18	Financial Information	19

## **Item 4     Advisory Business**

Ativo Capital Management is a SEC-registered investment adviser with its principal place of business located in Illinois. Ativo Capital Management LLC began conducting business in 2001.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 20% or more of this company).

- Ricardo Bekin, Chief Investment Officer
- James Stuart, Chief Operating Officer

For information on Ativo's portfolio management services please contact:

Daniel Allen  
Director - Business Development  
312-263-7600 x107  
dallen@ativogroup.com

Ativo Capital Management LLC offers the following advisory services to our clients:

### **PORTFOLIO MANAGEMENT**

Our firm provides continuous asset management of client funds. Ativo Capital Management offers a variety of long-only equity portfolios to clients as a separately managed account (SMA) permitting the client to select an appropriate strategy or strategies based on their needs. Once the client confirms suitability, the portfolio is managed accordingly to the portfolio's goal, rather than on each client's individual needs. Clients, nevertheless, have the opportunity to place reasonable restrictions on the equities to be held in their account. We manage these advisory accounts on a discretionary basis. Clients retain individual ownership of all securities

Ativo also makes its portfolios available through selected broker/dealers where the broker initially determines whether the portfolio is suitable to the client's circumstances. Once the broker confirms suitability, the portfolio is managed according to the portfolio's goal, rather than on each client's individual needs. Clients, nevertheless, have the opportunity to place reasonable restrictions on the equities to be held in their account. We manage these advisory accounts on a discretionary basis. Clients retain individual ownership of all securities. We manage these advisory accounts on a discretionary basis. Client's account selection is guided by the client's specifications (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations where required.

Once the client's portfolio has been established, we review the portfolio composition each week and update the portfolios as required based on our current portfolio recommendations.

Our portfolio investment strategies are designed by Ativo Capital Management and will generally include advice regarding the following securities:

- Domestic exchange-listed securities
- Domestic securities traded over-the-counter

- Debt securities
- Foreign securities traded in the US and in foreign markets
- Interests in partnerships investing in real estate

Because some types of investments involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

## **MODEL PORTFOLIO MANAGEMENT**

Our firm provides continuous portfolio management services to model-based unified managed account platforms (UMA) which may also be described as a wrap fee program. Each model portfolio is designed to meet a particular investment goal.

Ativo makes its portfolios available through selected broker/dealers and registered investment advisors. There, the broker or investment advisor representative initially determines whether the portfolio is suitable to a particular client's circumstances based on its suitability or appropriateness. The portfolio is then managed according to the portfolio's goal, rather than on each client's individual needs. We manage these model-based accounts on a discretionary basis using the same approach as we do for our separately managed account clients. Generally, the only differences are due to client imposed restrictions. Clients retain individual ownership of all securities. Ativo receives a portion of the wrap fee for its services.

Our investment recommendations are not limited to any specific product or service offered by a broker dealer and will generally include the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign securities traded in the US

## **AMOUNT OF MANAGED ASSETS**

As of 12/31/2010, we were actively managing \$266,990,795 of clients' assets on a discretionary basis. The accounts managed through a UMA platform are not included in our assets under management, rather they are considered assets under advisement.

## Item 5 Fees and Compensation

### PORTFOLIO MANAGEMENT SERVICES FEES

Our annual fees for Portfolio Management Services are based upon a percentage of assets under management and are generally 1.00% annually or as negotiated.

**Limited Negotiability of Advisory Fees:** Although Ativo Capital Management LLC has established the aforementioned fee, we retain 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 relationship, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule will be identified in the contract between the adviser and each client.

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

Our fees are billed quarterly, in arrears, at the end of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the account at the end of the quarter unless the wrap fee provider requires billing in advance. Fees will be debited from the account. Custodians may not permit direct debiting in which case Ativo will bill the client directly.

### MODEL PORTFOLIO MANAGEMENT FEES

Our fees for Model Portfolio Management Services are negotiated with the model-based unified managed account (UMA) platform provider. Ativo Capital Management LLC's advisory fees are not negotiable by the account owner.

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the account at the end of the previous quarter. Fees will be debited from the account.

A minimum of \$100,000 of assets under management is generally required for each portfolio.

### GENERAL INFORMATION

**Termination of the Advisory Relationship:** A client agreement may be canceled at any time, by the client for any reason upon written notice, and by Ativo upon the provision of 30 days written notice to the client. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

**Wrap Fee Programs and Separately Managed Account Fees:** Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services.

Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients.

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

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

***ERISA Accounts:*** Ativo Capital Management LLC is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Ativo Capital Management LLC may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Ativo Capital Management LLC's advisory fees.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered. As state-registered advisers are subject to the rules and regulations of their home state (i.e., the state in which the firm maintains its principal place of business) these firms should review home state requirements which may limit prepayment of fees in excess of \$500.

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

### **PERFORMANCE-BASED FEES**

Ativo will accept a performance-based fee from a client. Such a performance-based fee is calculated based on a share of the capital changes of the assets of the client.

Performance-based fees are not available to individual clients, but are only available to institutions as mutually agreed.

Whether a performance-based fee or a flat percentage of assets fee is utilized, clients should be aware that accounts using the same portfolio strategy will be managed identically but for client imposed restrictions.

## **Item 7     Types of Clients**

Ativo Capital Management LLC provides portfolio management services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Institutional clients such as state or municipal government entities
- Endowments and foundations
- Model-based unified managed account (UMA) platforms



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

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

#### ***Fundamental Analysis***

Our proprietary process is built on the principles of Miller and Modigliani's (1961) "investment opportunities" equation which states:

- *The value of a firm is the sum of the economic value of existing assets plus the value of future growth.*
- *The value to the equity holders is the economic value of the assets minus the claims of other stakeholders (debt, pension liabilities, options overhang)*

The Ativo process seeks to consistently drive three outcomes:

- *Identify firms that earn significantly more than their cost of capital.*
- *Deliver above benchmark returns while keeping volatility at or below benchmark levels.*
- *Minimize portfolio risk and behavioral biases by relying on a rules-based approach.*

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

### **INVESTMENT STRATEGY**

We use the following four step strategy in managing client accounts among other considerations:

#### ***Step 1 - Ativo Alpha Model™***

- Three times a day, data is gathered from S&P's Xpressfeed covering 40,000 domestic and international securities and converted to cash-based financials.
- Over 70 adjustments are made to convert accounting data to current cost, cash-based financials.
- Sustainable growth is estimated from the DCFROI analysis and growth and returns projected into the future.
- Future Net Cash Receipts is then derived from DCFROI and growth.
- A calculated Discount Rate is used to discount cash flows and compute each firm's intrinsic value.
- The Ativo Forecast Control Zone determines a range of Upper and Lower Limit price targets.
- Operational Momentum: Growth enables value creation from profitable performance. We measure growth rates in:
  - Assets

- Sales
- Earnings
- Return on Investment
- Price Momentum: Our metric provides a way to recognize and exploit short/medium term momentum.
- From this process we develop the Ativo Control Index™ for each security in the investment universe.

### ***STEP 2 - Create Initial Buy List***

- Within each industry and sector, and as appropriate for each portfolio, we use our proprietary Ativo Control Index™ to identify the most opportune security selections.
- In addition, international securities are evaluated against our proprietary Ativo Country Ranking Model™.
- The prospective buy list is then measured against portfolio objectives and relevant constraints and any necessary adjustments are made.
- Analysts perform a quality control review of fundamental data to ensure accuracy.
- Portfolio Manager performs a quality control risk assessment to determine if any disqualifying information has become available: i.e. basic facts about the firms and breaking news such as M&A, SEC activity, or derogatory events.
- It is only possible to EXCLUDE firms at this point, not add.
- The Portfolio Manager creates an initial buy list.

### ***STEP 3 - Assess Risk Profile***

- The Ativo Turning Point™, our proprietary method of evaluating a shift in market character, allows us to mitigate the impact of long term momentum reversals and determine the optimal timeframe for our analysis.
- We evaluate specific correlative and market risks related to:
  - Country
  - Industry
  - Sector
  - Credit
- Our proprietary Ativo Risk Model™ breaks down the exposure of the portfolio's holdings to multiple risk factors, which help explain the risk and return characteristics of the relevant benchmark.
  - The resulting risk profile we develop for a portfolio allows us to identify any unintended factor bets and then diversify residual risk in the optimization process.

### ***STEP 4 - Create Optimized Portfolio***

- Ativo integrates S&P's Capital IQ ClariFi alpha research and portfolio management platform into our portfolio construction process .
- The system performs an iterative optimization process to maximize return within a specified tracking error band combined with a targeted turnover threshold.
- The Ativo optimization process takes a portfolio and evaluates:
  - The stock ranks (Ativo Alpha Model™ )
  - The relevant risk factors (Ativo Risk Model™)
  - Various portfolio constraints and limits
  - Portfolio objectives
  - Tracking error and turnover

- The optimization process is used to determine the optimized weights for each security holding already in the initial portfolio rather than to bypass the Ativo Alpha Model selection process and select stocks.
- This process is repeated as part of any portfolio change or rebalancing.

## **PORTFOLIO SUMMARY**

- Ativo uses a predominantly bottom-up approach – subject to appropriate portfolio restraints, in which individual security valuations and portfolio optimization drives weightings for each country and/or industry.
- Each Ativo portfolio consists of a fixed range of stocks, depending on the portfolio strategy, with controlled tracking error.
- Ativo implements numerous quality control checks throughout the process.
- Ativo constantly monitors sector, industry, regional, and country exposure to avoid excessive concentration and to minimize correlative risk.
- Ativo uses a highly disciplined sell strategy that requires portfolio manager action when positions become overvalued or when fundamentals deteriorate.
- Ativo uses limits and price rules, including stop loss (when appropriate) and/or overweight limits to minimize portfolio risk.
- Ativo continuously rebalances and/or replaces positions with higher ranking names generated through a cyclical re-optimization and screening process.

## **INVESTMENT RISK**

All investments involve risks, including the loss of principal invested. Past performance does not guarantee future results or success. In addition, the performance of foreign securities can be adversely affected by the different political, regulatory and economic environments and other overall economic conditions in the countries where the portfolio is invested.

The portfolio is actively managed, which means that the Ativo may frequently buy and sell securities. Frequent trading increases a portfolio's portfolio turnover rate and may increase transaction costs, such as brokerage commissions and taxes. Increased transaction costs could detract from the portfolio's performance.

### **Item 9 Disciplinary Information**

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

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

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

Clients should be aware that the receipt of additional compensation by Ativo Capital Management LLC and its management persons or employees creates a potential conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Ativo Capital Management LLC endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the

following steps to address this potential conflict:

- we disclose to clients the existence of all material conflicts of interest;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- our firm's management conducts regular reviews of each client account to verify that all client accounts conform to portfolio strategies and client guidelines;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

## **OTHER BUSINESS ACTIVITIES**

Ricardo Bekin, Chief Investment Officer of Ativo Capital Management LLC is the Director of Research for Ativo Research LLC which is a securities research sister firm to Ativo Capital Management LLC. James Stuart is the Chief Operating Officer of both firms. Ativo Research may recommend Ativo Capital Management to its research clients in need of advisory services. Ativo Capital Management may recommend Ativo Research to advisory clients in need of research services. Research services provided by Ativo Research are separate and distinct from the advisory services of Ativo Capital Management and are provided for separate and typical compensation. There are no referral fee arrangements between Ativo Capital Management and Ativo Research for these recommendations. No Ativo Capital Management client is obligated to use Ativo Research for any research services and no Ativo Research client is obligated to use Ativo Capital Management for any advisory services.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Ativo Capital Management LLC and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities including those in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

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

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [jstuart@ativogroup.com](mailto:jstuart@ativogroup.com), or by calling us at 312-263-7600 x115.

Ativo Capital Management LLC and individuals associated with our firm are prohibited from engaging in principal transactions.

Ativo Capital Management LLC and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when

compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or designee.
6. We have established procedures for the maintenance of all required books and records.
7. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
8. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
9. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
10. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
11. Any individual who violates any of the above restrictions may be subject to termination.

## **Item 12 Brokerage Practices**

For discretionary clients, Ativo Capital Management LLC requires these clients to provide us with written authority to determine the broker dealer to use and the commission costs that will be charged to these clients for these transactions.

Ativo Capital Management LLC does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

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

### **Block Trading**

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Ativo Capital Management LLC will typically aggregate trades among clients whose accounts can be traded at a given broker. Where blocked, but where various brokers are required, we will rotate or vary the order of clients for whom trades are placed in a given security on any particular day in order to ensure that no client is favored. Ativo Capital Management LLC's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Ativo Capital Management LLC, or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Ativo Capital Management LLC to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written

statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.

6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.

7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

8) Ativo Capital Management LLC's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

9) Funds and securities for aggregated orders are clearly identified on Ativo Capital Management LLC's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

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

### **Recommended Custodian**

Ativo Capital Management LLC participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions. Ativo Capital Management LLC receives some benefits from TD Ameritrade through our participation in the program.

Ativo Capital Management LLC participates in TD Ameritrade's Institutional customer program and we may recommend TD Ameritrade to our clients for custody and brokerage services. There is no direct link between our firm's participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors.

These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; consulting services ; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Ativo Capital Management LLC by third party vendors. TD Ameritrade may also pay for business consulting and professional services



received by Ativo Capital Management LLC's related persons] and may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for Ativo Capital Management LLC's personnel to attend conferences or meetings relating to the program or to TD Ameritrade's adviser custody and brokerage services generally.

Some of the products and services made available by TD Ameritrade through the program may benefit Ativo Capital Management LLC but may not benefit our client accounts. These products or services may be made available by TD Ameritrade and are intended to help us manage and further develop our business enterprise. The benefits received by Ativo Capital Management LLC through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by Ativo Capital Management LLC in and of itself creates a potential conflict of interest and may indirectly influence our recommendation of TD Ameritrade for custody and brokerage services.

### **Item 13    Review of Accounts**

The underlying security positions in client accounts are continuously monitored. Accounts are reviewed and reconciled at least monthly to ensure conformity with portfolio strategy and client guidelines. The Director - Client Relations is responsible for such client reviews.

Monthly statements and confirmations of transactions are provided by the client's broker or custodian with copies to Ativo. The Director - Client Relations also provides a quarterly analysis of accounts to clients which will include reports on performance, income and expense, realized and unrealized gains and losses, purchases and sales and largest holdings. Alternatively, the Director - Client Relations will provide client reports according to client requirements and frequency.

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

#### **CLIENT REFERRALS**

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

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

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

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

## **Item 15 Custody**

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

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

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

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

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

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

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

Clients give us discretionary authority when they sign a discretionary Investment Management Agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

As previously disclosed in Item 4 of this brochure, our firm provides discretionary asset management services.

## **Item 17 Voting Client Securities**

We do not vote proxies or provide proxy voting counsel for retail client accounts. These clients should receive all proxies or other solicitations directly from their broker or custodian.

Where agreed to by an institutional client, we will vote proxies in its best interests and in accordance with our established policies and procedures. Typically this will involve reliance on the recommendations of a proxy consultant. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting Michael Brooks (312-263-7600 x108 or [mbrooks@ativogroup.com](mailto:mbrooks@ativogroup.com)) by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact Adan Galvan (312-263-7600 x110 or [agalvan@ativogroup.com](mailto:agalvan@ativogroup.com)) by telephone, email, or in writing.

You can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. You can also instruct us on how to cast your vote in a particular proxy contest by contacting Adan Galvan (312-263-7600 x110 or [agalvan@ativogroup.com](mailto:agalvan@ativogroup.com)).

## **Item 18 Financial Information**

Ativo Capital Management LLC has no additional no financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Ativo Capital Management LLC has not been the subject of a bankruptcy petition at any time during the past ten years.