



*Vezzetti Capital Management, LLC*

*260 Bucklin Street - Suite A - LaSalle, Illinois 61301*

***SEC Form ADV Part 2A***  
***“Brochure”***

*April 25, 2018*

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 by telephone at (815) 220-0515 or by email at [mvezzetti@vezzeticapitalmgmt.com](mailto:mvezzetti@vezzeticapitalmgmt.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**

There have been no material changes since the last annual updating amendment to our SEC Form ADV Part 2A filed on March 13, 2017. However, other changes have been made to this Brochure. Consequently, we encourage you to read this Brochure in its entirety.

## **Item 3 Table of Contents**

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

## **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 February 2008. Michael Vezzetti, Managing Partner and Chief Compliance Officer, is responsible for investments and client servicing. Tiffany Kenney, Partner, also oversees daily operations and office management.

Vezzetti Capital Management's Investment Advisory Services consist of the management of Client accounts on a discretionary basis. 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 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. 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, 2017, Vezzetti Capital Management managed approximately \$191 million of assets under management, which were client assets managed on a discretionary basis only.

## **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>
Under \$500,000	0.90% on assets
Between \$500,000 and \$2,000,000	0.75% on assets
Over \$2,000,000	0.50% on assets

## **Governmental Clients**

<b><u>Market Value of Assets</u></b>	<b><u>Annual Percentage Fees</u></b>
Under \$1,000,000	0.40% on assets
Over \$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**

### **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 and 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 investing and trading activities risk the loss of capital. Although we will attempt to moderate these risks, no assurance can be given that the investment activities of an account we advise will achieve the investment objectives of such account or avoid losses. Direct and indirect investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance. It is important that you understand the risks associated with investing in the types of investments listed above.

Except as may otherwise be provided by law, we are not liable to clients for:

- Any loss that you may suffer by reason of any investment decision made or other action taken or omitted by us in good faith;
- Any loss arising from our adherence to your instructions or the disregard of our recommendations made to you; or
- Any act or failure to act by a custodian or other third party to your account.

The information included in this Brochure does not include every potential risk associated with an investment strategy, technique or type of security applicable to a particular client account. You are encouraged to ask questions regarding risks applicable to a particular strategy or investment product, and read all product-specific risk disclosures. It is your responsibility to give us complete information and to notify us of any changes in financial circumstances or goals.

There are certain additional risks associated when investing in securities; including, but not limited to:

- Market Risk: Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Legal and Regulatory Risks: The regulation of the U.S. and non-U.S. securities and futures markets investment funds has undergone substantial change in recent years and such change may continue. In particular, in light of the recent market turmoil there have been numerous proposals, including bills that have been introduced in the U.S. Congress, for substantial revisions to the regulation of financial institutions generally. Some of the additional regulation includes requirements that private fund managers register as investment advisers under the Advisers Act and disclose various information to regulators about the positions, counterparties and other exposures of the private funds managed by such managers. Further, the practice of short selling has been the subject of numerous temporary restrictions, and similar restrictions may be promulgated at any time. Such restrictions may adversely affect the returns of Underlying Investment Funds that utilize short selling. The effect of such regulatory change on the accounts and/or the underlying investment funds,

while impossible to predict, could be substantial and adverse.

- 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.
- 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).
- 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.
- Equity (Stock) Market Risk: Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk: When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Risks Associated with Fixed Income: When investing in fixed income instruments such as bonds or notes, the issuer may default on the bond and be unable to make payments. Further, interest rates may increase and the principal value of your investment may decrease. Individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power.
- ETF and Mutual Fund Risk: When investing in an ETF or mutual fund, a client will bear additional expenses based on the client's pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the

underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.

- Options Risk: Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- Liquidity Risk: Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.
- Management Risk: Your investments will vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If you implement our financial planning recommendations and our investment strategies do not produce the expected results, you may not achieve your objectives.
- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to bonds.
- Call Risk: Bonds that are callable carry an additional risk because they may be called prior to maturity depending on current interest rates thereby increasing the likelihood that reinvestment risk may be realized.
- Credit Risk: The price of a bond depends on the issuer's credit rating, or perceived ability to pay its debt obligations. Consequently, increases in an issuer's credit risk, may negatively impact the value of a bond investment.
- Inflation Risk: When inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- Speculation Risk: The commodities markets are populated by traders whose primary interest is in making short-term profits by speculating whether the price of a security will go up or go down. The speculative actions of these traders may increase market volatility that could drive down the prices of commodities.
- Geopolitical Risk: The risk an investment's returns could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers or military control.

- Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- Foreign Market Risk: The securities markets of many foreign countries, including emerging countries, have substantially less trading volume than the securities markets of the United States, and securities of some foreign companies are less liquid and more volatile than securities of comparable United States companies. As a result, foreign securities markets may be subject to greater influence by adverse events generally affecting the market, by large investors' trading significant blocks of securities, or by large dispositions of securities, than as it is in the United States. The limited liquidity of some foreign markets may affect our ability to acquire or dispose of securities at a price and time it believes is advisable. Further, many foreign governments are less stable than that of the United States. There can be no assurance that any significant, sustained instability would not increase the risks of investing in the securities markets of certain countries.
- Counterparty and Broker Credit Risk: Certain assets will be exposed to the credit risk of the counterparties when engaging in exchange-traded or off-exchange transactions. There may be a risk of loss of assets on deposit with or in the custody of a broker in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions, or the bankruptcy of an exchange clearinghouse.
- Leverage Risk: Although Vezzetti Capital Management does not employ leverage in the implementation of its investment strategies, some ETPs and CEFs employ leverage. Leverage increases returns to investors if the investment strategy earns a greater return on leveraged investments than the strategy's cost of such leverage. However, the use of leverage exposes investors to additional levels of risk and loss that could be substantial.
- 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.

Vezzetti Capital Management provides sub-advisory services to Hometown National Bank. In addition, Vezzetti Capital Management also pays a rental fee for its principal office space to Hometown National Bank, which is located in a separate and distinct portion of the premises. 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. As a conflict of interest, the receipt of such compensation does 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.

Vezzetti Capital Management maintains its investment advisory practice in a relatively small rural setting, whereas there are a number of governmental clients, including school districts, of which Vezzetti Capital Management has been retained to manage their assets. Many of these same governmental clients, including schools, will have a need to issue debt (borrow money) for projects including life safety, working cash, and building projects etc. As a fiduciary to all clients, Vezzetti Capital Management will review the debt being offered, as it would review for any offering, and purchase the debt if it meets the investment objectives, interest rate expectations and cash flow needs for other managed accounts of Vezzetti Capital Management. If it does not meet the client’s needs, Vezzetti Capital Management will not buy it. Vezzetti Capital Management is, in essence, helping Client A when they issue debt to the extent that we are assisting Client A complete their transaction and also purchase the debt for other client accounts. Further, Vezzetti Capital Management does not make any money in underwriting/selling the debt. To the extent debt is issued, the proceeds the seller of the debt receives, can and often times, is placed into their advisory account where Vezzetti Capital Management earns only a management fee. Vezzetti Capital Management also does not assist in underwriting the debt to be purchased. When Vezzetti Capital Management purchases the debt of an existing client for other client accounts, there is an apparent conflict of interest. Vezzetti Capital Management is aware that a potential conflict of interest exists in this regard because it places Vezzetti Capital Management in a position to show favor to the issuer; however, Vezzetti Capital Management is considered a fiduciary and our firm has a fiduciary duty to all clients. As a fiduciary, we have a responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times.

Further, as Vezzetti Capital Management maintains its investment advisory practice in a small rural setting, there have been times, and will continue to be times, in which governmental clients of Vezzetti Capital Management also employ household members related to employees of Vezzetti Capital Management. As such, Vezzetti Capital Management is aware that a conflict of interest exists in this regard because of the appearance that there may be a potential for MNPI to be shared between Vezzetti Capital Management and such household member; however, this conflict is avoided as Vezzetti Capital Management is committed to upholding its fiduciary duty to all clients, at all times and, as such, we are required to place the interests of our clients ahead of those of the Firm or its

members.

Lastly, Vezzetti Capital Management buys fixed-income securities from two different sources, with one being the sales division of Bernardi Securities, Inc. (“Bernardi”). Vezzetti Capital Management has had a relationship with Bernardi for nearly 25 years and for the last eight years, Michael Vezzetti’s son, John Vezzetti, has been gainfully employed with Bernardi in their Public Finance Division. From time to time, Vezzetti Capital Management does purchase debt from Bernardi. As such, Vezzetti Capital Management is aware that a conflict of interest exists in this regard because of the appearance that there may be a potential for MNPI to be shared with Vezzetti Capital Management concerning fixed-income securities that Bernardi sells; as John Vezzetti works in the Public Finance Division of Bernardi. Furthermore, Vezzetti Capital Management has investment advisory accounts for a number of governmental clients which may also use the Public Finance Division of Bernardi to issue debt when a need arises. Vezzetti Capital Management has no involvement with the debt issuance for the Governmental Client. Most importantly, Vezzetti Capital Management upholds its fiduciary duty to all clients, at all times; thereby, alleviating any presence of actual existing conflict of interest.

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

### **Code of Ethics**

An investment adviser is considered a fiduciary and our firm has a fiduciary duty to all clients. As a fiduciary, we have a responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is considered the core underlying principle for our Code of Ethics (“Code”) which also includes Insider Trading and Personal Securities Transactions Policies and Procedures.

We recognize that the personal investment transactions of members and employees of our firm demand the application of a Code and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our employees and members of their household for their personal accounts. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code. Vezzetti Capital Management also reserves the right to disapprove any proposed transaction that may have the appearance of improper conduct.

Subsequently, Vezzetti Capital Management has adopted a 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: [mvezzetti@vezzeticapitalmgmt.com](mailto:mvezzetti@vezzeticapitalmgmt.com), or by calling us at telephone number (815) 220-0515.

### **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 currently 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 in writing, 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.