

Form ADV Part 2A

Item 1 – Cover Page

WEDGE Capital Management L.L.P.

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This brochure provides information about the qualifications and business practices of WEDGE Capital Management L.L.P. (WEDGE). If you have any questions about the contents of this brochure, please contact us at 704-334-6475 or bhorstmann@wedgecapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about WEDGE also is available on the SEC's website at www.adviserinfo.sec.gov.

WEDGE is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine whether to hire or retain an Adviser.

Item 2 – Material Changes

This document has been updated as part of the annual amendment process. The only material change is the inclusion of disclosures regarding the launch of an International Small Cap Strategy in October of 2014. This product is considered a private fund and is available to accredited investors only.

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Item 4 – Advisory Business

Organization

WEDGE is an investment advisory firm active in the management of client portfolios since 1984. We are independently owned by 8 general partners and are organized as a limited liability partnership under the laws of North Carolina. Our ownership distribution is broad with no general partner owning 25% or more of the firm.

Services

We believe that over long periods of time, value investing produces superior investment returns over other styles of investing (e.g., growth). Value investing generally involves buying securities whose shares appear underpriced by some form(s) of fundamental analysis. Based on this belief, we follow a value oriented, bottom-up¹ approach to the equity and fixed income markets.

Our services include:

- *traditional and quantitative management² of stocks across various market capitalization³ ranges,*
- *fixed income management across various benchmarks and*
- *balanced account management.*

WEDGE seeks to be engaged as a portfolio manager of client accounts on a fully discretionary basis (*please see Item 16 – Investment Discretion*). As a portfolio manager, WEDGE uses its best efforts to increase the value of a client's account, but will not generally consider needs of the client other than the client's account.

We utilize proprietary model portfolios, but can tailor product offerings to client-specified guidelines and restrictions in many instances. We do this by both manual and systematic means, depending on the restriction. Generally, excess cash due to client-specified restrictions is invested in other securities within the appropriate model.

Accounts with client-specified restrictions may have transactions executed separately and after accounts without restrictions to allow necessary time to process the restrictions and find more suitable investments. Accommodating these types of restrictions, may result in differences in account compositions and in the timing of transactions, which may lead to disparity in performance between accounts with restrictions and those without.

¹ Bottom-up security selection involves analyzing a security based on the individual attributes of the underlying entity.

² Quantitative management uses a systematic, factor-driven, computing model to analyze a universe of stocks.

³ Market capitalization is a way of measuring the size of a company and is calculated by multiplying the current stock price by the number of outstanding shares.

It is possible that WEDGE may be unable to provide advisory services due to certain restrictions on the selection of securities or the selection of broker-dealers. Restrictions will be evaluated on a case by case basis to determine whether WEDGE can effectively provide its advisory services. Notwithstanding the foregoing, restrictions requested on investments in a private fund will be limited to those outlined in the Private Placement Memorandum.

Wrap Fee Programs

WEDGE provides non-discretionary advisory services to a Unified Managed Accounts (UMA) Program sponsored by a brokerage firm. In a UMA Program the client executes a contract with the UMA Program sponsor and the sponsor recommends or directs which sub-advisers will be used in the client's investment program. WEDGE provides the sponsor with a model portfolio which has been chosen by the UMA program sponsor. An updated model portfolio is provided to the sponsor whenever a change is made in the model portfolio (*e.g.*, adding an investment position, deleting an investment position or increasing/decreasing a position). WEDGE does not enter trades, does not receive trade reports, does not perform or have access to recordkeeping, performance data or reporting or any client reporting. WEDGE does not interface with the sponsors' clients.

Assets Under Management

As of December 31, 2014, WEDGE managed \$11, 558, 000,000 of client assets on a fully discretionary basis. WEDGE does not have any non-discretionary assets under management.

Item 5 – Fees and Compensation

The specific manner in which fees are charged by WEDGE is established in a client's written agreement. In the case of a private fund, fees are established in the investor's subscription documents.

WEDGE is compensated based on a percentage of assets under management. The following table lists our annual fee schedules by product.

<i>Traditional Value Equity Products</i>	
	<u>Fee on all assets:</u>
Small Cap	1.00%
Small/Mid Cap	0.85%
	<u>Fee on all assets:</u>
International Small Cap, LP	1.10% + fund expenses not to exceed 1.25% ⁴

⁴ In the event that the fund's expenses consisting of the management fee, the administration fee, the custodial fee, and other service fees exceed in the aggregate 1.25% per annum of the gross asset value of a Limited Partner's Capital Account, the management fee shall be reduced to the extent necessary so that this service fee expense ratio is equal to 1.25% per annum for that particular month.

	Fee on first <u>\$10,000,000:</u>	Fee on next <u>\$15,000,000:</u>	Fee on all over <u>\$25,000,000:</u>		
Large Cap	0.75%	0.65%	0.50%		
Large Cap - Expanded	0.75%	0.65%	0.50%		
Total Cap	0.75%	0.65%	0.50%		
Balanced	0.75%	0.65%	0.50%		
	Fee on first <u>\$10,000,000:</u>	Fee on next <u>\$15,000,000:</u>	Fee on next <u>\$75,000,000:</u>	Fee on next <u>\$50,000,000:</u>	Fee on all over <u>\$150,000,000:</u>
Mid Cap	0.75%	0.65%	0.50%	0.40%	0.30%

Quantitative Value Equity Products					
	Fee on first <u>\$25,000,000:</u>	Fee on next <u>\$75,000,000:</u>	Fee on all over <u>\$100,000,000:</u>		
QVM: Large Cap	0.50%	0.40%	0.30%		
	Fee on first <u>\$10,000,000:</u>	Fee on next <u>\$15,000,000:</u>	Fee on all over <u>\$25,000,000:</u>		
QVM: Small/Mid Cap	0.80%	0.75%	0.70%		
	Fee on all <u>assets:</u>				
Micro Cap	1.25%				

Fixed Income					
	Fee on first <u>\$10,000,000:</u>	Fee on next <u>\$15,000,000:</u>	Fee on next <u>\$25,000,000:</u>	Fee on next <u>\$50,000,000:</u>	Fee on all over <u>\$100,000,000:</u>
Core: Aggregate	0.35%	0.30%	0.25%	0.20%	0.15%
Core: Government Credit	0.35%	0.30%	0.25%	0.20%	0.15%
Enhanced Core	0.35%	0.30%	0.25%	0.20%	0.15%
Intermediate: Aggregate	0.35%	0.30%	0.25%	0.20%	0.15%
Intermediate: Government Credit	0.35%	0.30%	0.25%	0.20%	0.15%
LDI/Long Duration	0.35%	0.30%	0.25%	0.20%	0.15%
	Fee on first <u>\$25,000,000:</u>	Fee on next <u>\$25,000,000:</u>	Fee on next <u>\$50,000,000:</u>	Fee on all over <u>\$100,000,000:</u>	
Short Aggregate	0.30%	0.25%	0.20%	0.15%	
	Fee on first <u>\$25,000,000:</u>	Fee on next <u>\$75,000,000:</u>	Fee on all over <u>\$100,000,000:</u>		
Ultra-Short Aggregate	0.25%	0.15%	0.10%		

Negotiability

We consider the above fee schedules to be non-negotiable. Nevertheless, we have granted exceptions in a limited number of special cases, which in our opinion, involved factors justifying exceptional treatment. Additional special cases may occur in the future.

General Billing

Clients may choose to be billed directly or to bill the custodian bank directly with a copy of the invoice sent to the client. Invoices are normally sent within 30 days of the end of each quarter. It is expected that the fee will be paid within 30 days after receipt.

Generally, the fee is computed and paid quarterly in arrears, based upon the market value⁵ of the client's account at the end of each quarter. Deposits or withdrawals, made at any time during the quarter, exceeding ten percent of the account's market value on the last business day of the quarter, are pro-rated on the basis of the number of days the funds were in the account, unless otherwise agreed to.

For the period from the day on which management of a new account commences until the end of the next calendar quarter, the client will be charged a prorated fee based on the number of days in the period.

In the event that an account is terminated during a calendar quarter, the fee is pro-rated based on the number of days in the quarter in which we managed the client's assets.

Private Fund Billing

The fee shall be paid monthly, in arrears. The fee shall be calculated based on the Net Asset Value of each Limited Partner's Capital Account as of the last Valuation Point of the immediately preceding month (after taking into account any redemptions of Interests as of such day). The fee will be prorated for any period that is less than a full month.

The fund's investments generally are valued at their last sales price; provided, however, that to the extent deemed appropriate, valuations may be based on quotations from independent dealers, other pricing services or such other valuation method as the Investment Adviser may determine in its sole discretion.

Other Fees

WEDGE's fee is separate from and does not include:

- *brokerage commissions, dealer spreads, and other transaction costs from buying and selling securities (please see Item 12 – Brokerage Practices),*
- *custodial fees,*
- *interest,*
- *taxes and*
- *other account expenses.*

⁵ The market value of the assets under management is the aggregate of the closing values of the assets in the account at the close of business on the last business day during the quarter on which the New York Stock Exchange is open. Pricing for securities is provided by an independent pricing agent, Interactive Data Corporation (IDC). IDC's prices are compared to prices of other independent third parties for reasonableness. Where material differences exist, WEDGE will adjust the security according to known bid prices believed by WEDGE to represent current market value.

These expenses are the responsibility of each client. When holding cash-equivalent funds, some custodians may charge a management fee for access to money market funds. If applicable, this charge would be in addition to WEDGE's fee.

Prepayments

Fees may be paid in advance upon client request and as previously agreed to. In these arrangements, fees are paid on a quarterly basis with no adjustment made for contributions or withdrawals during any quarter. Fees for partial quarters will be pro-rated as described above. A refund for the amount of unearned pre-paid fees will be promptly provided to a client upon termination.

Other Compensation

WEDGE does not receive direct compensation in connection with the purchase or sale of any securities.

Item 6 – Performance-Based Fees and Side-By-Side Management

WEDGE does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets in a client account).

Item 7 – Types of Clients

WEDGE primarily provides portfolio management services to institutional investors such as: corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, investment companies, trust programs, private investment funds, and other U.S. and international institutions as well as high net worth individuals.

Conditions for Managing Accounts

Generally, WEDGE's established account minimum is \$10,000,000. The established account minimum is \$5,000,000 for certain fixed income products, \$3,000,000 for Micro Cap and \$1,000,000 for the International Small Cap, LP private fund. However, WEDGE may grant exceptions in certain circumstances.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Traditional Equity Strategies

Our traditional equity strategies invest in US Exchange-traded equity securities, including American Depositary Receipts (ADRs)⁶, across various market capitalization ranges.

Initially, we employ two proprietary, fundamentally based screening models, which use publicly available data on all eligible companies. Our Fundamental Value Model identifies those stocks with the greatest profit potential, based on:

- *value,*
- *quality,*
- *capital use and*
- *momentum.*

To preclude investing in financially unsound companies, we then employ our Financial Quality Model, which focuses on:

- *growth,*
- *profitability,*
- *leverage and*
- *liquidity.*

Stocks are ranked by both models for relative attractiveness, with approximately 35% of the initial universe eligible for subsequent research.

Focusing on companies that meet our value and financial quality parameters, research analysts employ comprehensive, quantitative and qualitative analysis, seeking stocks with unrecognized value. Areas of emphasis include:

- *independent earnings forecasts and financial statement analysis,*
- *an evaluation of free cash flow generation and return on invested capital,*
- *absolute and relative valuations,*
- *industry analysis and competitive positioning and*
- *management capabilities and incentives.*

⁶ American Depositary Receipt (ADR) is a stock that trades in the United States but represents a specified number of shares in a foreign corporation. ADRs are bought and sold on American markets just like regular stocks, and are issued/sponsored in the U.S. by a bank or brokerage.

This bottom-up analysis is then coupled with macro-economic research, focusing on the current and future stages of the economic cycle and their impact on the profitability and performance of broad sectors and specific industries. Prior to purchase, ideas are constructively debated among our investment staff, culminating with a review and required approval by our Investment Policy Committee.

Subject to account guidelines, portfolios are consistently managed relative to holdings and positions sizes, and well diversified among issues and sectors. Generally, individual position sizes are targeted to be from 1-4% of the portfolio, and will be held to a maximum of 5%. Broad economic sectors are limited to 25% of the portfolio, or the benchmark weighting plus 5%, whichever is greater.

International Equity Strategies

The universe for our International Small Cap Fund includes all global ex-US stocks with a market capitalization of \$250 million to \$7 billion at initial purchase. WEDGE may adjust the market capitalization range to remain consistent with the international small cap market. As described in the Traditional Equity Strategies section above, we employ our Fundamental Value Model which uses publicly available data to screen all eligible companies. Our Fundamental Value Model identifies those stocks with the greatest profit potential, based on:

- *value,*
- *quality,*
- *capital use and*
- *momentum.*

Focusing on companies that meet our parameters, research analysts employ comprehensive, quantitative and qualitative analysis, seeking stocks with unrecognized value. Areas of emphasis include:

- *independent earnings forecasts and financial statement analysis,*
- *an evaluation of free cash flow generation and return on invested capital,*
- *absolute and relative valuations,*
- *industry analysis and competitive positioning and*
- *management capabilities and incentives.*

This bottom-up analysis is then coupled with macro-economic research, focusing on the current and future stages of the economic cycle and their impact on the profitability and performance of broad sectors and specific industries. Prior to purchase, ideas are constructively debated among our investment staff, culminating with a review and required approval by our Investment Policy Committee.

WEDGE seeks prudent diversification across sectors, geographic regions (defined as Europe, Emerging Markets, Japan, Asia (ex-Japan), North America (ex-USA) and other), and securities. Sector weightings and regional weightings will be limited to 25% or the appropriate value benchmark's weighting plus 10%, whichever is higher. Generally, individual position sizes are targeted to be from 1-4% of the portfolio, and will be held to a maximum of 5%.

Quantitative Equity Strategies

Our quantitative equity strategies invest in US Exchange-traded equity securities, including ADRs, across various market capitalization ranges.

We believe that momentum⁷ and contrarian⁸ factors can be successfully employed with value factors to identify undervalued stocks that are beginning to show visible signs of life, and optimize the timing of purchases and sales. Furthermore, the factors that determine stock price performance vary across economic sectors. Due to the number and combinations of factors utilized, a systematic model is needed to analyze the universe of stocks.

Our quantitative products are designed to utilize the most productive measures of value and momentum on a sector-by-sector basis. We also strive to improve upon the usual value manager tendency to buy too early and sell too early, by incorporating appropriate momentum and contrarian factors.

The model derives from:

- *our extensive experience as value managers,*
- *a wide range of academic and industry findings and*
- *intensive back-testing.*

Companies are ranked within economic sectors using a unique combination of value, contrarian and momentum factors for that sector. To become a candidate for purchase, a stock must satisfy certain decile criteria for its sector. All candidates are then reviewed by our analytical staff, with a primary focus on the accuracy of the data and any current developments that might alter the quantitative analysis.

⁷ Earnings momentum occurs when the earnings per share growth of a company is accelerating or decelerating from the prior period. Earnings multiples (as in the Price/Earnings ratio) are the foundation for most stock prices, and if earnings are increasing at a faster pace than expected, then current multiples can appear too low. As a result, investors will bid up the stock price to reach a new level of equilibrium. On the other hand, if earnings momentum decelerates, the price of the underlying stock may drop despite the fact that earnings as a whole are still increasing. The basic idea is that once a trend is established, it is more likely to continue in that direction than to move against the trend.

⁸ Contrarian factors can lead to exploitable mispricings in securities markets when the consensus opinion appears to be wrong.

Fixed Income Strategies

Our fixed income strategies invest in US dollar-denominated, investment grade bonds including: Government Obligations, Mortgage Backed Securities, Asset Backed Securities, Taxable Municipal Bonds, Corporate Bonds, Collateralized Mortgage Obligations and Floating Rate Notes. Fixed income portfolios are constructed with varying duration⁹ targets based on client benchmarks.

We strive to consistently maintain an effective yield advantage versus each client's benchmark index by continuously investing in undervalued bonds, while cautiously managing the assumption of risk, seeking the optimum balance between risk and reward for each client. Therefore, we focus on the major contributors to fixed income returns, concentrating assets in undervalued securities and sectors, and taking advantage of long-term trends in interest rates, as well as the current and changing shape of the yield curve¹⁰.

Our bottom-up security selection process reflects three basic steps.

- *First, we review the market to identify potentially undervalued bonds that reflect a high yield premium or spread versus benchmark U.S. Treasuries, relative to historical levels and alternate bonds of comparable quality and risk.*
- *Secondly, we employ fundamental analysis (e.g., credit, supply/demand analysis, etc.) to select those bonds whose yield spreads should subsequently fall or compress to an average level, generating a relative total return advantage.*
- *Finally, we employ a Relative Return Model to identify those specific bonds whose return advantage should be achieved over a broad range of potential interest rate changes – enhancing the probabilities of adding value.*

At the portfolio level, we then employ two proprietary, multi-factor Bond Market Analysis Models, which help us assess and take advantage of the future direction of short and long-term interest rates by evaluating economic activity, monetary policy and financial market conditions. Based on the output of these models, coupled with qualitative judgment, we then seek to add incremental value by opportunistically positioning the portfolio's duration and allocating assets along the yield curve, taking advantage of the current and anticipated changing shape of that curve.

⁹ Duration is a measure of the sensitivity of the price of a fixed-income investment to a change in interest rates as expressed in a number of years. The bigger the duration number, the greater the interest-rate risk or reward for bond prices. It is a common misconception among non-professional investors that bonds are risk free. They are not. Investors need to be aware of two main risks that can affect a bond's investment value: credit risk (default) and interest rate risk (rate fluctuations). The duration indicator addresses the latter issue.

¹⁰ The yield curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates.

Subject to client guidelines and restrictions, we strive for consistent holdings across portfolios and appropriately control risk through:

- *investment solely in high quality issues,*
- *prudently diversified security and sector positions, and*
- *a conservative maturity structure, as each client's duration will be maintained within 15% of the duration of their benchmark index, except for the Fixed Income Short Duration Strategy, in which duration is targeted to no greater than 15% above the duration of the benchmark index.*

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. Generally, the greater the return potential of an investment, the greater the risk of loss is in that investment. All of the strategies listed above have an inherent risk of loss due to investing in marketable securities like stocks and bonds. Specific sources of risk that can adversely affect an investment include: security price risk, security liquidity risk, business risk, financial leverage risk, exchange rate risk, interest rate risk, country risk, political risk, default risk and bankruptcy risk. To mitigate risk, clients should determine whether their entire investment portfolio is properly diversified and that the overall asset allocation is appropriate. Generally, WEDGE will only consider the client's account(s) under management with WEDGE and how the account(s) is diversified.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of WEDGE or the integrity of WEDGE's management. Neither WEDGE nor any of its management persons has been the subject of any legal or disciplinary events.

Item 10 – Other Financial Industry Activities and Affiliations

Neither WEDGE nor any of its management persons is engaged in other financial industry activities or has other industry affiliations that would create a material conflict of interest.

However, WEDGE Capital Management L.L.P serves as the investment adviser (the Investment Adviser) of WEDGE Capital International Small Cap, LP (the Partnership) (a Delaware limited partnership formed in January 2014 to operate as a private investment partnership). WEDGE Capital, LLC, a Delaware limited liability company (the General Partner), serves as the General Partner of the Partnership. WEDGE Capital Management L.L.P is the sole member of WEDGE Capital, LLC. The General Partner delegates responsibility for the management of the Partnership's investments and affairs to the Investment Adviser pursuant to an investment management agreement by and among the Partnership, the General Partner and the Investment

Adviser (the Investment Management Agreement). The Investment Management Agreement grants the Investment Adviser discretionary investment authority over the assets of the Partnership and authorizes the Investment Adviser to manage the Partnership's investment portfolio on a daily basis.

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

WEDGE has adopted a Code of Ethics (Code) for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. All associates must acknowledge and agree to abide by the terms of the Code annually.

The Code includes the following:

- *Personal Security Trading Policy,*
- *Insider Trading Policy,*
- *Privacy Policy,*
- *Personnel Handbook,*
- *Gifts and Entertainment Policy*
- *Political Contributions Policy and*
- *the CFA Institute Code of Ethics and Standards of Professional Conduct.*

Personal Trading

Associates of WEDGE may place orders to purchase or sell securities on behalf of the firm, their own accounts or other accounts. However, it is a policy of WEDGE that its associates are to avoid such securities transactions and other activities that might conflict with or be detrimental to the interests of clients, or which are designed to profit by the market effects of advice to clients.

Associates must first obtain approval from the compliance department (pre-clearance) when initiating transactions in the following securities:

- *Common stocks,*
- *options on common stocks,*
- *taxable bonds,*
- *securities convertible to common stock and*
- *private placements.*

Associates may not sell a security which is owned or being purchased for a client's account, with limited exception.

On an annual basis, all associates are required to submit a list of all personal, marketable, reportable securities that they hold directly or indirectly.

Insider Trading

It is a policy of WEDGE that no associate shall trade securities while in possession of material non-public information, nor communicate any such information, in violation of the insider trading prohibitions of applicable law.

However, WEDGE may become a temporary insider of a company, subject to insider trading prohibitions, by virtue of advice or other services rendered or received. The internal procedures adopted to implement this policy include the following:

- *on-going efforts by associates to identify material non-public information in their possession,*
- *real-time reporting of issues arising under the policy to certain designated officers of the firm and*
- *abstention from trading in the subject security, and from communicating to others the subject information, which may include adding the security in question to a Restricted Stock List, pending resolution of the issues under review.*

On an annual basis, all associates are required to report any material personal relationships with any individuals which could lead to gaining inside information.

Additionally, on a quarterly basis, all associates must:

- *state whether or not they have traded on material non-public information in their account(s) and/or in WEDGE's clients' accounts and*
- *provide information on any board of directors positions they or their spouses hold for any public companies.*

A copy of the Code may be obtained by writing to: Compliance at the address on the cover page of this document.

Item 12 – Brokerage Practices

In placing orders to purchase and sell securities, it is WEDGE's policy to seek best execution, which includes both commissions and execution prices. In selecting broker-dealers to execute portfolio transactions, WEDGE considers:

- *the price of the security,*
- *the rate of commission,*
- *the size and difficulty of the order,*
- *the reliability, integrity, financial condition and general execution and operational capabilities of competing broker-dealers and*
- *the brokerage and research services provided.*

Where possible and consistent with this policy, WEDGE negotiates with broker-dealers to obtain reduced commission charges at institutional rates.

Research

When placing orders with broker-dealers, WEDGE may receive research and/or other products and services with client commissions (soft dollars). Such research is considered either proprietary (research created by a broker-dealer) or third-party (research created by another party). This research is provided in addition to execution services. This is a valuable component of WEDGE's securities analysis because we do not have to create the research in-house or pay for it separately (hard dollars). WEDGE may have an incentive to select broker-dealers based on our interest in receiving research or other products and services, rather than on our clients' interest in receiving most favorable execution.

WEDGE only utilizes soft dollars after both the firm's rigorous requirements and those of Section 28(e) of the Securities Exchange Act of 1934 are satisfied. Soft dollar usage is budgeted and internally audited on an annual basis.

A sampling of the services received consists of the following:

- *Bloomberg Professional,*
- *FactSet,*
- *Capital IQ,*
- *IBES and*
- *Haver Analytics.*

Each of the services received are used as part of the initial screening process, fundamental analysis stages, quantitative economic evaluation, and/or trade execution.

When placing orders to execute portfolio transactions, WEDGE may cause clients' accounts to pay a broker-dealer an amount of commission in excess of the amount of commission another

broker-dealer would have charged. WEDGE will only do this after determining in good faith that the amount of commission is reasonable in relation to the value of the brokerage and research services received. Our determination may be based on a particular transaction or our overall responsibilities with respect to our clients' accounts.

Research services furnished by broker-dealers may be used in servicing all of WEDGE's clients' accounts. Not all of such services may be used in connection with the clients' accounts which paid commissions to the broker-dealers providing such services.

In addition, some of the services obtained may provide a mixed-use to WEDGE, providing valuable information utilized by both our research staff and non-research staff. While an inherent conflict of interest exists in the assessment of an appropriate allocation between the amount to be paid with soft dollars versus hard dollars, WEDGE strives to make an objective, conservative determination of the portion that is soft dollar eligible and the portion that is not.

Directed Brokerage & Commission Recapture

A client may give WEDGE unlimited discretion in the selection of a broker-dealer (non-directed). In this case, WEDGE will be best able to achieve best execution for the client.

In some instances, a client directs WEDGE to use a specified broker-dealer, even though such broker-dealer may charge commission rates in excess of the institutional rates generally available to WEDGE. In other instances, clients have directed WEDGE to place transactions with a particular broker-dealer to defray consulting fees or to participate in a commission recapture program. In each of these instances, WEDGE follows the client's direction with the understanding that:

- *utilizing the services of the designated broker is in the best interests of the account,*
- *the benefits provided shall be for the exclusive benefit of the participants and beneficiaries of the plan (if applicable) and*
- *the direction shall not constitute, or cause the account to be engaged in, a prohibited transaction as defined in the Employee Retirement Security Act of 1974 (ERISA), as amended.*

Under such arrangements:

- *WEDGE's ability to negotiate commissions on the client's behalf may be limited, which may result in higher commission rates;*
- *WEDGE's ability to aggregate the client's orders with the orders of other clients may be limited, which may result in higher commissions and less favorable prices;*
- *WEDGE may execute equity and fixed income trades for non-directed accounts first with other accounts following in random order, thus diminishing the likelihood that a directing client may achieve best execution; and*

- *WEDGE may utilize a correspondent broker to accommodate client recapture requests, which may result in less being recaptured since the executing broker may retain a portion of the commission.*

In some cases where a client has directed WEDGE to trade with a specific broker or dealer, in order to achieve best net execution WEDGE has traded with a different broker or dealer and asked that firm to "step out" of the trade. In other instances, step out trades may be used to allocate brokerage to firms that provide statistical or other research services. In a step out trade, the broker or dealer executing a trade gives up, to another broker or dealer, the discount or commission on, and the settlement of, the trade. WEDGE uses step out trades only when it believes that such trading is in its client's best interest and, in particular, only when WEDGE believes that its client's account will receive an execution at least as good as it would otherwise receive.

Aggregation and Order Allocation

WEDGE frequently aggregates purchase or sell orders for an account with purchase or sell orders for other accounts to increase the likelihood of a more favorable result for its clients. However, WEDGE is not obligated to aggregate orders.

Circumstances may also arise when there is a limited supply or demand for a security. Under such circumstances, while WEDGE intends to allocate each opportunity to purchase or sell a security among those accounts on an equitable basis, WEDGE is not required to assure equality of treatment among all accounts in connection with every trade. Where, because of prevailing market conditions, it is not possible to obtain the same price or time of execution for all securities purchased or sold for clients' accounts, WEDGE will allocate the securities pro-rata or randomly.

Review

From time to time, we review the past performance of the broker-dealers with whom we place orders for execution in light of the factors discussed above. WEDGE may cease to do business with certain broker-dealers whose performance is not considered competitive.

American Depositary Receipts (ADRs)

From time to time, WEDGE purchases ADRs and/or foreign stocks listed on US exchanges and traded over the counter for its clients. On occasion, the broker may purchase shares of a foreign entity on the issuer's native exchange and convert the securities to ADRs or vice versa. A portion of the dividend paid on these types of securities may be withheld by a foreign government for tax reasons. The portion withheld may be recoverable by the client in certain circumstances. When possible, it is the client that bears responsibility for repatriating the portion withheld. To the extent that dividends are withheld, and not repatriated, the performance of that client's account will be impacted negatively.

Item 13 – Review of Accounts

WEDGE performs various reviews to verify compliance with client objectives. Upon account set up, client investment objectives and restrictions are noted by the firm's compliance officers and client portfolio managers. These objectives and restrictions are reviewed to varying degrees on a daily, monthly, quarterly and annual basis. Reviews may include such areas as: overall investment objectives, social and religious restrictions, performance, best execution, proxy voting, privacy, etc. Individuals responsible for these types of reviews include the firm's four compliance officers as well as the firm's six client portfolio managers. At December 31, 2014, there were 403 client accounts, which approximates to 67 accounts per client portfolio manager with four compliance officers providing oversight.

Generally, WEDGE mails written reports to clients within 30 days after each quarter-end. At a minimum, these quarterly reports contain information on performance and holdings. However, many of our clients request additional or more frequent reporting, which we also provide. These additional reports may include information on:

- *gains and losses,*
- *commissions,*
- *transaction detail,*
- *proxy voting and*
- *other client data.*

Item 14 – Client Referrals and Other Compensation

This Item is not applicable to our business.

Item 15 – Custody

WEDGE does not maintain or accept actual custody of client funds or securities. Nonetheless, since WEDGE serves as managing member of a private fund, and because it has the right to debit fees or withdraw assets directly from this private fund, WEDGE is deemed to have custody over the private fund within the meaning of Rule 206(4)-2 under the Advisers Act (the Rule). To comply with the Rule, WEDGE provides each investor in the private fund independently audited financial statements within 120 days following the private fund's fiscal year end.

Separate account clients may use their discretion in choosing a custodian to take and have possession of their assets.

Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains clients' investment assets. WEDGE urges our

clients to carefully review such statements and compare official custodial records to the account statements that we provide to you.

Our statements may vary from custodial statements based on:

- *accounting procedures,*
- *reporting dates and/or*
- *valuation methodologies of certain securities.*

Item 16 – Investment Discretion

WEDGE receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold and transact trading in the client's custodial account. This discretionary authority is granted in the investment management agreement with each client. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives, policies and/or restrictions for the particular client account.

Clients should provide all applicable investment objectives, policies and/or restrictions to WEDGE in writing.

Money Market Fund Selection

Unless agreed to otherwise, selection of money market funds is the responsibility of the client in conjunction with the custodian. If WEDGE is requested to select a money market fund, the authority to do so should be outlined in writing from the client. Once the client's written authorization is accepted by the custodian, WEDGE will generally instruct the custodian to invest excess cash in a United States Treasury only money market fund.

Class Actions

The responsibility and authority for handling class actions and related claims rests with each of WEDGE's clients. WEDGE is not responsible for advising or acting for clients on legal proceedings, including class actions and bankruptcies, involving securities purchased or held in client accounts.

Item 17 – Voting Client Securities

WEDGE votes proxies for its clients, unless instructed otherwise. WEDGE has developed a Proxy Policy which is designed to comply with both SEC Rule 206(4)-6 under the Investment Advisers Act of 1940, and ERISA. WEDGE considers a myriad of information, including recommendations from Glass Lewis & Co., in formulating proxy votes. WEDGE votes proxies in the best economic interest of shareholders. Generally, WEDGE does not accept client direction when voting proxies. However, in limited circumstances and as previously agreed to, WEDGE may accept client direction when voting proxies. In all instances, WEDGE must receive proxy materials and related communications within a timely manner in order to vote.

All conflicts of interest are to be resolved in the best interest of our clients. To alleviate potential conflicts of interest or the appearance of conflicts, WEDGE does not allow any associate or his or her spouse to sit on the board of directors of any public company without Management Committee approval, and all associates have to affirm quarterly that they are in compliance with this requirement. Additionally, if an analyst voting a proxy feels a conflict or a potential conflict of interest exists for any reason, he or she must consult with another analyst and/or the Management Committee to review and confirm the appropriate vote.

Copies of the Proxy Policy or information on how proxies were voted may be obtained by writing to: Proxy Administration at the address on the cover page of this document.

Item 18 – Financial Information

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