

Towle & Co.

1610 Des Peres Road, Suite 250
St. Louis, MO 63131

www.TowleCo.com

314-822-0204

compliance@towleco.com

March 26, 2020

This brochure provides information about the qualification and business practices of Towle & Co. If you have any questions about the contents of this brochure, please contact us at 314-822-0204 or compliance@towleco.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

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

Although Towle & Co. is a registered investment adviser with the SEC, registration does not imply a certain level of skill or training.

Item 2 Material Changes

Material changes from our last annual amendment dated March 27, 2019 include:

Items 4 and 5 were amended to describe the wrap fee programs Towle is a portfolio manager for.

Item 7 was amended to disclose Towle's current types of clients.

Item 8 was amended to disclose Towle's tax loss harvesting process.

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Item 4 Advisory Business

Formed in 1981, Towle & Co. is an independently-owned firm registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Towle & Co. is organized as an S-Corporation and has two owners active in the business, J. Ellwood Towle, Chairman, and Christopher D. Towle, President and Chief Executive Officer. Since inception, various members of the Towle family have owned and continue to own 100% of the stock. No material changes to the current ownership structure are anticipated in the near future.

Towle & Co. typically manages long-only stock portfolios for both individual and institutional investors on a fully discretionary basis. The firm specializes in a long-term, deep-value investment discipline that is designed to uncover significant discrepancies between stock market prices and underlying company values. This search for value generally leads to smaller capitalization stocks, a market segment overlooked by many asset managers. For investors with a long-term investment horizon seeking capital appreciation in excess of stock market returns, the Towle Deep Value strategy may appreciably diversify their scope of investment and complement core equity allocations.

In general, Towle & Co. manages client portfolios on a “pari-passu” basis to the Towle Deep Value strategy’s model portfolio, meaning that they are managed together and in the same style. However, Towle & Co. does work with clients to accommodate client-specific restrictions.

Investors participate with Towle & Co. via separately managed accounts, wrap fee programs, pooled investment vehicles, investment companies registered under the Investment Company Act of 1940 (“Registered Mutual Funds”) and the Undertakings for Collective Investment in Transferable Securities directive (“UCITS Funds”). Towle & Co. manages the assets of the pooled investment vehicles, Registered Mutual Funds and UCITS Funds based on their specific investment objectives and restrictions, as outlined in their respective prospectuses and statements of additional information, rather than on the individual needs and objective of the individual shareholders.

The majority of Towle & Co.’s clients receive discretionary investment services through our separately managed account program. Certain clients receive our investment advisory services through “dual contract” and “single contract wrap fee” programs (the “Programs”) sponsored by unaffiliated broker-dealers or registered investment advisers (“Program Sponsors”). Towle & Co. contracts directly with each Program Sponsor’s client in “dual contract” programs. Towle & Co. contracts only with the Program Sponsor in “single contract” programs, under which an all-inclusive (or “wrap”) fee is paid by the client to the Program Sponsor and the Program Sponsor remits a portion of the fee collected to Towle & Co., which represents fees for providing investment advisory services. In these Programs in which Towle & Co. participates, the Program Sponsor typically:

- Provides custody, tax reporting, client reporting, trading commissions, performance monitoring and other services;
- Assists the client in defining the client’s investment objectives based on information provided by the client and provides the client with the opportunity to impose reasonable restrictions on management of the account;
- Determines whether the fee arrangement is suitable for the client;
- Aids in the selection of an investment adviser to manage the account (or a portion of its assets);
- Periodically contacts the client to ascertain whether there have been any changes in the client’s financial circumstances or objectives that warrant a change in the arrangement or the manner in which the client’s assets are managed, whether the client wishes to impose reasonable restrictions (or additional reasonable restrictions) on the management of the account or reasonably modify existing restrictions;

- Ensures that personnel who are knowledgeable about the account are reasonably available to the client for consultation.

Towle & Co. serves as the investment manager and general partner of Towle Capital Partners, L.P. (the “Partnership”) and also serves as a sub-advisor to an unaffiliated private fund. *Any reference to the Partnership within this Form ADV Part 2A shall not constitute an offer to sell or the solicitation of an offer to buy interests in the Partnership.* A private placement of securities may only be made in conjunction with the Partnership’s offering documents.

Towle & Co. serves as the investment manager of Towle Institutional Partners, L.P. (“TIP”) a private fund which is an incubated strategy and is not presently available to external investors. *Any reference to TIP within this Form ADV Part 2A shall not constitute an offer to sell or the solicitation of an offer to buy interests in TIP.*

Towle & Co. serves as investment manager to the Towle Deep Value Fund, a Registered Mutual Fund, which is a series of the Investment Managers Series Trust.

Towle & Co. also provides a customized version of the Towle Deep Value strategy to an institutional investment manager. Through this relationship Towle & Co. serves as a sub-advisor to an unaffiliated, Registered Mutual Fund, as well as a portfolio manager to foreign UCITS Funds.

References to “client” throughout this ADV Part 2A include separately managed account clients, the Partnership, Registered Mutual Funds, UCITS Funds, and wrap fee programs.

As of December 31, 2019, Towle & Co. managed assets with a market value of \$889,083,798 on a discretionary basis. Towle & Co. did not have any assets under management that were considered to be non-discretionary.

Item 5 Fees and Compensation

Management fees for separately managed accounts are based upon the value of the assets in the account and are payable quarterly in arrears according to the following schedule. Towle & Co. reserves the right to negotiate fees when appropriate. At Towle & Co.’s discretion, related client accounts may be consolidated to aggregate account values for fee calculations.

<u>Account Assets</u>	<u>Annual Rate</u>
First \$25 million	1.00%
Second \$25 million	0.90%
Over \$50 million	0.80%

Fees for separately managed accounts are calculated as a percentage of the account value on the last trading day of each calendar quarter and payable at the end of each quarter. For accounts that start or terminate mid-quarter, the management fee is pro-rated. Clients may terminate the advisory relationship upon fifteen (15) days written notice and within five (5) business days of signing the investment management agreement.

Fees will be invoiced directly or debited from the account in accordance with the client’s written authorization. In the event that Towle & Co. is permitted to deduct management fees electronically, Towle & Co. will also deliver an informational copy of the invoice to the client. Accounts managed by Towle & Co. are held in custody by a third-party bank or broker-dealer of client’s choosing. Clients’ custodians will deliver a periodic (at least quarterly) account statement directly to clients. The statements will include all transactions that took place in the account during the period covered and reflect any fees deducted and paid to Towle & Co. Clients are encouraged to review their account statement for accuracy and compare them to the reports received from

Towle & Co. Should there be any discrepancies clients should rely on the information in their custodian's account statement.

Registered Mutual Funds and UCITS Funds Fees

Specific management fee and related expense information can be found in the prospectus and statement of additional information for each Registered Mutual Fund and UCITS Fund. The fees are based on the portion of assets managed by us, which are calculated by each Registered Mutual Fund and UCITS Fund.

Partnership Fees

The management fees that Towle & Co. receives as General Partner of the Partnership are based on the amount of assets under management and as disclosed in the offering documents. Management fees are calculated by an independent, third party administrator, deducted from each investor's capital account, and verified annually by an independent auditor. Towle & Co. reserves the right to negotiate fees with investors in the Partnership when appropriate, typically in the form of a side letter, which is permitted in accordance with the Partnership's offering documents.

Wrap Program Fees

Clients participating in a single contract wrap fee program pay a single fee for the advisory fee, brokerage and custodial services. Clients' portfolio transactions may be executed without commission charges. In evaluating such an arrangement, each client should also consider that, depending upon the wrap fee charged by the Program Sponsor, the amount of portfolio activity in the client's account and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. Clients participating in these programs should refer to the Program Sponsors' ADV and agreements for information regarding additional fees and expenses. Management fees for the single contract wrap fee program are calculated by the Program Sponsor. Towle & Co. does not invoice the wrap program client. It is the Program Sponsor's responsibility to handle collection of client fees. Towle & Co. is compensated directly by the Program Sponsor based upon the assets managed within this relationship. The Program Sponsor for which Towle & Co. serves as a manager bills fees in advance. In the event the client terminates its contract before the end of the billing period, the client is refunded any prepaid fees from the Program Sponsor.

Other Fees and Expenses

Clients should understand that the different fees discussed above are specific to what Towle & Co. charges and do not include certain charges imposed by third parties such as custodial fees, mutual fund fees and other expenses. Client assets may be subject to transaction fees, brokerage fees and commissions, retirement plan administration fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Clients should understand that all custodial fees and any other charges, fees and commissions incurred in connection with transactions for a client's account are generally paid out of the assets in the account and are in addition to the investment management fees charged by Towle & Co. Please refer to Item 12 of this brochure for additional important information about Towle & Co.'s brokerage and transactional practices, including considerations for selecting broker-dealers for client transactions. Clients should review the fees charged to their account(s) to fully understand the total amount of all fees charged. Clients should understand that lower management fees for comparable services may be available from other investment advisory firms.

Towle & Co. reserves the right to negotiate its fees with its clients. Fees on certain employee, family and affiliated entity separate accounts and Partnership investments have been waived. Such waiving is granted at the discretion of firm management.

Towle & Co.'s only remuneration for managing client assets is the management fee described above. Neither Towle & Co. nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

Towle & Co. currently has no client relationships in which Towle & Co. earns or collects performance-based fees. Towle & Co. reserves the right to negotiate a performance-based fee structure upon request when it is permissible under regulatory requirements to do so.

Item 7 Types of Clients

Towle & Co. manages investment portfolios on a discretionary basis for individuals, high net worth individuals, pensions and profit-sharing plans, charitable organizations, government entities, trusts, and pooled investment vehicles that include Registered Mutual Funds, private investment funds and UCITS Funds. Towle & Co. manages certain clients' investment portfolios through a sub-advisory agreement with registered investment advisers.

The advertised minimum to open a separately managed account is \$3,000,000. The Partnership has a minimum for initial and subsequent investments, which is fully described in the offering documents. Registered Mutual Funds and UCITS Funds outline their minimum investment levels in their respective prospectuses.

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

Towle & Co. primarily manages assets using a focused, long-only, equity strategy that we call Towle Deep Value. This strategy executes a fundamental, investment discipline that emphasizes the purchase of companies believed to be substantially undervalued relative to their private market worth and normalized earnings power. The bottom-up selection process strives to identify and invest in out-of-favor companies with significant appreciation potential over the long term. Paramount to this endeavor is a contrarian and independent viewpoint. No attempt is made to manage against the composition of a benchmark. While the Towle Deep Value approach may include large capitalization stocks, the search for absolute value usually leads to equities with market capitalizations under \$5.0 billion.

A distinguishing characteristic of the strategy is its emphasis on identifying investment candidates with very low price-to-sales ratios and high earnings potential over a three-year investment horizon. This approach has been a keen focus since inception and may be a key factor in the strategy's long-term outperformance. In addition to these criteria, we look for well-seasoned companies with strong market positions, identifiable catalysts for earnings improvement, and committed, experienced management teams. Investments are made in industries such as financial services, manufacturing, distribution, consumer products, transportation, and energy, among others. Towle & Co. does not invest in tobacco, liquor, or gaming companies.

Towle also considers ongoing tax efficiency by harvesting tax losses in client accounts. This is designed to help manage a client's account in a tax-efficient manner by seeking to lower taxes by selling securities at a loss to offset potential capital gains. In order to preserve a "harvested" loss, Towle & Co. will temporarily restrict a security from repurchase for 30 days to avoid a violation of the wash-sale rules and may temporarily purchase an Exchange Traded Fund with the excess cash during this 30-day restriction. Towle & Co. does not provide tax advice. We suggest you consult with a tax-planning professional with regard to your personal circumstances.

Risks

Investing in common stocks involves risk in that prices of publicly traded equities fluctuate daily, sometimes dramatically. Furthermore, it is possible that the value of a stock could become worthless. Clients should be prepared to bear general equity price risk when investing with Towle & Co.

In addition to market risk described above, there are some investment risks that are specific to investing in the Towle Deep Value strategy. First, Towle & Co.'s search for absolute value usually leads to equities with market capitalizations under \$5.0 billion. Stocks of small companies may be more thinly traded than those of larger, established companies and may be subject to greater price volatility than the overall stock market. Towle & Co. utilizes this heightened volatility to identify instances of severe mispricing to drive performance.

Second, the unwavering discipline with which Towle & Co. applies its investment process prevents the Company from expanding beyond its area of expertise. This unwillingness to compromise on our investment principles typically results in a relatively concentrated portfolio of generally between 30 and 50 positions. Concentration can result in greater variability in daily portfolio values when compared to indices or portfolios with a larger number of holdings. On the other hand, the investment team has a higher conviction with respect to each of the holdings, which we believe is a key to superior performance.

Third, the contrarian nature of the Towle Deep Value strategy often leads Towle & Co. into sectors of the stock market that are currently out-of-favor with the investing public. Although the process is fundamental, bottom-up analysis, portfolios usually end up with stocks grouped into several themes. In most instances, these out-of-favor industries tend to be economically sensitive. As a result, Towle & Co. portfolio values tend to have more volatility than market averages over an economic cycle.

Lastly, the fourth risk is our judgment. After considerable investigation and analysis, Towle & Co. determines intrinsic values for each company in which it invests. This process demands a certain degree of judgment about the attractiveness, value and potential appreciation of the stock. If our judgment proves to be incorrect, there is a risk that the stock price could fall below the purchase point, resulting in a capital loss for clients.

Other Portfolio Considerations

Within the Towle Deep Value investment process, Towle & Co. employs a three-year time horizon when considering the purchase of securities. As a result, average annual portfolio turnover has been low, historically around 30%. This low turnover reduces the drag due to transaction costs and/or taxes on investment performance.

Furthermore, the Towle Deep Value long only investment philosophy is implemented *without* leverage or foreign currency exposure for United States Dollar-denominated clients and does not utilize options, futures, or any other derivative instrument.

Cybersecurity Risk

With the increased use of technology to conduct business, information security and related risks have increased. In general, cyber incidents can result from deliberate attacks or unintentional events, arise from external or internal sources, and may, among other things, cause a client account to lose proprietary information, suffer data corruption and/or destruction or lose operational capacity, result in the unauthorized release or other misuse of confidential information, or otherwise disrupt normal business operations. Cyberattacks include, but are not limited to: gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information; corrupting data, equipment or systems; or causing operational disruption. Cyberattacks are also carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users).

Cyber incidents affecting Towle & Co. or third party service providers (including, but not limited to, custodians, transfer agents, and other financial intermediaries used by a fund or an account) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, impediments to trading, the inability to transact business, destruction to equipment and systems, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which a client account is invested, trading counterparties, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, and other financial institutions (including financial intermediaries and service providers), and other parties. Although Towle & Co. has established policies and procedures designed to reduce the risks associated with cybersecurity threats, there is no guarantee that such efforts will succeed, especially since Towle & Co. does not directly control the cybersecurity systems of issuers or third-party service providers. There is also a risk that cyber security breaches may not be detected.

Item 9 Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be pertinent to your evaluation of the investment firm or the integrity of its employees. Registered advisers are also required to report all disciplinary events regardless of materiality in Part 1A of Form ADV.

Towle & Co. has never had any disciplinary events of any kind to report.

Item 10 Other Financial Industry Activities and Affiliations

Towle & Co. is not registered, nor does it have an application to register, as a broker-dealer. One employee, Joseph W. Bradley, Chief Operating Officer and Director of Client Development, is a registered representative of a broker-dealer, IMST Distributors, LLC, to promote the sale of the Towle Deep Value Fund. Mr. Bradley does not receive separate compensation in the form of commissions or 12b-1 fees from the Registered Investment Company he recommends to clients. No client is ever obligated to purchase this fund.

Neither Towle & Co. nor any of its employees are registered, or have an application to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Towle & Co. is not registered with any foreign financial regulatory authority. Towle & Co. has been approved by the Central Bank of Ireland (the "Central Bank") to act as an investment manager to Irish authorized Undertakings for Collective Investment in Transferrable Securities. The Central Bank supervises Irish funds. Any investment manager appointed to advise Irish funds must meet certain criteria. However, Towle & Co. is not registered with the Central Bank and the Central Bank does not supervise Towle & Co.

Periodically, Towle & Co. directs clients or prospects to unaffiliated investment advisors for financial advice which is beyond the scope of Towle & Co.'s capabilities as an asset manager. Such referrals are typically made for asset allocation, estate planning or other financial planning guidance. In all circumstances, Towle & Co. has not and will not be compensated, either directly or indirectly, by those independent advisors for the referrals.

Matthew S. Hardin serves as Chief Compliance Officer of Towle & Co. Mr. Hardin is a securities attorney and is licensed to practice law in Pennsylvania, Missouri, and Illinois. He owns Hardin Law Group LLC, a law firm based

in Pennsylvania. In addition, Mr. Hardin is an equity owner of Hardin Compliance Consulting LLC, a firm specializing in providing regulatory compliance consulting services to registered investment advisers, broker-dealers, investment companies and private funds. He is also registered with BPU Investment Management, Inc., a registered broker-dealer and FINRA member. Towle & Co. does not utilize BPU Investment Management, Inc. on behalf of clients.

Suffolk Research Partners, LLC principals are employees of Towle & Co. Suffolk Research serves as general partner for the TIP private fund, which is managed by Towle & Co. TIP is not currently available for investment.

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

Towle & Co. has adopted a Code of Ethics for all employees that describes the requirements for the ethical standards and professional conduct of our business. The Code includes provisions relating to, among other things, the confidentiality of client information, a prohibition on insider trading, guidelines surrounding gifts and business entertainment items, personal securities trading, and conflicts of interest. All employees must acknowledge compliance with the terms of the Code of Ethics (i) upon hire, (ii) on an annual basis, and (iii) upon amendment to the Code of Ethics.

Towle & Co. employees and related persons were previously allowed to trade in securities held in the Towle Deep Value strategy for their personal accounts. In an effort to further reduce the risk of conflicts of interest between our employees or related persons and our clients, Towle & Co.'s Code of Ethics now prohibits employees or related persons from purchasing positions in their personal accounts which are held by a client invested in the Towle Deep Value strategy. If an employee or related person already holds a security held by a client in the Towle Deep Value strategy, they will not be required to sell it, but will not be permitted to sell such security without pre-approval from the Chief Compliance Officer. Accounts managed by Towle & Co. with full discretion for the benefit of employees or related persons, as with other client accounts, are not subject to the personal trading restrictions. These accounts are considered client accounts and are managed consistently with that of other client accounts pursuant to the Towle Deep Value strategy and are therefore subject to the same aggregation and pro-rata allocation as all other clients as described below in Item 12 Brokerage Practices. Employee and related person accounts managed by Towle & Co. do not receive preferential treatment in the trade allocation process. However, these accounts may receive more favorable execution than clients with directed brokerage, described below in Item 12 Brokerage Practices. This is because Towle & Co. has no ability to negotiate the price or aggregate directed brokerage accounts with other client accounts.

Personal securities transactions are reported to the Chief Compliance Officer in accordance with the reporting requirements outlined in the Code of Ethics and personal trading is continually monitored in order to reasonably prevent conflicts of interest between Towle & Co. and its clients.

We will provide a copy of the Code of Ethics to investors upon request.

Item 12 Brokerage Practices

Under most arrangements, Towle & Co. has the freedom to decide which broker-dealer to be used and the amount of commissions to be paid when directing security transactions. As part of its fiduciary responsibilities, Towle & Co. seeks best execution given the circumstances of each transaction. When Towle & Co. selects broker-dealers to execute transactions, it takes into consideration the range and quality of a broker's services, including but not limited to, execution capability, trading expertise, accuracy of execution, commission rates, research, reputation and integrity, fairness in resolving disputes, financial responsibility, and responsiveness.

The determinative factor is not the lowest possible commission cost, but whether the transaction represents best qualitative execution under the circumstances. Under the guidance of the Chief Compliance Officer, Towle & Co. evaluates the trade performance and best execution of all approved broker-dealers.

Selecting Brokers & Use of Soft Dollars

In allocating brokerage and order flow, Towle & Co. considers the receipt of research and brokerage services, consistent with its obligation to seek best execution for client transactions. As permitted by Section 28(e) of the Securities Exchange Act of 1934, Towle & Co. may cause its clients to pay a broker that provides research and brokerage services an amount of commission in excess of the amount other brokers would have charged for the transaction if Towle & Co. determines that the greater commission is reasonable in relation to the value of services provided by the executing broker. The broker may directly provide brokerage and research services to Towle & Co., or may purchase them from a third party for Towle & Co.'s benefit.

The term "brokerage and research services" includes advice as to the value of the securities; the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts; and effecting securities transactions and performing incidental functions such as clearance and settlement.

Towle & Co. has entered into Client Commission Agreements ("CCA") with broker-dealers that are involved from time to time in executing, clearing or settling securities transactions on behalf of clients ("CCA Brokers") which provide for the CCA Brokers to pay a portion of the commissions paid by Towle & Co.'s clients to independent providers of research services. Because these research service providers may play no role in executing client securities transactions, any research prepared by the research provider may constitute third party research.

Towle & Co. uses brokerage commissions, including CCA commissions, from client portfolio transactions to acquire brokerage and research services, subject to Towle & Co.'s obligation to seek best execution for its client accounts. The products and services acquired by Towle & Co. include, but are not limited to Essentia Insight, IBIS World, Moxy Trade Order Management System, S&P Global Market Intelligence, Sentieo, Strategas, FIS Sungard SWIFT network, Telemet Orion, and Value Line. These arrangements are intended to comply with Section 28(e) and the SEC's related interpretive guidance. Towle & Co. will not cause its clients to use trade commissions or CCA commissions for purposes other than for eligible brokerage and research services. In determining whether a service or product qualifies as brokerage and research services under Section 28(e), Towle & Co. evaluates whether the service or product provides lawful and appropriate assistance in carrying out its investment decision making responsibilities for the benefit of all client accounts.

Towle & Co. acquires services which have a mixed use, including but not limited to the Moxy Order Management System and Essentia Insight. In the case of mixed-use items, Towle & Co. allocates a percentage of soft and hard dollars to the service acquired. This allocation is based on a good faith determination of the portion of the service that it is considered to be used in the investment decision-making process versus the portion that is used by Towle & Co. for non-investment decision-making purposes. The portion that is considered to be used for investment decision-making is permitted to be paid for using soft dollars, while the non-investment decision-making portion is paid for with hard dollars. In such cases, Towle & Co. has an incentive to allocate a higher soft dollar portion of the allocation based on its interest in receiving such products or services; however, Towle & Co. has established policies and procedures to periodically review its allocation process and resulting allocations.

When Towle & Co. utilizes client brokerage commissions (or markups or markdowns) to obtain research or other products or services, it receives a benefit because it does not have to pay for the research, products or services. As a result, Towle & Co. has an incentive to select or recommend a broker-dealer based on its interest in receiving these products or services rather than on its clients' interest in receiving most favorable execution.

Towle & Co. will only choose such broker-dealers when the execution complies with the principles of best execution.

Additionally, Towle & Co. utilizes soft dollar benefits to service all accounts and does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate. Transactions for clients in Programs are executed directly with the Program Sponsors or through a broker-dealer selected by the Program Sponsor. The Program Sponsor will execute transactions for its client without additional transaction costs (i.e., commissions) as its client pays a bundled fee to the Program Sponsor that includes costs such as trading commissions and custodial fees as well as other fees. In this instance, the client does receive the benefit of products and services furnished through other clients' commissions as transactions for these accounts are generally executed by brokers that do not provide products and services to Towle & Co.

Other than the brokerage and research services described above, Towle & Co. does not receive any other products or services from the broker-dealers with which it does business, with one exception. One broker-dealer acts as the primary custodian for client accounts. In addition to ongoing investment and economic research, this broker-dealer provides a platform of services at below published rates for the benefit of clients.

Towle & Co., its employees and related persons do not receive client referrals from any other parties as a result of selecting or recommending broker-dealers.

Directed Brokerage

Towle & Co. does not recommend, request or require a client to direct Towle & Co. to execute transactions through a specified broker-dealer, but does permit clients to select their own broker-dealer. In these directed brokerage arrangements, clients instruct Towle & Co. to direct all or a portion of their brokerage transactions to a specific broker-dealer of their choice. In return, the broker-dealer provides services to the client rather than Towle & Co. In these directed arrangements, Towle & Co.'s ability to obtain best execution may be limited or eliminated as we will be unable to negotiate commissions or obtain volume discounts. Clients with directed brokerage forgo any benefits from aggregated block trades and, as a result, may pay materially disparate commissions, greater spreads, or other transaction costs, or receive less favorable net prices on transactions than would otherwise be the case with block trades. In short, directing brokerage may cost clients more money. The decision to direct trades is solely the responsibility of the client.

Clients involved in Programs should understand that client transactions generally are expected to be executed only with the broker-dealer providing custodial and other services because the commission charge is included as part of the fee paid by the client. No assurance can be provided that transactions executed through the broker-dealer providing custodial and other services will result in the best execution available to the client. Transactions executed for these accounts may be less favorable in some respects than those accounts whose trades are not executed through the broker-dealer providing custodial services. This is because we have no ability to negotiate price or take advantage of combined orders or volume discounts.

Trade Aggregation

Towle & Co. has adopted trade allocation policies that are intended to ensure that all trades are undertaken and, where necessary, allocated to clients in a manner that fulfills Towle & Co.'s fiduciary obligations to each client. The objective of Towle & Co. is to allocate trades in a manner believed to be fair and equitable for all accounts involved.

Towle typically aggregates brokerage orders for its Clients rather than execute individual transactions for each account. Reasons include: (1) obtaining lower commission rates; (2) avoiding the time and expense of simultaneously entering similar orders for multiple Client accounts that are managed similarly; (3) ensuring that accounts managed in a particular strategy obtain the same execution, when possible, to minimize differences

in performance; and (4) obtaining a better execution price even though the commission rate may be higher than the lowest rate otherwise available.

When a decision is made to aggregate brokerage orders, we segregate all clients into two trade groups. The first group consists of accounts where clients have not directed brokerage. The second group includes all client-directed accounts, including the Program accounts. An aggregated block trade will be placed and typically allocated on a pro-rata basis to accounts in the first group. Upon completion of the block trade, accounts in the second group are traded on a rotated basis so that over time no single account has been treated more favorably than any other account within the client-directed group. In the event an aggregated order is only partially filled, the order will, generally, be allocated among the participating accounts pro rata based on the number of shares received. However, it is Towle's policy that the allocation shall be made in the best interests of all the Clients in the order, taking into account all relevant factors, including, but not limited to, the size of each Client's allocation, Clients' liquidity needs and previous allocations which may and sometimes does result in an account receiving an allocation smaller or larger than the pre-allocated percentages. Normally, Towle seeks to ensure that accounts will get a pro-rata allocation based on the initial allocation. In the event a different method of allocation is selected, the Operations Team will document the reason for the deviation and rationale for selecting the method chosen.

Towle will not place a trade in a security for TIP if an open order for the same security already exists in the other strategies managed by the Firm on behalf of its Clients ("Model Trades"). Model Trades include block accounts as well as directed accounts. Situations arise whereby a client may have periodic additions or withdrawals to or from their account. Model Trades do not include these client specific trades.

Item 13 Review of Accounts

The investment team has real-time access to each account through our trade order and portfolio accounting management systems. The investment team also performs a periodic review of each client account, during which every position in each client account is compared to the weights in the investment strategy model. The operations staff under the supervision of the Chief Operating Officer reconciles client transactions with custodian feeds on a daily basis and client positions and cash balances to custodial statements on a monthly basis.

Beyond the regular review of client accounts described above, Towle & Co. will review an account if we are made aware of changes in the client's status or financial position. A review of the client portfolio will also be performed by the investment team when large cash flows in or out of a client account occurs.

Clients with separately managed accounts receive a quarterly investor letter accompanied by a Performance History Report and a Portfolio Appraisal Report typically within two weeks of a calendar quarter end. We urge clients to carefully review these reports and compare the statements they receive from their custodian to the reports we provide. The investor letter will regularly include a review of portfolio transactions and the current investment environment, as well as a look ahead. Upon request, Towle & Co. will send a statement of realized gains and losses for the year to date for each separate account.

Registered Mutual Funds and UCITS Funds managed by Towle & Co. receive reports as requested by their boards or as required by relevant laws. Additionally, investors in the Partnership receive an annual K-1 and a copy of the annual Partnership audit in addition to the reports and letters from Towle & Co.

It is each client's responsibility to notify Towle & Co. of any change to their investment objectives and/or financial situation.

Item 14 Client Referrals and Other Compensation

Neither Towle & Co. nor any of its employees are compensated by an independent third party in any way for providing investment advice or other advisory services to Towle & Co. clients. Towle & Co. and its employees are not party to any sales awards or other prize programs. Towle & Co.'s only compensation for providing investment advisory services to its clients is the management fee described in Item 5 Fees and Compensation above.

Towle & Co. may compensate a third-party referral source who, on a fully disclosed basis (in compliance with Rule 206(4)-3), would receive a portion of Towle & Co.'s standard management fees which are paid by the client to Towle & Co.

Item 15 Custody

Towle & Co. does not maintain physical possession of client cash and/or securities. However, pursuant to Rule 206(4)-2 of the Advisers Act, Towle & Co. is deemed to have custody of client funds because it has the authority and ability to debit our fees directly from certain clients' accounts. To mitigate any potential conflicts of interests due to this arrangement, all client account assets are maintained with an independent, non-affiliated qualified custodian. Clients should receive at least quarterly statements from the qualified custodian that holds and maintains investment assets. We urge clients to carefully compare the account statements received from custodians with the reports we provide.

Towle & Co. has been deemed to have custody of the Partnership's assets for which it serves as General Partner. Consistent with the requirements under the Advisers Act, the assets of the Partnership are held in an account maintained with a qualified custodian within the meaning of the Advisers Act. The financial statements of the Partnership are audited annually (in accordance with GAAP) by an independent public accounting firm that is registered with, and subject to regular inspection by, the PCAOB (the Public Company Accounting Oversight Board). Copies of the audited financial statements are independently distributed to each of the investors in the Partnership within 120 days of such Partnership's fiscal year end. Each investor should carefully review these statements upon receipt.

Item 16 Investment Discretion

Towle & Co. performs its investment supervisory services on a discretionary basis, unless otherwise agreed upon at the inception of the client relationship and memorialized in the written agreement between Towle & Co. and the client. This discretionary authority provides Towle & Co. with the sole discretion to invest and reinvest the assets of its clients without prior consultation with the client. The client also agrees that Towle & Co. will manage, on a continuing basis, the client's account in what Towle & Co. perceives to be the client's best interest. This will include, among other things, the authority to select the broker-dealer to be used and the commission rates to be paid for all transactions. Any particular aspect of this authority may be restricted pursuant to a specific, written instruction from the client.

Item 17 Voting Client Securities

Towle & Co. typically retains the authority to vote proxies for our clients' accounts. When Towle & Co. votes proxies, our objective is to maximize the value of the securities held in clients' accounts. To do this, we have engaged Broadridge to manage the proxy process and adopted the Egan-Jones Proxy Services Conservative Investor Voting Principles and Guidelines. These guidelines cover several areas, including but not limited to Auditors, Board of Directors, Proxy Contests, Takeover Defenses, Business Combinations and Corporate Restructurings, State of Incorporation, Capital Structure, Compensation of Officers and Directors, and Shareholder Proposals on Social Issues. A description of the specific issues in these areas and how these issues will be voted can be found in the Egan-Jones Proxy Services Conservative Voting Principles and Guidelines on the Egan-Jones website at:

<https://www.ejproxy.com/media/documents/Egan-JonesProxyVotingPrinciplesandGuidelinesCONSERVATIVE2019.pdf>

Though it is likely to be limited to issues relating to corporate restructurings or changes of control, Towle & Co. has retained the right to override any votes as it sees fit. Towle is not responsible for voting proxies not received in a timely manner or in circumstances where there is a lack of information provided in the proxy statement by the issuer or other resolution sponsor. In addition, should we feel that the costs of voting a particular proxy exceed the expected benefits to Clients, we may choose not to vote in that particular circumstance. However, it is generally our intent to vote all proxies.

A copy of Towle & Co.'s proxy policies, procedures, and voting records is available upon request.

For those clients who have opted to retain the right to vote their own proxies, the clients receive their proxies directly from their custodian or transfer agent and not from Towle & Co. Clients may request guidance from Towle & Co. concerning proxies, particularly with respect to corporate restructurings or changes of control.

Item 18 Financial Information

Towle & Co. does not have any financial condition that would impair its ability to meet its contractual commitments to clients. Towle & Co. has never been the subject of a bankruptcy petition. Towle & Co. does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.