

**Item 1. Cover Page**

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

**LS Investment Advisors, LLC**

**d/b/a LSIA**

39533 Woodward Avenue, Suite 302  
Bloomfield Hills, MI 48304

Contact: William F. Camp, CFA  
(248) 646-2650 or [wcamp@myLSIA.com](mailto:wcamp@myLSIA.com)

Website: <http://www.myLSIA.com>

Date of Brochure: August 3, 2018

This brochure provides information about the qualifications and business practices of LSIA (referred to in this brochure as “LSIA,” “us,” “we,” “our” or the “firm”). If you have any questions about the contents of this brochure, please contact William F. Camp, our Managing Partner, President and Chief Compliance Officer, at (248) 646-2650 or [wcamp@myLSIA.com](mailto:wcamp@myLSIA.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

We are a registered investment advisor. Registration as an investment advisor does not imply any level of skill or training. The oral and written communications of an advisor provide you with information which you may use in determining whether to hire or retain an investment advisor.

Additional information about us is available on the SEC’s web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2. Summary of Material Changes

The date of our last annual update to Form ADV, Part 2 was March 30, 2017. Since that date, we have made certain changes to the brochure. The following is a summary of only the material changes made since that filing:

- *Item 8. Methods of Analysis, Investment Strategies and Risks of Loss* was updated to enhance disclosure regarding the risks associated with full replication passive investment strategy portfolios and sampling passive investment strategy portfolios.
- *Item 12. Brokerage Practices* was updated to clarify the application of certain policies and procedures to fixed income accounts.

The date of our last Form ADV, Part 2 was March 30, 2018. Since that date, the only material changes to the brochure were to reflect the opening of our Boca Raton, FL office.

You may request a complete copy of our brochure by contacting William F. Camp, Managing Partner, President and Chief Compliance Officer, at (248) 646-2650 or [wcamp@myLSIA.com](mailto:wcamp@myLSIA.com).

Additional information about our firm is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### Item 3. Table of Contents

Item 1. Cover Page.....	i
Item 2. Summary of Material Changes.....	ii
Item 3. Table of Contents.....	iii
Item 4. Advisory Business.....	4
Item 5. Fees and Compensation .....	7
Item 6. Performance-Based Fees and Side-By-Side Management .....	11
Item 7. Types of Clients .....	12
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss.....	12
Item 9. Disciplinary Information.....	22
Item 10. Other Financial Industry Activities and Affiliations .....	22
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	23
Item 12. Brokerage Practices.....	24
Item 13. Review of Accounts .....	28
Item 14. Client Referrals and Other Compensation.....	29
Item 15. Custody .....	30
Item 16. Investment Discretion.....	30
Item 17. Voting Client Securities .....	31
Item 18. Financial Information.....	31
Item 19. Requirements for State-Registered Advisers .....	32

## **Item 4. Advisory Business**

### **OUR OWNERS AND PARTNERS**

LSIA was organized in October 2008 as a spin-off from Natixis Global Asset Management, parent company to Loomis, Sayles & Company, LP (“Loomis Sayles”). Loomis Sayles is an independent investment advisor registered with the Securities and Exchange Commission. Loomis Sayles was founded in 1926. In connection with the spin-off transaction, Loomis Sayles retained a 4.9% interest in LSIA in order to facilitate their ability to provide us certain services pursuant to a Services and Research Sharing Agreement (see Item 8 below).

Our firm, which currently maintains offices in Bloomfield Hills, MI, Milwaukee, WI, Pasadena, CA and Boca Raton, FL, was established by our current partners: William Camp, Mark Shank, Karen McClintock, Jay Van Cleave, Kristine Hollister, Joann Kayser and Daniel Kostaroff.

We are required to disclose the persons owning twenty-five percent (25%) or more of our firm’s membership interests. No one owns twenty-five percent (25%) or more of our firm’s membership interests.

### **ASSETS UNDER MANAGEMENT**

As of December 31, 2017, we had \$5,560.7 million of assets under management, all of which we managed on a discretionary basis. Within LSIA, we divide our business into two areas, one for institutional clients, including accounts managed through a sub-advisory relationship, referred to as “LSIA Institutional”, and one for individual clients, referred to as “LSIA Wealth”. As of December 31, 2017, LSIA Institutional accounted for \$4,904.2 million of the total assets, and LSIA Wealth accounted for \$656.5 million of the total.

### **OUR INVESTMENT SERVICES**

We manage client assets according to one or more investment strategies, which include both actively managed U.S.-traded equity and U.S.-traded fixed income strategies, as well as equity and fixed income passive index replication and other factor-based investment strategies. When appropriate, we will customize any strategy based on the specific goals and objectives of the individual client.

For our actively managed strategies, we have two separate investment teams: one that focuses on equities, and another that focuses on fixed income. On the passive management side, we have one investment team that manages both index replication and other factor-based investment portfolios.

## **Direct Client Portfolio Management**

At the onset of any new client relationship, we designate a portfolio manager to work closely with the client to understand the individual goals or mandate of the client, including long-term goals, risk tolerance, tax considerations, if any, and unique circumstances. We then create a portfolio designed to meet these objectives.

Based upon the nature of our engagement, client assets are invested in accordance with our Total Portfolio Strategy, Equity Strategy, Bond Strategy, or an index replication or other factor-based Passive Management Strategy. See *Item 8. Methods of Analysis, Investment Strategies and Risk of Loss* below.

With the exception of some of our longstanding clients, we utilize a written investment policy statement (“IPS”) to document goals, objectives, risk tolerance and any special or particular circumstance unique to the client. Some clients provide us with their own IPS, while other clients may ask us to assist them in creating an IPS. Some of our clients, both institutional and individual, engage us to manage only a portion of their assets. In all cases, if the client has a written IPS, we use the applicable part(s) to create and manage the portfolio.

While our current client agreements provide for discretionary management, we may also manage accounts on a non-discretionary basis if the client prefers. All clients, even those whose accounts we manage on a discretionary basis, have the opportunity to place reasonable restrictions on the types of investments we will make on their behalf. See *Item 16. Investment Discretion* below for more information on how clients place restrictions on discretionary accounts.

For our LSIA Wealth clients, upon request, our portfolio management services also include consultation on matters relating to the client’s overall financial well-being, including other investments not managed by LSIA Wealth, retirement considerations, estate planning, insurance, taxes, and/or other significant financial decisions. While we will recommend specific action items as part of this consultation, it will be the client’s responsibility to implement these types of recommendations; however, upon request, we will help coordinate the planning effort between our client and their other service providers as needed.

## **Sub-Advisory Arrangements**

From time to time, LSIA Institutional establishes relationships with other investment advisors or investment program sponsors pursuant to which we serve in a sub-advisory capacity and provide investment advisory services to clients of the other investment advisor or investment program sponsor. When we participate in an

arrangement sometimes known as a “managed account program”, we make one or more of our strategies available to clients of the investment advisor sponsoring the program. The sponsoring investment advisor will determine if our strategy is suitable for its client and submit the account to us for acceptance. If we accept the account, we will manage it with full discretionary authority and in accordance with any reasonable investment restrictions requested by the applicable client of the sponsoring investment advisor. In these cases, however, we do not have an agreement or any direct, contractual relationship with the client. Instead, we enter into a sub-advisory agreement with the sponsoring investment advisor. The sponsoring investment advisor establishes the fee which the client pays and we receive a portion of the fee for our advisory services as agreed upon in the sub-advisory agreement.

When a client’s investment advisor desires us to provide investment management services to the client and to have a direct, contractual relationship with the client, we provide sub-advisory services through a tri-party agreement among the client’s investment advisor, the client and LSIA. In these arrangements, the investment advisor will select us to manage a portion of the client’s assets in accordance with a particular strategy. We will manage the assets in accordance with the client’s investment guidelines, including any restrictions. We receive our fee directly from the client as agreed upon in our agreement with the investment advisor and the client.

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## Item 5. Fees and Compensation

### PORTFOLIO MANAGEMENT

As compensation for our investment management services, we charge an advisory fee, which is stated as a percentage of our client's assets under our management. Our advisory fees are based on the style of the strategy and are charged according to the following fee schedules:

#### **TOTAL PORTFOLIO STRATEGY**

<b>ANNUAL FEE</b>	<b>ASSETS UNDER MANAGEMENT</b>
0.80%	On the first \$2 million
0.70%	On the next \$3 million
0.60%	On the next \$5 million
Negotiable	On value over \$10 million

The minimum annual fee for our Total Portfolio Strategy is \$5,000.

#### **EQUITY STRATEGY**

<b>ANNUAL FEE</b>	<b>ASSETS UNDER MANAGEMENT</b>
0.90%	On the first \$2 million
0.80%	On the next \$3 million
0.70%	On the next \$5 million
Negotiable	On value over \$10 million

The minimum annual fee for our Equity Strategy is \$5,000.

#### **BOND STRATEGY**

<b>ANNUAL FEE</b>	<b>ASSETS UNDER MANAGEMENT</b>
0.70%	On the first \$2 million
0.60%	On the next \$3 million
0.50%	On the next \$5 million
Negotiable	On value over \$10 million

The minimum annual fee for our Bond Strategy is \$5,000.

### **PASSIVE MANAGEMENT STRATEGY: DOMESTIC EQUITIES**

<b>ANNUAL FEE</b>	<b>ASSETS UNDER MANAGEMENT</b>
0.10%	On the first \$10 million
0.08%	On the next \$40 million
0.06%	On the next \$50 million
0.03%	On the next \$100 million
0.02%	On value over \$200 million

The minimum annual fee for our Domestic Equities Passive Management Strategy is \$10,000. Our Domestic Equities Passive Management fee schedule applies to strategies that replicate non-customized, domestic market cap-weighted indices (e.g., S&P MidCap 400).

### **PASSIVE MANAGEMENT STRATEGY: DIVIDEND GROWERS**

<b>ANNUAL FEE</b>	<b>ASSETS UNDER MANAGEMENT</b>
0.10%	On the first \$10 million
0.08%	On the next \$40 million
0.06%	On the next \$50 million
0.03%	On the next \$100 million
0.02%	On value over \$200 million

The minimum annual fee for our Dividend Growers Passive Management Strategy is \$10,000.

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### **PASSIVE MANAGEMENT STRATEGY: LOW VOLATILITY**

<b>ANNUAL FEE</b>	<b>ASSETS UNDER MANAGEMENT</b>
0.15%	On the first \$10 million
0.12%	On the next \$40 million
0.09%	On the next \$50 million
0.06%	On the next \$100 million
0.03%	On value over \$200 million

The minimum annual fee for our Low Volatility Passive Management Strategy is \$15,000.

### **PASSIVE MANAGEMENT STRATEGY: LARGE CAP EQUAL WEIGHTED 30/70**

<b>ANNUAL FEE</b>	<b>ASSETS UNDER MANAGEMENT</b>
0.10%	On the first \$10 million
0.08%	On the next \$40 million
0.06%	On the next \$50 million
0.03%	On the next \$100 million
0.02%	On value over \$200 million

The minimum annual fee for our LargeCap Equal Weighted 30/70 Passive Management Strategy is \$10,000.

### **PASSIVE MANAGEMENT STRATEGY: INTERNATIONAL EQUITIES**

<b>ANNUAL FEE</b>	<b>ASSETS UNDER MANAGEMENT</b>
0.15%	On the first \$10 million
0.12%	On the next \$40 million
0.09%	On the next \$50 million
0.06%	On the next \$100 million
0.03%	On value over \$200 million

The minimum annual fee for our International Equities Passive Management Strategy is \$15,000.

## **PASSIVE MANAGEMENT STRATEGY: DOMESTIC FIXED INCOME**

<b>ANNUAL FEE</b>	<b>ASSETS UNDER MANAGEMENT</b>
0.18%	On the first \$10 million
0.15%	On the next \$40 million
0.12%	On the next \$50 million
0.06%	On the next \$100 million
0.03%	On value over \$200 million

The minimum annual fee for our Domestic Fixed Income Passive Management Strategy is \$15,000.

## **PASSIVE MANAGEMENT STRATEGY: CUSTOM PORTFOLIOS**

<b>ANNUAL FEE</b>	<b>ASSETS UNDER MANAGEMENT</b>
0.18%	On the first \$10 million
0.15%	On the next \$40 million
0.12%	On the next \$50 million
0.06%	On the next \$100 million
0.03%	On value over \$200 million

The minimum annual fee for our Custom Passive Management Strategy is \$15,000.

Our fees, including minimum annual fees, are negotiable and often differ from these standard fee schedules. In our sole discretion, we will increase or decrease our management fee and/or waive minimum annual fees based upon criteria such as the scope of the engagement, client longevity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, or account retention, among other things.

The amount of and specific manner in which we charge our fees are established in our written agreement with the client. For LSIA Wealth clients, we generally bill our fees on a quarterly basis in advance. For LSIA Institutional clients, we typically bill our fees on a quarterly basis in arrears. We ask all clients to authorize their designated custodian to deduct our fees directly from their custodial account, but will invoice clients directly if we do not receive such authorization. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.

Our standard agreements provide for termination by either our firm or the client by providing 30 days' written notice to the other party, but we will agree to other termination provisions from time to time. Based on the effective date of termination, we will promptly refund any prepaid, unearned fees, and any earned, unpaid fees will be due and payable.

Our fees for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and exchange-traded funds ("ETFs") to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. To the extent we invest client assets in mutual funds and/or ETFs, clients should review both the fees charged by the mutual funds or ETFs and our fees to fully understand the total amount of fees to be paid by the client with respect to advisory services being provided.

In addition to our advisory fees, clients are also responsible for the fees and expenses, if any, charged by custodians and broker-dealers. Such fees may include, but are not limited to, account maintenance fees, commissions and mark-ups/mark-downs for trade execution, any transaction charges, fees for duplicate statements and transaction confirmations, and fees for electronic data feeds and reports.

See *Item 12. Brokerage Practices* below for more information regarding brokerage.

#### SUB-ADVISORY ARRANGEMENTS

When we manage an account through a sub-advisory arrangement, we typically receive a portion of the fee charged by the account investment advisor or investment program sponsor, in accordance with the sub-advisory agreement between us and the account investment advisor/investment program sponsor. The fees paid to us in sub-advisory relationships are not uniform and are based on many factors including the breadth and complexity of the services we provide, the amount of assets and style of the portfolios we manage or advise upon, and the negotiations between us and the account advisors/program sponsors.

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

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7. Types of Clients**

LSIA Institutional offers portfolio management services to institutional investors, such as government and municipal entities, charitable organizations, including foundations and endowments, pension and profit sharing plans, insurance companies, unions and corporations and other business entities. LSIA Institutional also provides sub-advisory services to other investment advisors or investment program sponsors for the benefit of their clients. LSIA Wealth offers portfolio management services to high net worth and other individual clients, including trusts and estates.

All of our strategies have a minimum account size of at least \$1-\$10 million; however, we will accept accounts below applicable minimums based on existing relationships, expectations of growth, and our opinion as to whether we can manage the account in a manner that meets the client's objectives. Further, we will negotiate lower account minimums for strategies offered through a sub-advisory arrangement.

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

### METHODS OF ANALYSIS

For our active strategies, where we directly invest in equity and/or fixed income securities, we use fundamental analysis to evaluate these investments for our clients. Fundamental analysis is a technique that attempts to determine a security's value by focusing on the financial well-being of an economic entity as opposed to only the price movement of its securities. In the course of our analysis, we review, among other things, a company's financial statements and consider factors including, but not limited to, the company's revenue growth, the company's profitability, the company's competitive position and the company's ability to repay its debts. Because it can take time for a company's value to be reflected in the market, the risk associated with this method of analysis is that a gain is not realized until the price of the company's securities rises to the company's true value.

Through a Services and Research Sharing Agreement with Loomis Sayles, we access Loomis Sayles' equity, credit and economic research. In addition, we obtain information from a number of other sources, both public and by purchase, including financial newspapers and magazines, research materials prepared by third parties, corporate rating services, annual reports, prospectuses and filings with the SEC, and company press releases. We believe these sources of information are reliable and we regularly depend on these resources for making our investment decisions.

Where we invest all or a portion of an actively managed client account in equity mutual funds or exchange-traded funds ("ETFs"), we typically select investment

vehicles that provide additional diversification or exposure to one or more targeted asset classes. Portfolio managers choose specific funds/ETFs based on the desired risk/return characteristics for the client, taking into account applicable expenses.

For our passive management strategies, we use quantitative tools to create portfolios that will produce returns that are generally similar to the returns of a market index, predetermined benchmark or customized benchmark. For some of our customized benchmarks, we utilize quantitative analysis to identify market factors that have a positive influence on portfolio returns and create a benchmark designed to provide exposure to these factors.

### INVESTMENT STRATEGIES

We manage client portfolios according to our Total Portfolio, Equity, Bond and Passive Management Strategies as described below.

#### **Our Total Portfolio Strategy**

For accounts seeking exposure to multiple asset classes, often referred to as “balanced accounts”, our Total Portfolio Strategy provides a customized allocation of assets based on the client’s specific investment goals and objectives. Generally, we allocate a portion of the client’s portfolio to equities, through our Equity Strategy or a Passive Management Strategy for equities, and a portion of the portfolio to fixed income, through our Bond Strategy or a Passive Management Strategy for fixed income. For any particular client, if the Portfolio Manager believes it is appropriate to provide additional diversification or to add exposure to investment class(es) not represented through direct investment, such as commodities or foreign markets, we sometimes also allocate a portion of the client’s portfolio to mutual funds and/or ETFs. For certain accounts, we invest directly in fixed income securities, but use mutual funds and/or ETFs in lieu of direct equity investments in an effort to gain broader equity market exposure and/or reduce issuer risk. For other accounts, particularly those with lower balances or liquidity concerns, we utilize mutual funds and/or ETFs exclusively.

#### **Our Equity Strategy**

Our traditional Equity Strategy is an active management strategy that seeks to invest in U.S.-traded common stock of industry-leading companies that have the potential to produce attractive long-term returns. It is a large-cap core style that aims for total returns in excess of the S&P 500 Index with lower variability of returns.

While we maintain a Focus List of securities that forms the basis for most client portfolios, not all clients will have the same allocation or the same securities in their portfolios. In addition, we will not implement the purchase and sale of the same security for all clients at the same time. Rather, client portfolios will vary based upon individual goals and objectives, cash needs, risk tolerance, tax considerations, and the individual portfolio manager responsible for the account. We also offer a version of this strategy that limits its investments to U.S.-traded common stock of companies with strong dividend payment histories.

Our Equity Team looks for companies that demonstrate better business fundamentals than their industry or sector peers and seeks to buy them at attractive entry points. We employ quantitative and qualitative analysis, combining third-party research with our own investment process, experience and judgment. When we evaluate potential equity investments, we analyze the following attributes: financial strength, competitive advantage, the presence of a catalyst, quality management and attractive valuations.

In some cases, we also invest a portion of the client's portfolio in mutual funds and/or ETFs that provide additional diversification or exposure to investment class(es) not represented through direct investment, such as small-cap stocks or foreign markets. For certain accounts, particularly those with lower balances or liquidity concerns, we utilize mutual funds and/or ETFs exclusively.

### **Our Bond Strategy**

Fixed income investments come in a complex array of maturities, credit qualities and structures. Investors need to carefully match the right fixed income investment strategy with their objectives. Our Bond Strategy is a traditional active management strategy that seeks to invest in a portfolio of well-researched, high quality bonds. We define portfolio parameters such as duration, sector weights and average quality and then select individual bonds to meet those parameters.

Bond Strategy portfolios include any or all of the following types of U.S. dollar-denominated investments: domestic and foreign corporate bonds, U.S. and foreign government agency bonds, U.S. and foreign government bonds, mortgage-backed securities, asset-backed securities and/or U.S. and foreign municipal bonds. The bonds in which we invest are primarily investment grade or better and trade with high liquidity.

We use fundamental credit research, manage interest rate risk and implement yield curve strategies with the goals of preserving capital, generating income to meet spending needs and enhancing total return. We continuously analyze and monitor

credit quality and debt ratings in an effort to detect any deterioration in the financial strength of the issuer.

Individual portfolios are customized with a maturity structure designed to meet specific client objectives. Further, specific holdings and weights, sector diversification, and the types of bonds held will vary across accounts depending on the nature of the client, the relative value of the bonds, and the individual portfolio manager responsible for the account.

### **Our Passive Management Strategies**

Our Passive Management Strategies include index replication, which is focused on building client investment portfolios with results that closely resemble those of a market index, such as the S&P 500® Low Volatility Index, S&P 500® Dividend Aristocrats Index, S&P U.S. Preferred REIT Stock Index, MSCI World High Dividend Yield Index or MSCI All Country World Index, or a predefined benchmark, such as a 50%/50% blend of the Bloomberg Barclays Intermediate U.S. Corporate Bond Index and Bloomberg Barclays U.S. Aggregate Bond Index.

Passive domestic equity portfolios can invest in common stocks, REITs and/or preferred stocks. Our passive international equity portfolios can be made up of American and Global Depositary Receipts (ADRs and GDRs) or ordinary shares traded on a foreign exchange (ORDs). Passive bond portfolios can include U.S. and foreign government bonds, U.S. and foreign agency bonds, U.S. and foreign corporate bonds, asset-backed securities and/or mortgage-backed securities.

Index replication strategies include full replication portfolios (i.e., portfolios that invest in all the securities of the index in similar weights) and sampling portfolios (i.e., portfolios that invest in a subset of the securities of the index). Further, these strategies may be modified to permit the creation of portfolios that take into account certain investment restrictions imposed based on a client's specific investment guidelines or social and religious beliefs with or without adjustments to maintain sector and/or duration neutrality.

In addition to building portfolios designed to replicate existing index portfolios, our Passive Management Team can create portfolios designed to include all or a portion of the securities in a particular index, while utilizing an alternative weighting methodology. Most well-known equity indexes typically use market capitalization weighting. Alternatives to market capitalization weighting employed by LSIA include equal weighting, risk weighting or custom weightings focused on other factors that we believe have the potential to enhance returns over a market capitalization-weighted portfolio.

### *LargeCap Equal Weighted 30/70*

Our LargeCap Equal Weighted 30/70 strategy is an example of an alternative weighting strategy for investing in a portfolio of S&P 500® Index stocks. After we rank the companies in the index by market capitalization, we manage the top 50 names to maintain equal weightings within that group, while also managing the remaining 450 names to maintain equal weightings within that group.

### *Global Low Volatility*

Our Global Low Volatility strategy is another example of an alternative weighting strategy. In this strategy, we invest in a portfolio of MSCI World Index stocks, using a combination of weights in the MSCI World Index, MSCI World Risk Weighted Index and MSCI World Equal Weighted Index.

### *U.S. Fixed Income*

Our U.S. Fixed Income strategies are examples of alternative weighting strategies for fixed income portfolios. In these strategies, we invest in a portfolio made up of weighted subsets of the Bloomberg Barclays U.S. Aggregate Bond Index bond universe. For example, we can create a portfolio made up of 50% Bloomberg Barclays Intermediate U.S. Aggregate Bond Index securities and 50% Bloomberg Barclays Intermediate U.S. Corporate Bond Index securities.

Our Passive Management Team can also design portfolios based on custom-tailored benchmarks designed to accommodate specific client needs. Working with the client, we can create the applicable custom benchmark, as well as the appropriate factor-based approach to management of the portfolio.

Additional strategies and weighting methodologies are always under consideration for implementation.

### TYPES OF INVESTMENTS AND RISK OF LOSS

We offer advice about a wide variety of investment types, which primarily include individual domestic and foreign common and preferred stocks and other equity securities, preferred REITs, domestic and foreign corporate debt securities, municipal and federal government securities, agency securities, mutual funds, and ETFs, each with different types and levels of risk. We discuss these risks with the client in determining the investment objectives that will guide our investment management for their account.



Investing in securities involves risk of loss that clients should be prepared to bear. Obtaining higher rates of return on investments typically entails accepting higher levels of risk. We work with clients to attempt to identify the appropriate balance of risks and rewards that is comfortable for them. It is still their responsibility to ask questions if they do not fully understand the risks associated with any investment or investment strategy.

While we continuously strive to use our best judgment and provide outstanding long-term investment performance for clients, many economic and market variables beyond our control can affect the performance of their investments. Therefore, we cannot assure clients that their investments will be profitable or assure them that no losses will occur in their investment portfolio. Past performance is not a guarantee of future results.

Certain risks apply specifically to particular investment strategies or types of investments. The risks involved for different client accounts will vary based on each client's investment strategy and the type of securities or other investments held in the client's account. Although not all possible risks are described, the following are descriptions of various risks related to our investment strategies (in alphabetical order):

- **ASSET ALLOCATION STRATEGY RISK:** Asset allocation strategies do not assure profit or diversification and do not protect against loss.
- **EQUITY SECURITIES RISK:** The price of equity securities fluctuates based on changes in the issuer's financial condition which may be affected by the overall market and other economic conditions. Equity securities are subject to changes in value and their values may be more volatile than other asset classes.
- **INFLATION RISK:** When any type of 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.
- **INTEREST RATE & CREDIT RISK:** The two main risks related to fixed income investing are interest rate risk and credit risk. Typically, when interest rates rise, there is a corresponding decline in the market value of bonds. Credit risk refers to the possibility that the issuer of the bond will not be able to make principal and interest payments. Obligations of U.S. government agencies and authorities are supported by varying degrees of credit, but generally are not backed by the full faith and credit of the U.S. government. Investments in non-investment grade debt securities (also known as high-yield bonds or junk bonds) may be subject to

greater market fluctuations and risk of default or loss of income and principal than securities in higher rating categories.

- **ISSUER RISK:** A portfolio's performance depends on the performance of the individual securities in which the portfolio invests. Changes to the financial condition or credit rating of an issuer of those securities may cause the value of the securities to decline or even become worthless.
- **MANAGEMENT RISK:** The investment strategies, techniques and risk analyses employed by us, while designed to enhance returns, may not produce the desired results. Our assessment of a particular security or assessment of market, interest rate or other trends could be incorrect, which can result in losses.
- **MARKET RISK:** The price of a security, bond, mutual fund or ETF may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **MUNICIPAL SECURITY RISK:** Municipal securities are subject to interest rate and credit risks. There may be less information available on the financial condition of issuers of municipal securities than for public corporations. Municipal securities may be subject to a complete or partial loss if the municipality files for protection in bankruptcy. The market for municipal bonds may be less liquid than that for taxable bonds. Some or all of the income from municipal bonds may be taxable. Some investors may be subject to alternative minimum tax (AMT).
- **NON-U.S. SECURITIES RISK:** Investments in the securities of non-U.S. issuers are subject to the risks associated with non-U.S. markets in which those non-U.S. issuers are organized and operate, including but not limited to, risks related to foreign currency, fluctuations in the exchange rate, limited liquidity, less government regulation, and the possibility of substantial volatility due to adverse political, economic or other developments, differences in accounting, auditing and financial reporting standards, the possibility of repatriation, expropriation or confiscatory taxation, adverse changes in investment or exchange control or other regulations and potential restrictions on the flow of international capital. These risks are often heightened for investments in smaller capital markets or emerging markets.
- **PASSIVE STRATEGY RISK (FULL REPLICATION PORTFOLIOS):** Full replication passive strategies seek to track the performance of a benchmark by substantially replicating the entire weighted portfolio of securities included in the

tracked benchmark as closely as possible. In full replication passive strategies, portfolio managers normally make investment decisions based primarily on whether the position is consistent with maintaining full replication; therefore, full replication passive strategies do not take defensive positions in declining markets and their performance is expected to track the applicable benchmark during periods of benchmark downturns, even if severe. Passive strategies are generally tied to an underlying index but may not exactly replicate the performance of the underlying index or customized benchmark. Thus, passive strategies are subject to the risk that an investment management strategy may not produce the intended results, often referred to as “tracking error”. Alternative weighting methodologies carry greater tracking error risk compared to market cap-weighted indices.

- **PASSIVE STRATEGY RISK (SAMPLING PORTFOLIOS):** Sampling passive strategies seek to construct portfolios that track the performance of a benchmark by using a subset of the securities contained in the tracked benchmark. Sampling passive portfolios are designed to have characteristics that substantially match those of the tracked benchmark as closely as possible. As in the case of full replication strategies, sampling strategies are subject to tracking error risk (see above). Sampling strategies, however, require portfolio managers to select only a portion of the benchmark’s securities to own. Tracking error risk is therefore greater than that for full replication strategies. Further, while two different accounts managed using the same sampling strategy will have substantially similar portfolio characteristics, they could have very different individual holdings, which can result in performance dispersion across accounts. In sampling passive strategies, portfolio managers normally make investment decisions regarding individual securities based primarily on whether a position is consistent with achieving and maintaining the desired characteristics of the overall portfolio. Individual security performance will, however, vary based on liquidity, credit quality, interest rates and other factors that do not impact portfolio characteristics compared to the benchmark. Sampling passive strategies do not take defensive positions in declining markets and their performance is expected to track the applicable benchmark during periods of benchmark downturns, even if severe.
- **PREFERRED STOCK RISK:** Preferred stock risk is the risk that the security will decline in price or fail to make dividend payments. Preferred stock is subject to credit risk in much the same way as fixed income securities are, except that since preferred securities are subordinated to bonds and other debt instruments in a company’s capital structure, in terms of priority to corporate income, preferred stock is subject to greater credit risk than fixed income securities. Further, preferred stock tends to be less liquid than common stock of the same

issuer. Less liquidity could adversely affect the price at which we could sell a preferred stock when necessary to meet liquidity needs or in response to a specific economic event, such as a deterioration in the creditworthiness of the issuer.

- **PREPAYMENT RISK:** Mortgage-backed and asset-backed securities are valued based on the expected payment streams associated with the securities' underlying mortgages or other asset-based loans. The principal on mortgage-backed or asset-backed securities may normally be prepaid at any time, which can have the effect of reducing the yield and market value of these securities.
- **REIT INVESTING RISK:** Investment in real estate investment trusts (REITs) is dependent on the performance of the real estate industry and real property values. Individual REITs that focus on specific types of real estate are further dependent on the performance of that sector of the real estate market. During periods of rising interest rates, REIT stock prices tend to decline, as the cost of borrowing for REITs increases. Additionally, REIT stocks, which are not typically large-capitalization stocks, tend to perform quite differently from the overall stock market.
- **SMALL & MID-CAP COMPANY RISK:** Investing in small-capitalization companies may entail greater risk and higher volatility than investing in mid- and large-capitalization companies, due to factors such as shorter operating histories, less seasoned management or lower trading volumes, among other things. Investing in mid-capitalization companies may itself entail greater risk and higher volatility than investing in larger companies.

### **Mutual Funds and ETFs**

As described above, we sometimes allocate a portion of a client's portfolio to mutual funds and/or ETFs in order to provide additional diversification or exposure to an otherwise unrepresented or underrepresented investment class, and for certain accounts, particularly those with lower balances, we utilize mutual funds and/or ETFs exclusively. A mutual fund is a pooled investment vehicle of stocks and/or bonds in which each investor owns shares, representing a portion of the holdings of the fund. Mutual funds of all types charge their shareholders various advisory fees and expenses associated with the establishment and operation of the funds. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, shareholder servicing, other fund expenses and sometimes a distribution fee. If the fund also imposes sales charges, the client may pay an initial or deferred sales charge. These separate mutual fund fees are

disclosed in each fund's current prospectus, which is available from the mutual fund and we can provide to the client upon request.

The ETFs in which we may invest are securities that track an index, a commodity or a basket of assets like an index fund, but trade in a manner similar to a stock on an exchange. Because ETFs trade in a manner similar to a stock, ETFs do not have a net asset value calculated every day like a mutual fund does, and ETFs experience price changes throughout the day as they are bought and sold. ETFs offer diversification, the ability to sell short, buy on margin and purchase as little as one share. However, because ETFs are traded on an exchange, clients must also pay brokerage commissions for each transaction.

For any type of mutual fund or ETF investment, it is important for the client to understand that the client is directly and indirectly paying two levels of advisory fees and expenses: one layer of fees at the fund level and one layer of advisory fees and expenses to us. Also, many mutual funds pay shareholder servicing fees (12b-1 fees) to brokerage firms and their registered representatives in consideration of their services to the fund's shareholders.

#### OTHER RISKS

In developing an asset allocation plan or consulting on matters relating to overall financial well-being of an LSIA Wealth client, we rely heavily on information provided to us by the client. If that information is inaccurate or omits important information, our advice may not be appropriate under the circumstances. Further, with respect to accounts for which we do not have discretionary investment authority, we do not actively monitor implementation of our recommendations, nor do we actively review the effectiveness or continued appropriateness of various financial recommendations we make for our clients with respect to other financial matters. There may be a greater risk of loss from investments or other financial decisions which are not actively monitored or reviewed.

All investments bear risks which are affected by events and circumstances beyond our control. Therefore, we cannot assure or guarantee that our advice or services will result in achieving their investment objectives or that significant loss of principal or income will not occur with respect to assets that they invest in accordance with such recommendations. Actual results from following a recommended plan can be expected to vary from the plan's forecasts. We are not responsible for market or credit risk, or for errors in the exercise of judgment made in good faith based upon information then reasonably available.

**Item 9. Disciplinary Information**

As a registered investment advisor, we are required to disclose all material facts regarding any legal or disciplinary events that would be material to the client's evaluation of our firm or the integrity of our management. We have no legal or disciplinary events to disclose.

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

Loomis Sayles retains a 4.9% interest in our firm and we have a Services and Research Sharing Agreement with Loomis Sayles pursuant to which Loomis Sayles provides us with equity, credit and economic research, back-office operations support and technological infrastructure.

From time to time, we invest client assets in one or more Loomis Sayles mutual funds. This creates a potential conflict of interest because of Loomis Sayles' ownership position in our firm and because, under our agreement with Loomis Sayles, the amount we pay to maintain an account that solely invests in Loomis Sayles funds is less than that for maintaining an account that invests in non-Loomis Sayles funds. We mitigate this conflict by not charging an advisory fee on assets invested in Loomis Sayles funds. Further, we do not receive any compensation from Loomis Sayles for recommending its mutual funds.

Additionally, since March 2011, Martha A. Strom has been a dual employee of our firm as well as Loomis Sayles. Martha serves as a bond trader and municipal bond portfolio manager for our firm, while also providing certain services to Loomis Sayles' fixed income trading desk, research department and product teams, including gathering market information relating to municipal securities; making recommendations for the purchase and sale of municipal securities to Loomis Sayles' product teams based on their client's investment objectives and strategies; executing all trades for such securities; monitoring all Loomis Sayles client municipal holdings; responding to any pricing issues; and providing other services as necessary.

Pursuant to the arrangement, Martha is subject to all LSIA, and applicable Loomis Sayles, compliance policies and procedures. Among other applicable restrictions, Martha is prohibited from knowingly or intentionally cross-trading securities among or between both firm's clients and is required to maintain the confidentiality of each firm's client and trading information.

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

Employees of our firm and certain related individuals, including spouses, children and other persons living in the same household (collectively, “Access Persons”), may, from time to time, buy or sell investment products for their personal account(s) (“proprietary accounts”) that are the same as or similar to those that we purchase for or recommend to our clients. Differences in what we purchase in our own accounts and what we invest in for client accounts can arise due to variations in personal goals, investment horizons, risk tolerance and the timing of purchases and sales.

We have adopted a Code of Ethics to govern certain conduct of Access Persons, including but not limited to, trading in their proprietary accounts. Pursuant to a Services and Research Sharing Agreement with Loomis Sayles, Loomis Sayles serves as the compliance administrator for our Code, which includes monitoring and approving, if applicable, the personal securities transactions of all of our Access Persons.

Under our Code, Access Persons may not directly, or indirectly, purchase or sell most types of securities (each, known as a “covered security”) when it is known, or reasonably should have been known, that such covered securities transaction competes in the market with any actual (or considered) covered securities transaction for any of our clients, or otherwise acts to harm any client’s covered securities transaction. Accordingly, our Code requires all Access Persons to report upon hire, and annually thereafter, all holdings of covered securities, as well as all accounts in which covered securities may be held. Transactions in covered securities must be reported quarterly. All Access Persons must also pre-clear trades in any covered security through a personal trading preclearance system, subject to certain exemptions for open-end mutual funds, various broad market index exchange-traded funds (“ETFs”), U.S. government and agency securities, and large-cap/*de minimis* transactions that are unlikely to affect the market of the covered security. Further, our Code of Ethics requires the prior approval of any acquisition of covered securities in a limited offering (e.g., private placement) or an initial public offering. For any transaction requiring pre-approval, failure to obtain such approval will be considered a violation of the Code and may not be approved after the transaction has occurred.

In an effort to ensure that all investment decisions for any client are made without bias and in the best interest of the client, we have also adopted policies and procedures designed to limit the type and amount of gifts and entertainment we can provide to or receive from clients or vendors, including brokers.



Our Code of Ethics and Client Gifts and Entertainment Policies & Procedures are in place and enforced to ensure that neither we nor any of our Access Persons may take advantage of their position, or place their own interests above those of our clients. When appropriate, we impose sanctions for violations.

Clients and prospective clients may obtain a copy of our Code of Ethics upon request by contacting William F. Camp, our Managing Partner, President and Chief Compliance Officer, at (248) 646-2650 or [wcamp@myLSIA.com](mailto:wcamp@myLSIA.com).

## **Item 12. Brokerage Practices**

As an investment advisory firm, we have a fiduciary duty to seek best execution for client transactions. The SEC has indicated that among the specific obligations that flow from an advisor's fiduciary duty is the requirement to seek to obtain the best price and execution of client securities transactions where the advisor is in a position to direct brokerage transactions.

### NON-DIRECTED BROKERAGE CLIENTS

Where we have discretion over the choice of broker-dealer, as a matter of policy and practice, we seek to obtain best execution for client transactions (i.e., seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances). We maintain a list of broker-dealers with whom we may place trades for client accounts. Our Trading Oversight Committee approves additions to the list, monitors and reports on broker-dealer regulatory events monthly, and performs an annual review for each broker-dealer on the list to ensure continued satisfaction with the service being provided.

Our portfolio managers and trading personnel are responsible for selecting the brokers through which we execute client trades and negotiating associated broker commissions or yield spreads, as applicable. Our Trading Oversight Committee reviews the commission charges and bid/offer spreads applicable to client accounts monthly in order to assure itself that the commission costs are competitive. The lowest possible commission cost or best spread alone, however, does not determine brokerage selection. In selecting broker-dealers for our approved list, determining the specific firm to execute a portfolio transaction, and assessing the quality of execution, we consider a variety of factors, including, but not limited to:

- Best available execution price of the security
- Ability to execute trades at market on close prices (for passive equity accounts)
- Commission rate



- Size and difficulty of the order
- Access to sources of supply or market
- Financial condition
- Integrity and reputation
- Execution and operational capabilities including electronic trading (e.g. FIX)
- Knowledge of the market
- Good and timely delivery and payment on trades
- Ability to handle block trades
- Quality of brokerage services and research materials

#### SOFT DOLLAR BENEFITS

Our Trading Oversight Committee oversees the use, if any, of soft dollars, which includes a review of overall and average commissions paid to each approved broker-dealer.

In some cases, the research or brokerage services we receive are provided by the executing broker-dealer. In other cases, the executing broker-dealer pays a third party to provide them. As a result of these arrangements, we receive a benefit that that we would otherwise have to produce ourselves or pay for directly. We believe that the research and brokerage services we receive are the same or similar to the type of research and materials that broker-dealers routinely provide to other investment advisors. Because of the research or brokerage services we receive, we have an incentive to select the broker-dealer based on the availability of that research, rather than based on our clients' interest in receiving the most favorable execution, and may pay commissions in excess of those that other brokers charge for transactional services alone. Further, since not all of our clients invest in the same market segments or use the same type of investment strategy, not all of our clients benefit equally from our use of certain research materials we receive. Nevertheless, we do not seek to allocate such benefits proportionately across the accounts we manage.

We believe that any soft dollar benefits we receive are eligible research and brokerage services within the definition of research under Section 28(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"). As such, we must determine in good faith that the amount of any commission paid is reasonable in relation to the value of the research and brokerage services provided, viewed in terms either of a particular transaction or our overall responsibilities with respect to accounts for which we exercise investment discretion. We must also determine that any research and brokerage services we receive provide lawful and appropriate assistance in the performance of our investment decision-making responsibilities.

To the extent we receive certain administrative benefits from the services provided by broker-dealers, and such benefits would not be considered research under Section 28(e) of the Exchange Act, we will make a good faith determination of the portion the administrative benefits represent of the overall services provided, and will use our own resources to pay for such portion.

#### DIRECTED BROKERAGE CLIENTS

Many of our clients direct us to use a specific broker-dealer for all or certain types of transactions in their accounts. In these cases, we will utilize the designated broker-dealer as directed, except where impracticable or when the broker-dealer is unable to execute the desired transaction. In accordance with client direction, we will not seek better execution services or prices from other broker-dealers for that client. As a result, the client may pay higher commissions and transaction costs or receive less favorable net prices on transactions than could otherwise be the case. Clients who direct brokerage generally will not be able to participate in block trades.

While we do not request or require that a client execute transactions through a specified broker-dealer, when a client requests a recommendation, we recommend Schwab Institutional Services, Inc. a division of Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, for custodian and brokerage services. When recommending Schwab or any other broker-dealer, we consider their financial strength, reputation, execution, pricing and services. We do not receive any form of compensation from Schwab for recommending their services.

As stated under *Item 5. Fees and Compensation*, the brokerage commissions and/or transaction fees charged by Schwab or any other designated broker-dealer are exclusive of and in addition to our fees.

#### BLOCK TRADING

We often aggregate orders for securities transactions in such a way that a group of client accounts buying or selling a particular security will be traded in a block trade. In doing so, we strive to treat each client fairly and will not favor one client over another client. Each account that participates in an aggregated equity trade will receive an average share price and transaction costs will be shared equally on a pro-rata basis (unless a portion of the aggregated order is a "step-out" trade for a directed brokerage client, in which case there may be additional costs charged separately to that client). For aggregated secondary market fixed income trades, we negotiate the price of the aggregated trade and each account receives that price. For new issues, the price is pre-determined. In all cases, if an aggregated order is not filled in its entirety, it will typically be allocated among participating accounts on a

prorated basis, subject to account rounding conventions. However, if the partial fill is determined to be inappropriate for an account such that the prorated investment amount for a particular account would be too small to warrant the investment or result in costly per ticket brokerage charges, then that account will not receive any allocation. If a portion of an aggregated equity order remains unfilled at the end of a day, it is treated as a new transaction on the following day for purposes of determining average price. We block trades where we believe it is appropriate and advantageous to clients. Blocking trades permits us to trade aggregated orders from multiple client accounts. Block trading also permits us to execute trades in a more efficient and timely manner and allows us to obtain an average share price for clients participating in the block. There are, however, circumstances specific to individual clients that may limit our ability to aggregate trades. For example, there may be times when price sensitivity or urgency to complete a trade differs, or there may be times when there is a limited supply or demand for a particular security. In some cases, trade aggregation may adversely affect the price paid or received by an account or the size of the position obtained or liquidated for an account.

Even within the same investment strategy, client accounts are managed independently to meet individual client needs and restrictions. At times, a portfolio manager places similar trades in numerous accounts within a single day that are not aggregated. Portfolio managers also place trades in one or more accounts that are directly opposite of trades placed for other accounts. This can occur, for example, when different portfolio management teams are rebalancing the same security, or when one account needs to raise cash while a new account is funding.

When similar trades for different accounts are presented to our trading desk simultaneously, the trading desk will complete all trades for non-directed separately managed accounts first before submitting trades for its directed brokerage clients. If additional non-directed trades are submitted to the trading desk before all directed brokerage trades have been completed, trading in the directed brokerage accounts is halted until the non-directed account trades can be placed. The order in which directed broker orders are placed is based on a list that rotates each day on which trading occurs. For example, if trades are placed today with brokerage firm A first, then with brokerage firm B and then with brokerage firm C, on the next trading day, brokerage firm B trades will be placed first, then brokerage firm C trades, and brokerage firm A trades will be placed last.

#### TRADE ERROR CORRECTION

Our policy is to identify and correct errors that occur in handling client transactions without disadvantaging the client or any other client. When we discover an error, we

act as promptly as possible to remedy the issue; however, we may consult with the affected client(s) prior to taking corrective action where we believe an alternative course of action may be preferable. In all cases, we will be responsible for any loss resulting from the error or related corrective action, regardless of when or how it is addressed. In the event the error or related corrective action results in a gain, we do not keep it.

#### TRADING OVERSIGHT COMMITTEE

We have established a Trading Oversight Committee (“TOC”) to review and monitor our trading practices. The TOC regularly reviews best execution and directed brokerage issues, soft dollar arrangements and proxy voting guidelines, and other issues that may arise relating to trading.

As of December 31, 2017, our TOC had seven team members, including our Chief Investment Officer-Equities, Chief Investment Officer-Passive, Director of Operations, Director of Compliance, Head Equity Trader, and Head Fixed Income Trader. Our TOC meets monthly and is responsible for monitoring our firm’s trading practices and periodically reviewing and evaluating the services provided by broker-dealers, the quality of executions, research, commission rates and overall brokerage relationships.

### **Item 13. Review of Accounts**

#### DIRECT CLIENT PORTFOLIO MANAGEMENT AND SUB-ADVISORY ARRANGEMENTS

Each account, including accounts managed pursuant to a sub-advisory arrangement, has a designated portfolio manager who is responsible for reviewing and monitoring the underlying securities and account continuously in accordance with the account’s stated investment objectives and guidelines. In addition, in order to assist with monitoring compliance with applicable investment guidelines, we utilize an integrated and automated compliance management system called Charles River Compliance Master System (“Compliance System”). The Compliance System is linked to our Charles River Trading System as well as our accounting system. The Compliance System offers pre-trade, post-trade and batch compliance monitoring capabilities for certain types of restrictions and accounts. Where operational on a pre-trade basis, the Compliance System is designed to prevent a prohibited account transaction from being sent to the trading desk for execution. The daily, post-trade batch compliance reports identify potential guideline issues caused by trading activity, cash flows, market movements, or other non-volitional events.

In all cases, portfolio managers will execute or recommend changes to holdings in an account as they deem necessary or appropriate. They are also responsible for responding to warnings or alerts generated by the Compliance System and making portfolio adjustments, if necessary. Changes to investment objectives or guidelines may be triggered upon client request or by portfolio manager recommendation following consultation with the client.

For direct portfolio management clients, we provide quarterly written reports summarizing account performance, transactions and holdings, and other information as agreed to at the inception of the advisory relationship. With each quarterly report, we also request that each client or their representative notify their portfolio manager of any changes affecting their account investment objectives.

For sub-advisory arrangements, we establish at the inception of the arrangement the types and frequency of information and reports to be provided to the investment advisor or investment program sponsor, as well as the scope and frequency of meetings with the investment advisor or investment program sponsor and/or their underlying clients.

In each case, the information we provide regarding the accounts we manage is separate and distinct from the information that the custodian will send to the client, investment advisor or investment program sponsor. The custodian may send additional statements on a quarterly basis as well as transaction confirmation notices.

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

Where a third party solicits potential advisory clients on our behalf, we enter into a written agreement with the solicitor that complies with the prevailing provisions of Rule 206(4)-3 and other applicable requirements under the Investment Advisers Act of 1940. Any such agreement provides for the payment of a portion of the advisory fees we collect from advisory clients who have become our clients as a result of the solicitor's efforts. Such compensation is based upon the advisory fees we collect from the client and may be paid over a specified time period or for the entire time such client remains one of our firm's clients.

There are certain conflicts of interest inherent in solicitation arrangements. Solicitors have a financial incentive to recommend our advisory services. The amount of compensation a solicitor receives from us may be more than what the solicitor might receive for recommending other programs or services or if they were paid separately for investment advice, brokerage or other services. In order to mitigate this conflict, at the time of our engagement we will disclose to the client in writing the nature of

our agreement with the solicitor. Further, there may be an incentive for us to charge clients introduced by a solicitor an advisory fee that is higher than what we would otherwise charge had they not been introduced by a solicitor. If that is the case, we will disclose that fact in writing to the client at the time of the engagement.

If requested by the client, solicitors may attend client meetings, monitor accounts and provide other services as requested by the client. We are not responsible, nor do we monitor, any additional services a solicitor may provide.

### **Item 15. Custody**

We do not maintain custody of client assets. Rather, each client appoints a qualified custodian to take possession of all client funds and securities. Nevertheless, if authorized by the client, we may bill our advisory fees directly to the client's account for payment by the custodian, as permitted under Rule 206(4)-2(b)(3) under the Investment Advisers Act.

Clients may receive statements periodically from the custodian that holds and maintains their investment assets. We urge clients to carefully review such statements and compare such official custodial records to the account statements that we may provide. We will also send clients annual reports which may include holdings, gains and losses, transactions, performance and other reports as may be requested. Our statements may differ from the official custodial statements based on accounting procedures, reporting dates and valuation methodologies of certain securities.

### **Item 16. Investment Discretion**

If a client elects to give us discretionary authority to select the type, amount and timing of securities to be bought or sold in their account, such a grant of authority will be stated in the investment advisory agreement signed by the client. When a client grants us discretionary authority, we exercise this authority in a manner consistent with the stated investment objectives for the particular account.

Each client typically provides a written investment policy statement that includes general investment guidelines from which the portfolio manager has the ability to vary in his/her discretion, and/or strict investment restrictions, to which the portfolio manager must adhere at all times. We can accommodate a variety of client-directed investment guidelines and restrictions, including limitations on investment type, quality or exposure and/or issuer type, quality or size. Clients may change their guidelines or restrictions at any time by verbal or written notification, depending on the terms of our engagement. In addition, when we send quarterly reports, we ask

clients to notify us in writing promptly if their financial situation, investment objectives, goals or restrictions have changed.

Each client also signs a brokerage agreement or other authorization, in which the client will grant to us a limited power of attorney to carry out our discretionary authority to trade in their account.

#### **Item 17. Voting Client Securities**

Advisory clients may elect to delegate their proxy voting authority to us. Alternatively, clients may, at their election, choose to receive and vote proxies related to their own accounts, in which case we may consult with clients as requested. With respect to ERISA employee benefit plan accounts, we will always vote proxies unless the plan fiduciary specifically reserves the right to vote the plan's proxies.

We have adopted Proxy Voting Policies and Procedures to ensure that any proxies for which we have authority to vote are voted in the best interests of the owner of the underlying security. Through a Services and Research Sharing Agreement with Loomis Sayles, Loomis Sayles is responsible for the administration of our proxy voting for direct portfolio management clients that have delegated to us their proxy voting authority, as well as for certain sub-advisory accounts where provided for in the applicable sub-advisory agreement. Loomis Sayles has engaged Institutional Shareholder Services ("ISS"), a third-party proxy voting service, to analyze each proxy proposal, make a voting recommendation for each proposal, and vote all proxies in accordance with our Proxy Voting Policies and Procedures. Our Proxy Voting Policies and Procedures provide that all proxies will be voted consistent with ISS's recommendations.

If a client desires us to vote one or more proxies in a way that is different from the ISS recommendation, the client must contact, in writing, the portfolio manager responsible for the account. Clients may also request, in writing, information on how proxies for their account were voted.

Clients may obtain a copy of our Proxy Voting Policies and Procedures by contacting William F. Camp, Managing Partner, President and Chief Compliance Officer, at (248) 646-2650 or [wcamp@myLSIA.com](mailto:wcamp@myLSIA.com).

#### **Item 18. Financial Information**

As a registered investment advisor, we are required to provide clients with certain financial information or disclosures about our financial condition in the event we have financial commitments that impair our ability to meet contractual and fiduciary

commitments to clients. We do not have any such financial commitments that would impair our ability to meet our contractual and fiduciary commitments to clients and have never been the subject of a bankruptcy proceeding.

**Item 19. Requirements for State-Registered Advisers**

This item is not applicable to LS Investment Advisors.