



*Vezzetti Capital Management, LLC*

260 Bucklin Street - Suite A - LaSalle, Illinois 61301

***SEC Form ADV Part 2A***  
***("Firm Brochure")***

*March 14, 2016*

This brochure ("Brochure") provides information about the qualifications and business practices of Vezzetti Capital Management, LLC. If you have any questions about the contents of this Brochure, please contact us at telephone number (815) 220-0513 or by email at [tkenney@vezzetticapitalmgmt.com](mailto:tkenney@vezzetticapitalmgmt.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.

Vezzetti Capital Management, LLC is an SEC Registered Investment Adviser, however, registration does not imply a certain level of skill or training.

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

## **Item 2      Material Changes**

Information contained in this Brochure has been amended since the last update in March 18, 2015. The following sections have been revised:

- Item 5 has been revised to clarify that the firm may, in its sole discretion, discount or negotiate management fee set forth in the fee schedule.
- Vezzetti Capital Management has withdrawn its registration with Municipal Securities Rulemaking Board on February 1, 2016.

Other information in this Brochure has changed which is not specified in this summary. Consequently, we encourage you to read this Brochure in its entirety.

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## **Item 4      Advisory Business**

Vezzetti Capital Management, LLC ("Vezzetti Capital Management" or the "Firm") is an Illinois Limited Liability Company organized under the laws of the State of Illinois and is a SEC-registered investment adviser. The Firm was founded in March 2008 and consists of three employees. Michael Vezzetti, Managing Partner, is responsible for investments and client servicing. Tiffany Kenney, Partner & Chief Compliance Officer, oversees daily operations and office management.

Vezzetti Capital Management's Investment Advisory Services consist of the management of Client accounts on a discretionary basis, investing in securities the Firm determines are appropriate for each Client's account based upon the Client's investment objectives and risk tolerance. The Firm serves individuals, pension and profit sharing plans, foundations, endowment funds, charitable organizations, corporations ("Individual Clients"), and municipal and other governmental entities ("Governmental Clients").

The Firm strives to offer its Governmental Clients, such as Counties, School Districts, and Park Districts, all of which are Illinois governmental entities, an approach to managing their account assets. Vezzetti Capital Management's our services include extended cash management, investment of bond proceeds, and investment of self-insurance trust funds.

Vezzetti Capital Management is a fee-only investment advisory firm. The Firm does not sell annuities, insurance, stocks, bonds, mutual funds, or other commissioned products. The Firm is not affiliated with entities that sell financial products or securities. No commissions are accepted.

- All of Vezzetti Capital Management's business involves managing investment advisory accounts.
- Our services are not considered "Financial Planning".
- Fees for Investment advisory services are offered for a percentage of assets under management.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, industries and/or sectors.

**Assets Under Management:** As of December 31, 2015, Vezzetti Capital Management managed approximately \$200 million of client assets on a discretionary basis.

## **Item 5      Fees and Compensation**

We offer our services on a fee-only basis. Vezzetti Capital Management's Investment advisory services basic fee schedule is calculated based upon the Client's assets under management generally as follows:

## **Individual Clients**

<b><u>Market Value of Assets</u></b>	<b><u>Annual Percentage Fees</u></b>
The First \$500,000	0.90% on assets
The Next \$1,500,000	0.75% on assets
On Balance Above \$2,000,000	0.50% on assets

## **Governmental Clients**

<b><u>Market Value of Assets</u></b>	<b><u>Annual Percentage Fees</u></b>
The First \$1,000,000	0.40% on assets
On Balance Above \$1,000,000	0.20% on assets

The fees set forth above can be discounted or negotiated, in our sole discretion.

**Fee Administration:** Fees are paid by Client to the Firm generally on a monthly basis in arrears (i.e., Clients are charged for services after those services have been rendered in the previous month). Monthly fees are typically paid directly to Vezzetti Capital Management from the Client's account(s) by the Custodian, except where a Client has chosen to be billed directly, in which case, the Client will be billed directly by the Custodian.

The monthly fee will be equal to the applicable Annual Percentage Fee multiplied by the closing market value of the Client's account(s) (as reported by the Custodian) as of the last day of the previous month, divided by 12. Vezzetti Capital Management's advisory fee is based on the Client's total portfolio, which may include multiple accounts and the aggregate value of the multiple accounts will be used in the fee calculation. Payment of fees may result in the liquidation of Client's securities if there is insufficient cash in the account.

**Fees on Directed Securities:** Although Vezzetti Capital Management only manages assets on a discretionary basis, there may be cases where a Client specifically requests that the Custodian retain a specific security or mutual fund that we have not purchased as part of our discretionary management of the Client's account. In these instances, the Vezzetti Capital Management fee will not be charged on the market value of such "directed" securities or funds, but the Custodian charges will apply.

**Custody Fees:** All Clients of Vezzetti Capital Management utilize the same Custodian. Each Client will be charged a separate fee for the services provided by the Custodian. The monthly Custodial fee is typically equal to .10% the market value of the Client's account. Each of the Firm's Clients enters into an agreement with the Custodian that sets forth the applicable custodial fee and any other applicable administrative service fees.

**Expense Ratios:** All fees paid to Vezzetti Capital Management, LLC for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds generally charge a management fee for their services as investment manager which are set forth in each mutual fund's prospectus. Clients whose assets are invested in shares of mutual funds will pay one fee to the Firm and an indirect management fee through the mutual fund (expense

ratio). As part of the Firm's criteria for purchasing mutual funds, we review these mutual fund expense ratios and the Firm may utilize institutional share classes. Vezzetti Capital Management does not receive any fee from the mutual fund company. The Client will bear the cost of all security transactions as well as taxes, interest (if any), brokerage fees and commissions and Custodial charges.

**Other Fees:** In addition to our advisory fees, Clients are also responsible for the fees and expenses charged by the Custodian and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer.

**Grandfathering of Fees:** Some Client accounts may be "grandfathered" under prior fee arrangements which may remain in force. Such prior fee arrangements may change provided that both the Client and the Firm agree in writing.

**Compensation on Purchase or Sale of Securities:** Vezzetti Capital Management does not receive any compensation for the purchase or sale of securities or any other product.

**General Fee Information:** Vezzetti Capital Management may, in its sole discretion, negotiate its advisory fees based on factors such as the size of the account, type of assets managed, and the client relationship.

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

Not applicable.

## **Item 7 Types of Clients**

Vezzetti Capital Management generally provides advisory services to the following types of clients:

- Individuals
- Pooled Pension and profit sharing plans
- Trusts, Foundations/Endowments and other Charitable organizations
- Corporations or other businesses other than those listed
- State or municipal government entities
- Other

**Account Minimums:** Vezzetti Capital Management does not impose any minimum dollar value of Client assets to open or maintain an account.

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

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### **METHODS OF ANALYSIS**

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

#### **Fundamental Analysis**

Vezzetti Capital Management attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

#### **Risks for all forms of analysis**

Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, 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.

### **SOURCES OF INFORMATION**

The main sources of information Vezzetti Capital Management include, but are not limited to:

- Financial newspapers and magazines
- Business publications
- Research materials prepared by others

### **INVESTMENT STRATEGIES**

Vezzetti Capital Management uses the following strategies to manage Client accounts based on the Client's investment objectives, risk tolerance, time horizons, among other considerations:

The Firm has two different programs for its Individual Clients: the Mutual Fund Program and the Separately Managed Account Program. For its Governmental Clients, the Firm typically utilizes Fixed-Income investments.



### **Mutual Fund Program**

Vezzetti Capital Management has developed criteria for mutual fund selection that is used within our Clients' account(s). Each account maintains its own investment objective that determines the account's asset allocation strategy. The Firm invests Client assets in various asset class categories in various percentages, based upon the Client's chosen asset allocation strategy, to provide diversification. The Firm uses only mutual funds to meet each Client's investment objectives. No individual stocks or bonds are purchased for Clients' accounts that are invested in the Mutual Fund Program.

Vezzetti Capital Management's criteria for mutual fund selection include, but are not limited to, the following:

- **No Load Funds:** We prefer not to pay loads or additional expenses.
- **Long-Term Performance:** We prefer 3 to 5 years of consistent performance as measured against a relative benchmark.
- **Experienced Continuous Management:** We evaluate the tenure of the manager or investment team.
- **Consistency of Performance:** A good comparable track record is important, as is consistency of performance.
- **Correlation:** We believe in the importance of asset allocation and seek funds that correlate well within a portfolio.
- **Efficiency:** We seek funds that are relatively inexpensive to hold relative to their mutual fund class.
- **Relative Risk:** Risk is evaluated to differentiate among funds which have the same investment objective.
- **Fund Size and Net Inflows/Outflows:** Operating expenses are significant for any fund as economies of scale, through the fund's expense ratio, have an effect on its total return.

### **Separately Managed Account Program**

Vezzetti Capital Management utilizes a common stock and fixed-income philosophy for Clients' accounts invested within the Separately Managed Account Program. We use each Client's asset allocation strategy as a guide to invest the Client's assets generally in individual securities. The Firm may also invest in mutual funds to provide greater diversity where appropriate. The Firm invests Client assets based upon the Client's chosen asset allocation strategy, to provide the desired diversification.

Vezzetti Capital Management's criteria that may be used within our common stock strategy include, but are not limited to, the following:

- Concentration of U.S. large and mid-capitalization companies
- Current P/E relative to growth rate
- Projected 3-5 year growth rates
- Higher quality companies as measured by financial strength and debt to capital
- Focus on companies that have a competitive advantage and those that have developed a "moat" to their business model
- Stocks that fit well within the portfolio
- Analyst earnings forecast & expectations

- Earnings trends
- Dividend yield, consistency and rate of growth of dividend
- Relatively high return on equity.

Vezzetti Capital Management's criteria that may be used within our fixed-income strategy include, but are not limited to, the following:

- A ladder of maturity approach is typically used, in which a portion of the portfolio matures in each year over the next 1-12 years
- High quality focus
- Fixed-income investments are selected on quality/risks, liquidity, and total return
- Portfolios are diversified by maturity and by issue (with the exception of US Government securities)
- Use of mutual funds to develop a position and provide exposure to other fixed-income asset classes such as high-yield, international (non-US), commodity (natural resource), treasury-inflated securities (TIPS), or other specific areas.

### **Governmental Client Investing**

Vezzetti Capital Management seeks to invest the Clients' assets pursuant to applicable State of Illinois statutes and other requirements imposed by Governmental Clients.

Some of the criteria that Vezzetti Capital Management has historically used for Governmental Client Investing include:

- Review of historical cash flows
- Determination and structure of portfolios to meet cash flow needs
- Ample diversification by maturity

### **RISK OF LOSS**

All securities involve the risk of loss, including (among other things) loss of principal, a reduction in earnings (including interest, dividends, and other distributions), and the loss of future earnings. The performance of any investment is subject to, and influenced by, multiple factors which include, but are not limited to, inflation risk, market risk, interest rate risk, issuer risk and general economic risk.

The following is not meant to be a complete description of risks.

*Firm's Investment Activities.* The Firm's investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by the Firm. Such factors include a wide range of economic, political, competitive and other conditions (including acts of terrorism and war) that may affect investments in general or specific industries or companies. The markets may be volatile, which may adversely affect the ability of the Firm to realize profits on behalf of its Clients. As a result of the nature of the Firm's investing activities, it is possible that the Firm's results may fluctuate substantially from period to period.

*Inflation Risk.* The Firm's portfolios face inflation risk, which results from the variation in the value of cash flows from a financial instrument due to inflation, as measured in terms of purchasing power. For example, if the Firm purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation linked bonds, adjustable bonds or floating rate bonds, the Firm is exposed to inflation risk because the interest rate the obligor promises to pay is fixed for the life of the financial instrument. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.

*Market or Interest Rate Risk.* The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the prices of fixed income securities fall. If the Firm holds a fixed income security to maturity, the change in its price before maturity may have little impact on the Firm portfolios' performance. However, if the Firm determines to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss.

*Market Volatility.* The profitability of the portfolios substantially depends upon the Firm correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities and the movements of interest rates. The Firm cannot guarantee that it will be successful in accurately predicting price and interest rate movements.

*Material Non-Public Information.* By reason of their responsibilities in connection with other activities of the Firm and/or its principals or employees, certain principals or employees of the Firm and/or its affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Firm will not be free to act upon any such information. Due to these restrictions, the Firm may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

*Accuracy of Public Information.* The Firm selects investments, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Firm by the issuers or through sources other than the issuers. Although the Firm evaluates all such information and data and sometimes seeks independent corroboration when it's considered appropriate and reasonably available, the Firm is not in a position to confirm the completeness, genuineness, or accuracy of such information and data. In some cases, complete and accurate information is not available.

*Trading Limitations.* For all securities, instruments and/or assets listed on an exchange, including options listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject the account to loss. Also, such a suspension could render it impossible for the Firm to liquidate positions and thereby expose the Client account to potential losses.

*Recommendation of Particular Types of Securities.* In some cases, the Firm recommends mutual funds. There are several risks involved with these funds. These funds have portfolio managers that trade the fund's investments in agreement with the fund's objective and in line with the fund

prospectus. While these investments generally provide diversification there are some risks involved especially if the fund is concentrated in a particular sector of the market, uses leverage, or concentrates in a certain type of security (i.e. foreign equities). The returns on mutual funds can be reduced by the costs to manage the funds. And the shares rise and fall in value according to the supply and demand. Open end funds may have a diluted effect on other investors' interest due to the structure of the fund while closed end funds have limited shares which rise and fall in value according to supply and demand in the market. In addition, closed end funds are priced daily and as a result they may trade differently than the daily net asset value (NAV).

### **Key Person Risk**

Primary responsibilities for the management of the Clients' assets are made by Michael Vezzetti, the Managing Member. As a result, the continuation of the Firm's advisory services is dependent heavily upon the ability of Mr. Vezzetti to provide investment advice. Consequently, in the event of Mr. Vezzetti's death or permanent disability, the Firm may be unable to furnish investment advice to its Clients.

## **Item 9 Disciplinary Information**

We are required to disclose certain legal or disciplinary events that are deemed 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**

Neither Vezzetti Capital Management, nor any of our employees, are registered or have an application pending as a securities broker-dealer, or a registered representative of a broker-dealer or as a futures commission merchant, commodity pool operator or a commodity trading advisor.

The members of Vezzetti Capital Management are also members of a related entity, Vezzetti Consulting Group, LLC ("Vezzetti Consulting"). Vezzetti Consulting provides administrative support to banking firms, including Hometown National Bank, relating to public entity debt servicing, and public entity cash management, (the "Vezzetti Consulting Services") for which the members receive compensation that is separate and distinct from the advisory fees charged by Vezzetti Capital Management. The receipt of such compensation may create an incentive for Vezzetti Capital Management to continue recommending Hometown National Bank as a Qualified Custodian. However as a fiduciary, Vezzetti Capital Management is required to place the interests of its Clients ahead of those of the Firm or its members.

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

### **Code of Ethics**

Vezzetti Capital Management has adopted a Code of Ethics ("Code") to address the conduct of our employees and management. It is the policy of the Firm to establish such procedures and guidelines

governing the conduct of its business to prevent actual or potential conflicts of interest with its Clients and to prevent violations of securities laws or other duties owed to Clients.

In addition to the Firm's fiduciary duty to its Clients which requires each employee to act solely for the benefit of the Clients, employees also have a duty to act in the best interest of the Firm. Vezzetti Capital Management's Code of Ethics is available to any client or prospective client upon request. You may request a copy by sending an email to: [tkenney@vezzeticapitalmgmt.com](mailto:tkenney@vezzeticapitalmgmt.com), or by calling us at telephone number (815) 220-0513.

### **Participation or Interest in Client Transactions and Personal Trading**

Vezzetti Capital Management's Code of Ethics is designed to prevent the personal securities transactions, activities and interests of our employees from interfering with making and implementing decisions in the best interest of advisory clients while, at the same time, allowing employees to invest for their own accounts.

All employees of Vezzetti Capital Management may purchase or sell securities that are being purchased for client-related accounts. This may present a conflict of interest in that employees have an incentive to place trades in order to benefit from any price movements resulting from Client trades. However personal security transactions by persons associated with Vezzetti Capital Management are subject to the Firm's policies and procedures, which include various reporting, disclosure and approval requirements. The Firm's policies and procedures apply not only to transactions by the individual, but also to transactions for accounts in which each person has a related interest, such as a spouse, and/or minor children.

## **Item 12 Brokerage Practices**

### **Selecting Brokerage Firms and Best Execution:**

Vezzetti Capital Management generally recommends that Client assets be maintained with the Qualified Custodian, Hometown National Bank (the "Custodian"). The Custodian generally has discretion to select the broker-dealers to be used to execute Client transactions, and is required to use reasonable prudence and best judgment in doing so. Vezzetti Capital Management may elect to exercise discretion in the selection of broker-dealers to execute Client transactions. In such event, the Firm will consider a number of factors including the commissions charged, the financial strength and stability of the broker, the efficiency with which transactions are effected, the ability to effect large or complex trades, and any research or other services provided by the broker-dealer. When selecting broker-dealers, the Firm is not required to seek the lowest possible commissions, but will attempt to obtain the most favorable overall execution based on the foregoing factors.

**Aggregation:** Vezzetti Capital Management, LLC may block trades where possible and when the Firm deems it to be advantageous to Clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple Client accounts. In such event, transaction costs are generally shared equally and on a pro-rata basis between all accounts included in any such block.

## **Item 13    Review of Accounts**

**Periodic Reviews:** Michael Vezzetti and Tiffany Kenney review Client account transactions on a regular basis, while both individuals typically review Client account balances weekly. Additionally, Client accounts are monitored on a monthly basis by reviewing each account's major asset class percentages and market values (cash, fixed-income and equity). For accounts in our Mutual Fund Program, asset allocation guidelines are reviewed periodically and accounts are realigned according to the account's investment objective. For accounts in our Separately Managed Account Program, a written investment review is performed no less frequently than semi-annually. More frequent investment reviews may also be necessitated by such events as large contributions to account, sales of securities, large maturities, redemptions or unexpected distribution requests, among other events. All investment reviews are performed by Mike Vezzetti.

**Reports:** In addition to the quarterly statements that the Client receives from their Custodian, our Clients may receive the following written reports:

Periodic Report - Letter updates on our view of the economy and markets and the potential impact to Client accounts.

Annual Market Value History Report. This report generally may contain an account's date of inception, stated investment objective, reserve requirement, directed securities (if any), tax bracket (if applicable), desired major asset class allocation, and also the following information:

- Yearly beginning and ending market values
- Annual performance
- Net contributions/distributions
- Annual account earnings (+/-)
- Note section, which further details information regarding each specific account.

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

It is Vezzetti Capital Management's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our Firm.

It is Vezzetti Capital Management'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**

The assets of Vezzetti Capital Management's Clients' are held with a Qualified Custodian. Clients will receive statements directly from the custodian at least quarterly. We urge Clients to review the statements carefully and compare them to any reports if provide by Vezzetti Capital Management.

## **Item 16 Investment Discretion**

The Clients of Vezzetti Capital Management hire us to provide discretionary investment advisory 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. Clients give us discretionary authority when they sign an investment advisory agreement with our firm. Clients may impose reasonable restrictions on investing in certain securities, types of securities, industries and/or sectors.

## **Item 17 Voting Client Securities**

As a matter of Firm policy, we do not vote proxies on behalf of clients. Unless otherwise specified, Clients assign proxy voting rights to the Custodian pursuant to the Custodial Agreement. If you wish to obtain information on how proxies were voted on your behalf, you may contact the Custodian, Hometown National Bank, at telephone number (815)220-2243.

## **Item 18 Financial Information**

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to you and we have not been the subject of a bankruptcy proceeding.