



## **ADV Part 2A (Brochure)**

November 4, 2022

Kennedy Capital Management, Inc.  
10829 Olive Boulevard  
Suite 100  
St. Louis, MO 63141  
314-432-0400  
800-859-5462  
[www.kennedycapital.com](http://www.kennedycapital.com)

---

This Brochure provides information about the qualifications and business practices of Kennedy Capital Management, Inc. If you have any questions about the contents of this Brochure, please contact us at 800-859-5462. 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.

Kennedy Capital Management, Inc. is a registered investment adviser. Registration with the SEC does not imply any level of skill or training.

Additional information about Kennedy Capital Management, Inc. is also available on the SEC’s website by using our name or by using a unique identification number known as a CRD number. The CRD number for Kennedy Capital Management, Inc. is 105834.

This page intentionally left blank.

# SUMMARY OF MATERIAL CHANGES

## Material Changes Since the Last Update

This section summarizes specific material changes that have been made to the Brochure since our last filing dated May 6, 2022.

**Client Referrals and Other Compensation:** References to Rule 206(4)-3 were removed as the SEC rescinded the rule as of November 4, 2022. Clarifying language was added regarding client referrals and solicitor arrangements. Disclosures added regarding the economic benefit of the receipt of soft dollars.

# TABLE OF CONTENTS

| <u>Item</u>   | <u>Page</u> |
|---|-------------|
| SUMMARY OF MATERIAL CHANGES .....   | 1           |
| Material Changes Since the Last Update .....  | 1           |
| TABLE OF CONTENTS .....   | 2           |
| ADVISORY BUSINESS.....  | 4           |
| Description of the Advisory Firm.....   | 4           |
| Advisory Services.....  | 4           |
| Mutual Funds .....  | 5           |
| Sub-Advisory Relationships.....   | 5           |
| Wrap Fee Programs.....  | 6           |
| Model Programs.....   | 7           |
| Investment Manager Services.....  | 8           |
| Assets Under Management.....  | 8           |
| FEES AND COMPENSATION.....  | 8           |
| Fee Schedules .....   | 9           |
| Payment of Fees .....   | 11          |
| Clients Are Responsible for Third Party Fees .....  | 11          |
| Prepayment of Fees .....  | 12          |
| Most Favored Nation Clauses .....   | 12          |
| Outside Compensation for the Sale of Securities to Clients.....   | 12          |
| PERFORMANCE FEES AND SIDE-BY-SIDE MANAGEMENT .....  | 13          |
| TYPES OF CLIENTS .....  | 14          |
| Anti-Money Laundering Policy.....   | 15          |
| Privacy Notice.....   | 16          |
| METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....   | 16          |
| Methods of Analysis and Investment Strategies .....   | 16          |
| Material Risks Involved .....   | 17          |
| Risks of Specific Securities Utilized .....   | 19          |
| DISCIPLINARY HISTORY.....   | 21          |
| OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....  | 21          |
| Registration as a Broker-Dealer or Broker-Dealer Representative .....   | 21          |
| Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity<br>Trading Advisor ..... | 22          |
| Relationships Material to this Advisory Business and Possible Conflicts of Interest .....                       | 22          |
| Selection of Other Advisors or Managers and How This Adviser is Compensated for Those<br>Selections.....        | 22          |

|   |    |
|---|----|
| Other Information .....   | 22 |
| CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....               | 23 |
| Code of Ethics.....   | 23 |
| Recommendations Involving Material Financial Interests .....  | 23 |
| Investing in the Same Securities as Clients .....   | 24 |
| Trading Securities At or About the Same Time as Clients .....   | 25 |
| Charitable Contributions.....   | 25 |
| Intern Program.....   | 25 |
| BROKERAGE PRACTICES.....  | 26 |
| Research and Other Soft Dollar Benefits.....  | 26 |
| Brokerage for Client Referrals .....  | 28 |
| Directed Brokerage .....  | 28 |
| Aggregating Trading for Multiple Client Accounts .....  | 29 |
| Liquidations of Existing Positions Upon Transition to KCM.....  | 32 |
| REVIEW OF ACCOUNTS.....   | 32 |
| Frequency and Nature of Reviews.....  | 32 |
| Factors that Trigger a Non-Periodic Review.....   | 33 |
| Content and Frequency of Regular Reports Provided to Clients.....   | 33 |
| CLIENT REFERRALS AND OTHER COMPENSATION .....   | 35 |
| Economic Benefits Provided by Third Parties for Advice Rendered to Clients .....                          | 35 |
| Compensation to Non-Advisory Personnel for Client Referrals .....   | 35 |
| CUSTODY .....   | 36 |
| INVESTMENT DISCRETION.....  | 36 |
| VOTING CLIENT SECURITIES.....   | 37 |
| Clients That Provide Proxy Voting Authority to KCM.....   | 37 |
| Clients That Retain Proxy Voting Authority .....  | 39 |
| Class Action Lawsuits .....   | 39 |
| Corporate Action Processing.....  | 39 |
| FINANCIAL INFORMATION.....  | 40 |
| Balance Sheet.....  | 40 |
| Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients ..... | 40 |
| Bankruptcy Petitions in Previous Ten Years .....  | 40 |
| EXHIBITS.....   | 41 |
| EXHIBIT A: PRIVACY NOTICE.....  | 41 |

# ADVISORY BUSINESS

## Description of the Advisory Firm

Established in 1980 by Gerald Kennedy and Richard Sinise, Kennedy Capital Management, Inc. is an independent, employee owned advisory firm registered with the SEC pursuant to Section 203 of the Investment Advisers Act of 1940, as amended (the “Act”). We are located in St. Louis, Missouri and are incorporated under the laws of the State of Missouri as an S corporation.

From 1980 to 1992, we managed accounts for high-net-worth individuals, focusing on small cap stocks. In 1993, a program was initiated to market our philosophy to institutional investors. This program was successful, eventually growing the firm in assets and allowing the company to build the investment team, back office, compliance and trading operations to current levels. Since that time, we have supplemented our small cap strategies to include micro-cap, mid cap, SMID (combination of small and mid-cap), and all cap products.

As of December 31, 2021, we employed 48 full-time people. Our ownership structure is arranged so that our employees own 100% of the firm’s total shares outstanding.

As used in this Brochure, the words “we”, “our” and “us” or “KCM” refer to Kennedy Capital Management, Inc. The words “you”, “your” and “client” refer to you as either a client or prospective client of Kennedy Capital Management, Inc.

## Advisory Services

With limited exceptions, we provide investment management services on a discretionary basis for taxable and tax-exempt institutions, investment companies, pooled investment vehicles, individual clients and additional clients as described in the section titled *Types of Clients*. Sub-advisory services are also provided to investment companies, wrap fee programs, model programs, and to clients of consultants and other investment advisers as described in further detail later in this section. Discretion means that we have permission to make investment decisions for your account without prior consultation with you, the client. Although most services we provide are discretionary, we also provide non-discretionary services to model programs. Please refer to the section titled *Investment Discretion* for additional information regarding discretion.

We do not consider our services to be “financial planning” or any similar term, and we do not provide advice in the selection of other investment advisers. To determine your specific needs and financial goals, we encourage you to consult with your broker and/or financial consultant. Furthermore, as we are not tax advisers, we recommend that you consult your legal, financial, and/or tax adviser regarding your particular circumstances.

We primarily invest client funds in domestic equity securities, including common stocks of micro, small, mid, and large capitalization companies. We may also invest client funds in foreign equity securities. These securities may include stocks traded on a U.S. national exchange and over-the-counter such as the New York Stock Exchange and the NASDAQ, foreign non-U.S. exchanges or other applicable venues. Additionally, we may invest client funds in other securities such as preferred stock, real estate investment trusts, American depository receipts, American depository shares, exchange-

traded funds, corporate bonds, securities convertible to common stock, restricted securities and private placements. When purchasing or selling a security on a foreign exchange, the transaction is generally settled in local currency. Therefore, spot foreign currency transactions will be placed in your account for the purpose of trade settlement. KCM does not make direct investment in currency or in currency forwards. KCM only transacts purchases or sales on a foreign exchange in accounts for which we have been given written permission. Please refer to the section titled *Methods of Analysis, Investment Strategies and Risk of Loss* for a discussion of these securities and any additional types of securities that may be purchased in your account along with a discussion of the associated risks.

Although we retain investment discretion over your account as outlined in the section titled *Investment Discretion*, you have the opportunity to place reasonable restrictions or constraints regarding specific conditions or limitations on the types of investments to be made for your account. All such restrictions or constraints, and any modifications to existing restrictions or constraints, are to be agreed upon in writing. We reserve the right to reject or to terminate an account if we believe the restrictions or constraints imposed are not reasonable or prohibit effective management of the account. You should understand that the account restrictions or constraints may affect the performance of your account, either positively or negatively. Furthermore, accounts with restrictions may result in performance dispersion due to security holdings and cash levels differing from other accounts in the same investment strategy. The portfolio manager works to maintain minimal dispersion among the accounts; therefore, accounts with restrictions may receive an allocation of a similar non-restricted security and/or may contain higher or lower cash levels than other accounts in the same strategy.

## Mutual Funds

KCM provides discretionary investment management services to open end mutual funds. These funds are described below and collectively referred to within this Brochure as “KCM Funds”.

KCM provides advisory services to the KCM Funds pursuant to an investment advisory agreement with Investment Managers Series Trust II (“IMST II”), registered under the Investment Company Act of 1940 and includes the following funds: Kennedy Capital ESG SMID Cap Fund, Kennedy Capital Small Cap Value Fund, and Kennedy Capital Small Cap Growth Fund. These funds are available in institutional share classes.

KCM continuously manages the assets of the KCM Funds based on the investment objectives outlined in each of the KCM Funds’ prospectus and are generally managed in the same manner as the other accounts in each respective strategy.

## Sub-Advisory Relationships

A sub-advisory relationship is defined as one in which another firm hires an outside firm to provide investment advisory services for their clients. We have been retained to serve as sub-adviser to clients of unaffiliated registered investment advisers. Clients should understand that the unaffiliated registered investment adviser is responsible for analyzing the financial needs of its clients and for also determining the suitability of our services for their client. Clients should understand that when we have been retained to serve as sub-adviser, KCM relies solely on the unaffiliated registered investment

adviser to make such determination, as we are generally not provided sufficient information by the investment adviser to perform an assessment of client suitability. Absent specific client guidelines, directed brokerage arrangements, and cash flows, we will manage these accounts similarly to other separately managed client accounts within the same strategy based on the strategy's characteristics and the availability of cash in the individual accounts.

In these sub-advisory relationships, KCM enters into a sub-advisory agreement with the unaffiliated registered investment adviser to provide portfolio management services to the adviser's clients. As part of our sub-advisory agreements with such investment advisers, we do not pay them a fee for referring clients to us. We receive an agreed upon percentage of the fees charged by the investment adviser for the sub-advisory services. The sub-advisory agreement between us and the investment adviser states the manner and amount that we will be paid and also describes the services we will provide to the investment adviser's clients. Clients of these investment advisers compensate their investment adviser directly and the investment adviser in turn pays us a fee as specified in our sub-advisory agreement with the investment adviser. If our services are terminated, the fees will be prorated through the date of termination.

With respect to the assets we manage for clients of these investment advisers that are employee benefit plans covered under Rule 408(b)(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), KCM provides services as an ERISA "fiduciary" (as defined in Section 3(21) of ERISA) and is a registered investment adviser under the Investment Advisers Act of 1940.

## Wrap Fee Programs

Although we are a sub-adviser to wrap fee programs through wirehouse consultants, we do not sponsor any wrap account arrangements. A wrap account is where one fee (generally determined as a percentage of assets under management) is charged for investment advisory, trade execution and other services provided to a client. Wrap account arrangements, are commonly referred to as separately managed accounts, directly managed accounts, unified managed accounts, wrap accounts or similarly named arrangements (collectively, "wrap account"). These managed wrap accounts have been created by unaffiliated financial institutions (each a "Sponsor"). Wrap account clients typically enter into an agreement with a Sponsor and the Sponsor enters into a sub-advisory agreement with KCM to provide portfolio management services to the wrap account. Each Sponsor has retained us through a separate advisory agreement.

"Wirehouse consulting accounts" are those referred to us by an investment consultant, financial adviser or broker ("wirehouse consultant") affiliated with a wirehouse brokerage firm (e.g., Morgan Stanley Smith Barney, LLC). Wirehouse consulting accounts may either be:

- A. arranged such that all fees are bundled under a wrap arrangement (where the client pays one all-inclusive asset-based fee covering custody, transaction costs, the services of the consultant or adviser and our services – "wrap wirehouse accounts"); or
- B. unbundled where these fees are paid separately by the client ("unbundled wirehouse accounts").

Each Sponsor is responsible for preparing and providing a brochure which contains information about its wrap fee program. Copies of each brochure are available from the Sponsor. Wrap fee program clients are encouraged to review the relevant Sponsor's brochure for further details.



Clients should understand that the Sponsor is responsible for analyzing the financial needs of each particular wrap account client and for also determining the suitability of our services for their clients. KCM relies solely on the Sponsor to make such determinations, as we are generally not provided with sufficient information by the Sponsor to perform an assessment as to the client's suitability. Absent specific client guidelines, directed brokerage arrangements, and cash flows, we manage these accounts similarly to other separately managed client accounts within the same strategy based on the strategy's characteristics and the availability of cash in the individual accounts.

As part of our sub-advisory agreements with the Sponsors, we do not pay them a fee for referring clients to us. We receive an agreed upon percentage of the fees charged by the Sponsor for the sub-advisory services. The sub-advisory agreement between us and the Sponsor states the manner and amount that we will be paid and also describes the services we will provide to the Sponsor's clients. Clients compensate the Sponsor directly and the Sponsor in turn pays us a fee as specified in our sub-advisory agreement with the Sponsor.

## Model Programs

Model programs are defined as professionally managed private investment accounts that are rebalanced regularly by a Sponsor generally in accordance with instructions from an outside portfolio manager. KCM has entered into arrangements to provide models to unaffiliated registered investment advisers who are Sponsors. KCM supplies the Sponsor with a model portfolio and notifies the Sponsor when changes to the model are to be made. The Sponsor may choose whether or not to implement the changes provided by KCM. The placement and execution of security transactions are not made by KCM, nor does KCM assume any fiduciary duties associated with these tasks.

Each Sponsor is responsible for preparing and providing a brochure which contains information about its model program. Copies of each brochure are available from the Sponsor. Clients are encouraged to review the relevant Sponsor's brochure for further details.

KCM is generally not provided with any individual client information by the Sponsor in order to perform an assessment as to the client's suitability with the model; therefore, the Sponsor has the actual relationship with the client and the fiduciary duty to the client, including the discretion to make and implement changes in client accounts. The Sponsor has the sole responsibility for obtaining information from each client regarding the client's investment objectives, financial information, risk tolerance and any reasonable restrictions for determining that the investment portfolio, investment model and investment strategy, provided by KCM to the Sponsor as part of the model program, is initially suitable and continues to be suitable for the client. Additionally, the Sponsor is solely responsible for taking all appropriate steps to comply with anti-money laundering requirements. KCM is generally not responsible for voting securities held in the client's portfolio. KCM is not responsible for overseeing the provision of services by a model-based program sponsor.

Clients invested in a model program, typically enter into an agreement with a Sponsor and the Sponsor enters in a sub-advisory agreement with KCM to provide a model to the Sponsor. Each Sponsor has retained us through a separate investment sub-advisory agreement. The sub-advisory agreement between KCM and the Sponsor states the manner and amount that we will be paid. We do not pay the Sponsor a fee for referring clients to us although we may pay a fee to a Sponsor to be included on their platform. In the model-based program, the Sponsor pays KCM a fee for the amount

of assets managed within the program. Clients compensate the Sponsor directly and the Sponsor in turn pays us a fee as specified in our sub-advisory agreement with the Sponsor.

## Investment Manager Services

We serve as investment manager to the following collective investment trust funds (“CIF”) sponsored by Comerica Bank & Trust, NA.

- Kennedy Capital Small Cap Core CIF;
- Kennedy Capital Small Cap Value CIF; and
- Kennedy Capital Small Cap Growth CIF.

We serve as the investment manager pursuant to an investment management agreement and receive a fee for managing the investment portfolio. The CIFs have not been registered under federal or state securities laws and are subject to an exemption provided by Rule 3(c)(11) of the Investment Company Act of 1940. The CIFs are only available for investment by qualified retirement plans and are not for sale to the general public.

## Assets Under Management

We have the following assets under management as of 12/31/2021:

| Non-Discretionary Assets: | Discretionary Assets: | Total Firm Assets: |
|---------------------------|-----------------------|--------------------|
| \$26,411,743              | \$4,898,081,159       | \$4,924,492,902    |

## FEES AND COMPENSATION

Approximately 100% of our revenue is generated from advisory fees. Our advisory fees are generally based on a percentage of assets under management, and exclude costs that may be imposed by your custodian, broker-dealer, and other third party managers. These additional costs may include custodial fees, brokerage commissions, transaction fees, odd lot differentials, transfer taxes, wire transfer and electronic fund fees and other miscellaneous fees and taxes on brokerage accounts and securities transactions and other related costs and expenses. Additionally, securities traded on a non-U.S. exchange may incur additional fees and expenses.

Advisory fees for any particular client or account are negotiable and may be lowered or waived under certain circumstances, in our discretion. When negotiating advisory fees, certain factors may be considered including but not limited to: strategy, capacity size of the strategy, asset size of the account, complexity of the client situation, services provided and similarity of the account to other accounts we manage.

## Fee Schedules

| Strategy  | Annual Management Fee   |
|---|---|
| <b>Micro Cap Strategies</b>   |   |
| Micro Cap   | 1.25% on the first \$30 million in assets<br>1.00% on the balance over \$30 million in assets   |
| Micro Cap Opportunities   | 1.00% on all assets   |
| <b>Small Cap Strategies</b>   |   |
| Small Cap Select<br>Small Cap Select SRI<br>Small Cap Value<br>Extended Small Cap | 1.00% on the first \$30 million in assets<br>0.90% on the next \$20 million in assets<br>0.80% on the balance over \$50 million in assets |
| Small Cap Core  | 0.90% on the first \$30 million in assets<br>0.85% on the next \$20 million in assets<br>0.80% on the balance over \$50 million in assets |
| Small Cap Growth  | 0.90% on the first \$30 million in assets<br>0.80% on the next \$20 million in assets<br>0.70% on the balance over \$50 million in assets |
| <b>SMID Cap Strategies</b>  |   |
| SMID Cap Value  | 0.90% on the first \$30 million in assets<br>0.80% on the next \$20 million in assets<br>0.70% on the balance over \$50 million in assets |
| SMID Cap Growth   | 0.80% on the first \$30 million in assets<br>0.70% on the next \$20 million in assets<br>0.60% on the balance over \$50 million in assets |
| ESG SMID Cap  | 0.80% on the first \$30 million in assets<br>0.75% on the next \$20 million in assets<br>0.70% on the balance over \$50 million in assets |
| <b>Mid Cap Strategy</b>   |   |
| Mid Cap Value   | 0.75% on the first \$25 million in assets<br>0.70% on the next \$25 million in assets<br>0.60% on the balance over \$50 million in assets |
| <b>All Cap Value Strategy</b>   |   |
| All Cap Value   | 0.70% on all assets   |
| <b>Bank Sector Strategy</b>   |   |
| Bank Sector   | 1.00% on all assets   |

The specific manner in which advisory fees are calculated is established in each client's investment advisory agreement with KCM. Annual advisory fees are generally calculated and paid quarterly, in advance or in arrears, with some being calculated and paid monthly as provided in the investment advisory agreement. Quarterly fees are calculated as the annual advisory fee rate multiplied by the calculated billable market value and divided by four unless otherwise specified in the client's investment advisory agreement.

Advisory fees are generally payable quarterly in arrears based on the average of the market values in the account including cash under management and accrued dividends. The calculated billable market value equals the market value at the end of each month during the quarter, or the market value on the

last day of the previous quarter. In certain circumstances, other paying arrangement calculations may be negotiated upon client request. Advisory fees may be pro-rated for substantial additions to, or withdrawals from, the account during each quarter for each billing period as provided in the investment advisory agreement. Upon request, related client accounts may be aggregated in order to determine fee breakpoints.

The value of the client's account, as calculated by our client accounting system, Advent APX, is used to compute advisory fees unless specified otherwise within the investment advisory agreement. Advent APX calculates security valuations based upon information that is received from third party pricing vendors. Your custodian or consultant may use a different third party pricing vendor to value your account. Due to some disparities among third party pricing vendor security prices, account values as reported by us, your custodian and/or your consultant may vary.

In arrangements where KCM provides sub-advisory services to a number of unaffiliated mutual funds, KCM and the adviser for each sub-advised fund negotiate KCM's fees for providing those services. The sub-advisory fees are set forth in the sub-advisory agreement between KCM and that adviser. KCM's fee is a component of the total investment advisory fee paid by an investor in the specific sub-advised mutual fund. Additional details regarding the fees charged to an investor in any such fund can be found in the current fund prospectus and statement of additional information.

Assets managed under the wrap fee programs and model programs are calculated by the Sponsor. KCM will not provide an invoice to the clients. It is the Sponsor's responsibility to handle collection of client fees. KCM is compensated directly by the Sponsor based upon the assets managed within these relationships. Clients participating in these programs should refer to the Sponsor's program brochure and agreements for information regarding additional fees and expenses.

In certain situations, the advisory fees for employee accounts will be reduced, such as, the employee invests personal assets in a new or existing KCM strategy at the discretion of the Portfolio Manager.

### **Mutual Fund Fees**

Pursuant to an investment advisory agreement with IMST II, the KCM Funds agree to pay KCM the following annual advisory fees with respect to the KCM Fund's average daily net assets paid monthly. Advisory fees paid to KCM for investment advisory services provided to the KCM Funds are separate from other fees and expenses charged by the funds to investors in the funds. Additional details regarding the fees and expenses charged to an investor in each of the KCM Funds can be found in each of the respective fund's prospectus and statement of additional information.

| <b>Fund</b>                           | <b>Advisory Fee</b> |
|---------------------------------------|---------------------|
| <b>KCM Funds</b>                      |                     |
| Kennedy Capital ESG SMID Cap Fund     | 0.75%               |
| Kennedy Capital Small Cap Value Fund  | 0.82%               |
| Kennedy Capital Small Cap Growth Fund | 0.82%               |

## Kennedy Capital Collective Investment Trust Funds

We serve as investment manager to the following collective investment trust funds (“CIF”) sponsored by Comerica Bank & Trust, NA (“Comerica”). We serve as the investment manager pursuant to an investment management agreement and receive a fee for managing the investment portfolio. The following fees will apply to an investment in the CIF:

| Strategy                                    | Annual Management Fee   |
|---|---|
| <b>Kennedy Capital Small Cap Core CIF</b>   |   |
| Small Cap Core                              | 0.85% on all assets   |
| <b>Kennedy Capital Small Cap Value CIF</b>  |   |
| Small Cap Value                             | 1.00% on the first \$30 million in assets<br>0.90% on the next \$20 million in assets<br>0.80% on the balance over \$50 million in assets |
| <b>Kennedy Capital Small Cap Growth CIF</b> |   |
| Small Cap Growth                            | 1.00% on the first \$30 million in assets<br>0.90% on the next \$20 million in assets<br>0.80% on the balance over \$50 million in assets |

Comerica pays KCM a management fee which accrues daily at the annual rate as a percentage of the daily asset value for each CIF. Comerica pays KCM the management fee monthly in arrears. Out of pocket expenses (i.e., pricing and research, fair value, transfer agency, etc.) above the capped expenses of each CIF will be paid out of KCM's management fee. If the investment management agreement is terminated, the management fee due to us will be prorated to the date of termination.

## Payment of Fees

Unless otherwise instructed in the investment advisory agreement, invoices are generated quarterly and at your request may be mailed, faxed or emailed. Upon your written authorization and availability with the custodian of your account, we will provide an invoice containing management fee information to the custodian of your account. The custodian will then remit the management fee directly to us by deducting it from your custodial account. Statements provided to you by your custodian will detail the total amount of the management fees that have been deducted per quarter. Generally, custodians do not confirm the accuracy of our management fee calculation. We encourage you to review the invoice for accuracy and to contact us with regards to any identified discrepancies or questions. The invoice sent to you itemizes the management fees, including details of the calculation, the time period covered, and the amount of your assets under management upon which the management fee is based.

## Clients Are Responsible for Third Party Fees

You are responsible for the payment of all third party fees such as custodial fees, brokerage fees, transaction fees, etc. Those fees are separate and distinct from the fees and expenses charged by us. For additional information, please see the section titled *Brokerage Practices* of this Brochure.

## Prepayment of Fees

We collect management fees in advance or in arrears depending upon the terms of the investment advisory agreement.

- For new accounts billed in advance, a pro-rata fee is charged based upon the days under management for the quarter and on the initial assets deposited in the account.
- For new accounts billed in arrears, a pro-rata fee is charged based upon the market value of the account at the close of the applicable billing period.

The investment advisory agreement may be terminated by providing written notice to the other party according to the terms of the investment advisory agreement. Upon termination, any prepaid management fees relating to the remainder of the calendar quarter will be refunded to you. If the management relationship is terminated prior to the end of the quarter:

- For accounts billed in advance, management fees will be refunded based upon the total days remaining in the billing period for which our services were not provided.
- For accounts billed in arrears, a final pro-rated fee will be calculated according to the number of days for which we provided investment advisory services during the current quarter.

## Most Favored Nation Clauses

We generally do not enter into advisory agreements with most favored nation (“MFN”) clauses. However, certain institutional clients have negotiated such clauses in their advisory agreements. These clauses require us to decrease management fees charged to the MFN client if KCM enters into an advisory agreement at a lower effective fee rate with another institutional client based on certain criteria. The applicability of a MFN clause may depend upon various factors as detailed in the advisory agreement. However, KCM does not agree to MFN clauses in all circumstances where institutional clients are similarly situated.

## Outside Compensation for the Sale of Securities to Clients

KCM does not accept compensation such as commissions for the sale of securities or other investment products. KCM receives an annual advisory fee of the KCM Fund’s average daily net assets as outlined earlier in this section under Mutual Fund Fees. Advisory fees paid to KCM for investment advisory services provided to the KCM Funds are separate from other fees and expenses charged by the funds to investors in the funds. Additional information regarding fees and expenses of the KCM Funds can be found in its prospectus and statement of additional information.

# PERFORMANCE FEES AND SIDE-BY-SIDE MANAGEMENT

We may enter into performance-based fee arrangements with selected clients. All such performance fee arrangements are designed to comply with the provisions of Rule 205-3 under the Act. Such performance fees are charged on a minimum time period of one year. To qualify to obtain the performance-based fee, each client must have at least \$1,000,000 under our management, or is a client who we reasonably believe to have a net worth of \$2,000,000 calculated as provided in Rule 205-3 under the Act, or is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 at the time the client enters into the performance fee agreement.

Performance fees are based on a formula which includes the amount of assets under management and the extent to which the growth in the assets exceeds a specific index. Upon a client request and with our consent, another index may be used as a benchmark for performance fee arrangements. For the purposes of determining unrealized gains and losses, the valuation of securities for which market quotations are not readily available is determined using an objective, observable and unadjusted quoted market price for an identical investment in an active market on the measurement date, if available. In the absence of an objective, observable unadjusted quoted market price for an identical investment in an active market on the measurement date, the valuation must represent our best estimate of the fair value.

Clients should understand that the following conflicts of interest are inherent with performance-based fee accounts.

- These accounts create an incentive for us to make riskier, more speculative investments than would be the case in the absence of a performance fee. Due to the inclusion of unrealized appreciation we may receive more compensation than from an account with only an asset based fee.
- It is possible that our portfolio managers simultaneously manage accounts that are charged a performance based fee with accounts that are charged an asset based fee. This may create a conflict of interest in that a performance fee might provide incentive for us to favor the performance fee account creating a disadvantage for other non-performance fee accounts.

We believe these conflicts are mitigated by managing these accounts consistently with that of other asset based fee accounts pursuant to the selected style and are therefore subject to the same aggregation and pro-rata allocation as all other clients in the same style. Please refer to the section titled *Brokerage Practices* for further information.

## TYPES OF CLIENTS

We generally provide investment management services on a discretionary basis to the following types of clients:

- Pension and profit sharing plans;
- Public/municipal entities;
- Taxable and tax-exempt institutions;
- High net worth individuals;
- Family offices;
- Banks or thrift institutions;
- Registered investment companies;
- Taft-Hartley/Union plans;
- Trusts, estates, and charitable organizations;
- Foundations and endowments;
- Collective investment trusts;
- Other pooled investment vehicles;
- Wirehouse consulting accounts; and
- Corporations or business entities other than those listed above.

KCM also provides services to clients of other investment or brokerage firms through wrap fee arrangements and other programs, where KCM is not provided information regarding the final client and is not responsible for the implementation of its recommendation by the program provider or Sponsor.

Prior to opening an account, you will be asked to sign an investment advisory agreement (except in certain sub-advisory relationships) which will grant us discretionary investment authority over your account. The investment advisory agreement explains the services, strategies, fees charged and typically authorizes us to exercise general discretionary authority in the management of your account. Discretionary investment authority includes the investment and reinvestment of your account assets in securities and amounts of such securities to be purchased or sold without prior consultation with you. Unless you have directed us otherwise in writing, discretionary investment authority also allows us to select the broker-dealer to be used and the commission rate to be paid without prior consultation with you.

We will also ask you to complete a Client Relationship Form that will provide us with additional details and information regarding you and your account. It also provides you the ability to place reasonable restrictions on your account. Any client may reasonably specify in the investment advisory agreement or otherwise instruct us regarding specific conditions or limitations on the types of investments to be made for an account.

Additionally, upon opening an account and in order to comply with our anti-money laundering policy we will ask you to provide certain identifying documentation such as government issued identification, articles of incorporation, partnership agreement, trust instrument or other appropriate documentation.



We generally do not have absolute minimum requirements regarding the amount of assets needed to open or maintain an account. We do have preferred minimum account sizes, which may be waived or lowered at our discretion based on the character of the account. These minimums will generally not apply to wrap or other wirehouse consulting accounts or to mutual funds which tend to have lower thresholds. The preferred initial minimum account size is listed below (if the strategy is open to new investors).

| Strategy                | Preferred Account Minimum |
|-------------------------|---------------------------|
| Micro Cap               | \$10,000,000              |
| Small Cap Value         | \$10,000,000              |
| Small Cap Core          | \$10,000,000              |
| Small Cap Growth        | \$10,000,000              |
| Extended Small Cap      | \$10,000,000              |
| SMID Cap Value          | \$10,000,000              |
| SMID Cap Growth         | \$10,000,000              |
| Mid Cap Value           | \$10,000,000              |
| All Cap Value           | \$10,000,000              |
| Small Cap Select        | \$1,000,000               |
| Small Cap Select SRI    | \$1,000,000               |
| Bank Sector             | \$1,000,000               |
| Micro Cap Opportunities | \$1,000,000               |
| ESG SMID Cap            | \$1,000,000               |

The account minimum for wrap and model programs will vary by program sponsor. Please review the wrap brochure provided by the Sponsor for information regarding their program.

## Anti-Money Laundering Policy

To help the government fight the funding of terrorism and money laundering activities, the U.S. Patriot Act and Federal law require financial institutions to obtain, verify, and record information identifying each person who opens an account. We support the fight against money launderers and, prior to opening an account, will ask for information and documentation that will allow us to verify your identity. Until the information or documentation we need is provided and until we have verified your identity, we may not be able to open an account or provide services to you. Existing clients' identities will be verified periodically and, if necessary, the account may be closed.

Under certain arrangements, such as the model programs through which we are retained as a sub-adviser, we will not be responsible for verifying the identities of the Sponsors' clients. While these procedures are not yet required of investment advisers, the development, adoption and implementation of anti-money laundering procedures is clearly considered a best practice for our industry.

The U.S. Patriot Act requires the maintenance of records and periodic updating of identity verification. We recognize the importance of safeguarding clients' non-public personal information and are committed to maintaining the confidentiality of the information clients provide in accordance with our *Privacy Notice*.

## Privacy Notice

Our Privacy Notice is located as *Exhibit A* at the end of this Brochure.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Your assets may be invested in various securities of domestic or foreign issuers, including (but not limited to) common and preferred stock, American depository receipts, real estate investment trusts, convertible securities, exchange traded funds and/or corporate bonds.

### Methods of Analysis and Investment Strategies

Our investment strategy centers around fundamental, “bottom-up” stock picking, which means we seek to place investment ideas into client accounts one stock at a time based on fundamental research into a company’s operations, financials, and outlook, as well as our assessment of the potential value investors may assign to a business in the future versus the value currently being assigned to it in the equity market currently.

We thus seek to invest in securities, primarily domestic equities (“stocks”), which we believe are both undervalued and are likely to appreciate over time. We typically invest with a relatively long term horizon (i.e. greater than 12 months). We do not engage in taking short positions (“shorting”), which effectively involves making a bet on a decline in securities. We may use tools and procedures (“screening”) to help guide our research and make more efficient use of time; however, we generally do not place securities automatically into client accounts based on computer model outputs alone.

The fundamental characteristics of each security are evaluated by our analysts and/or portfolio managers prior to inclusion into a strategy.

Our method of analysis incorporates the concept of return on investment (“ROI”), and more specifically return on invested capital (“ROIC”) which is our preferred measure of corporate performance. ROIC is the net operating profit a business generates expressed as a percentage of the total capital invested in that business. Among other things, we seek to understand how a company’s sales growth, profit margins and asset base may change over time and the implications of those changes for a company’s ROIC and cash flows.

Attractive investment candidates typically exhibit characteristics such as improving sales, earnings cash flows, new products and/or market share capture opportunities, high and/or improving return on invested capital, allocation of capital by management in ways that benefit shareholders, conservative accounting and/or other fundamental characteristics we believe are not appropriately reflected in the current price of the security. Attractive securities may include companies with business models that in our opinion are already performing at a high level, or those we believe are capable of improving, but in either case a security’s valuation will typically reflect lower investor expectations than we deem appropriate. Our analysis seeks to identify catalysts that may drive an improvement in a business’ economic value and the valuation accorded to it by investors.

In pursuit of these goals, we employ a large staff of industry-specific research analysts as well as an earnings screening process that help us capture positive inflections in business models by reviewing business and financial results on an ongoing basis.

We also obtain information about potential investment candidates from many types of public information, including, but not limited to, filings with the SEC and other federal and state regulatory agencies, financial publications, discussions with corporate management, public conference calls and presentations, site visits, outside analysts, industry reports, court records, press releases, and research reports. We may periodically purchase stocks based in part upon the research analysis and recommendations of analysts and brokers at other financial services firms. Employees are encouraged to use our extensive computer-based technology to evaluate information on potential investment candidates. We prohibit our employees from illegally seeking, using, trading upon, or disseminating material non-public information as prescribed by law.

Once a security is purchased in a strategy, we continue to evaluate the progress of the business relative to our investment thesis and how the security is priced relative to our assessment of the business' economic value. Reasons for us to sell a security include, but are not limited to, its price reaching a level consistent with our assessment of the business' economic value, deterioration in its fundamentals relative to our expectations, a desire to replace it with another more attractive security, or its market capitalization growing to exceed the targeted range for a given strategy. Market liquidity and other trading considerations may also influence the timing of sales.

The portfolio managers have final decision making responsibility for their specific strategies. We implement our investment process through a variety of products designed to address clients' specific needs. Clients may select an investment style such as "growth", "value", or "core" (which is a combination of growth and value), or target a specific market capitalization range of "micro", "small", "mid", or sometimes a combination of investment style and market cap. Equities are chosen using the same process regardless of the size of the client account.

## Material Risks Involved

Past performance is not a guarantee of future returns. Investing in securities inherently involves risk of loss that you, as a client, should be prepared to bear.

**Management Risk** – There is no guarantee that individual securities will perform as we anticipate. Our judgments for an individual security or a particular asset class regarding the attractiveness, value and potential appreciation may be inaccurate. If our investment strategies do not produce the expected results, a client's investment could be diminished or even lost.

**Equity Market Risk** – Overall stock market risks may affect the value of the investments in equity strategies causing the market value of securities to move up and down, sometimes rapidly and unpredictably. These fluctuations may cause a security to be worth less than the price that was originally paid, or less than it was worth at an earlier time. Market risk may affect a single issuer, an industry, or a sector of the economy or the market as a whole. Equity markets are affected by factors such as economic growth and market conditions, interest rates, currency exchange rates and political events in the U.S. and abroad, as well as the expectations market participants have of those factors.

Undervalued Stocks Risk – Undervalued stocks can react differently to issuer, political, market and economic developments than the market as a whole and other types of stocks. Undervalued stocks tend to be inexpensive relative to their earnings or assets compared to other types of stock. However, these stocks can continue to be inexpensive for long periods of time and may not realize their full economic value.

Growth Company Risk – Growth stocks are often expected to increase their assets, sales, cash flow and/or earnings faster than the market as a whole and can often sell at a premium to stocks of companies with lower expectations. However, these expectations may not be realized and the growth premium may prove to be unjustified.

Micro, Small and Mid-Cap Company Risk – Investments in micro, small and mid-cap companies may be riskier than investments in larger, more established companies. The securities of these companies may trade less frequently and in smaller volumes than securities of larger companies. In addition, micro, small and mid-cap companies may be more vulnerable to economic, market and industry changes.

Liquidity Risk – Investments in convertible securities and securities of smaller companies, particularly micro cap securities, may run the specific risk of lower trading liquidity in these securities. Smaller trading volumes sometimes makes it difficult to obtain the desired position size at the desired price level, potentially impacting overall investment return, and when selling securities, lower liquidity may make it difficult to sell in sufficient volume at the desired price.

ESG Investing Risk – Since the ESG SMID Cap strategy seeks to make sustainable investments with an enhanced application of Kennedy’s environmental, social and governance standards, it may choose to sell, or not purchase investments that might otherwise be considered. In general, the application of our environmental, governance and social standards will affect the strategy’s exposure to certain issuers, industries, sectors, regions, and countries and may impact the relative financial performance of the strategy – positively or negatively – depending on whether such investments are in or out of favor. ESG investing may forgo some market opportunities available to other investments or strategies that do not use these ESG factors. Information used to evaluate ESG factors, including data provided by third-party vendors, may not be readily available, complete or accurate, and may vary across providers and issuers and within industries, which could negatively impact the Funds’ ability to apply its methodology and in turn could negatively impact the Funds’ performance. Currently, there is a lack of common industry standards relating to the development and application of ESG criteria which may make it difficult to compare the Funds’ principal investment strategies with the investment strategies of other funds that apply certain ESG criteria or that use a different third-party vendor for ESG data. In addition, the Funds’ assessment of a company may differ from that of other funds or an investor. As a result, the companies deemed eligible for inclusion in the Funds’ portfolios may not reflect the beliefs or values of any particular investor and may not be deemed to exhibit positive or favorable ESG characteristics if different metrics were used to evaluate them. Regulatory changes or interpretations regarding the definitions and/or use of ESG criteria could have a material adverse effect on the Funds’ ability to invest in accordance with its investment policies and/or achieve their investment objective.

Foreign Security Risk – It is important to understand that foreign securities (even those that trade on a U.S. exchange) offer different risks from domestic equities as many foreign countries may not have regulations that are as stringent as U.S. regulations when dealing with securities and issuers. As a

consequence, the depth of information and disclosure may not be as great in foreign countries. Investing in foreign securities may also expose investors to the risk of fluctuations in currency exchange rates beyond that involved in owning domestic equities. There may also be sovereignty risks in that the government of a foreign company's country may place restrictions on capital and currency flows and may also nationalize firms or industries, expropriate private property and restrict foreign ownership of business and/or markets. Foreign banks and brokerages also recognize separate and additional holidays that may affect trade settlements, the receipt of dividends and income, and all other capital transactions including liquidations. Foreign issues may be subject to withholding taxes on dividends from the country of origin. Moreover, additional custodial costs may be incurred with foreign issues.

**Currency Risk** – Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and political and economic changes. Securities may be purchased that are denominated in currencies other than the U.S. dollar. Foreign currency fluctuates against the U.S. dollar. When the value of a foreign currency declines against the U.S. dollar, the value of the account's shares will tend to decline.

**Market Turbulence Resulting from COVID-19** - An outbreak of an infectious respiratory illness known as COVID-19 which is caused by the novel coronavirus, has negatively affected the worldwide economy, as well as the economies of individual countries, the financial health of individual companies and the market in general in significant and unforeseen ways. The future impact of COVID-19 is currently unknown, and it may exacerbate other risks that apply to your account. Any such impact could adversely affect your account's performance and may lead to losses in your account.

## Risks of Specific Securities Utilized

We typically purchase common stock for client accounts. Common stock is a class of security representing equity ownership in a corporation. Holders of common stock have the right to elect directors and collect dividends. Common stock claims are subordinate to those of bondholders, preferred stockholders, and general creditors.

For clients without restrictions, we may also invest in stocks of foreign issuers that are either listed on a U.S. exchange represented by American Depositary Receipts (ADRs), American Depositary Shares (ADSs), or "ordinary" shares (ORDS), or securities that trade on foreign non-U.S. exchanges.

We may purchase equity securities which are "restricted" within the meaning of Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"), or whose sale is otherwise limited. Unless these limitations are eliminated by registration of a sale transaction under the Securities Act or the availability of an exemption from the registration requirement, the price at which sale transactions are executed may be different than the market price of the same securities whose sale is not restricted.

We may purchase equity securities which are "restricted" within the meaning of Rule 144A under the Securities Act which provides a safe harbor exemption from certain registration requirements and which allows resale of such securities to qualified institutional buyers, under certain conditions.

From time to time we may purchase exchange-listed master limited partnerships ("MLPs") with operations in various industries. An investment in MLP units involves risks that differ from a similar

investment in equity securities, such as common stock, of a corporation. Holders of MLP units have the rights typically afforded to limited partners in a limited partnership. As compared to common shareholders of a corporation, holders of MLP units have more limited control and limited rights to vote on matters affecting the partnership. Certain tax risks are associated with an investment in MLP units.

We may invest in exchange-traded funds ("ETFs"), which own a basket of stocks that track a particular stock market index. Changes in the price of an ETF, before deducting its expenses, track the movement of the associated index relatively closely. ETFs charge their own management fee and other expenses that come directly out of the funds' returns. In addition to the ETF's management fee and other expenses, a commission on each purchase or sale may be charged by the executing broker-dealer. The principal risks associated with ETFs include the risk that the equity securities in an ETF will decline in value due to factors affecting the issuing companies, their industries or the equity markets generally.

From time to time, we may purchase private placements for selected clients. Private placements (generally, securities which cannot be sold absent registration or an exemption from registration) involve certain risks including the lack of liquidity and objective third party pricing sources. We price equities purchased in private placements and other restricted securities at fair value.

A security may be frequently traded in a strategy as determined by the portfolio manager. Frequent trading of securities can affect investment performance, particularly through increased brokerage commissions and taxes. Frequently traded securities may cause a client's account to have a high turnover rate along with the potential for high volatility and increased transaction costs. Portfolio turnover rates for some strategies may be greater than others due to the investment style of that particular strategy, or the relative impact of market conditions.

Risks associated with real estate investment trusts ("REITs") include: 1) real estate industry risk which is the risk that REIT share prices will decline because of adverse developments affecting the real estate industry and real property values (real estate values can be affected by a variety of factors, including supply and demand for properties, the economic health of the country or of different regions, and the strength of specific industries that rent properties); 2) investment style risk which is the risk that returns from REITs, which typically are small or medium capitalization stocks, will trail returns from the overall stock market; and 3) interest rate risk which is the risk that changes in interest rates may hurt real estate values or make REIT shares less attractive than other income-producing investments.

Convertible securities include fixed income securities that may be exchanged or converted into a predetermined number of shares of the issuer's underlying common stock at the option of the holder during a specified period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, units consisting of "usable" bonds and warrants or a combination of the features of several of these securities. Convertible securities are senior to common stocks in an issuer's capital structure, but are usually subordinated to similar non-convertible securities. While providing a fixed-income stream (generally higher in yield than the income derivable from common stock but lower than that afforded by a similar nonconvertible security), a convertible security also gives an investor the opportunity, through its conversion feature, to participate in the capital appreciation of the issuing company depending upon a market price advance in the convertible security's underlying common stock.

If your specific account guidelines allow the purchase of convertible bonds and depending upon the strategy you have selected, convertible bonds may be purchased for your account from time to time. Convertible bonds will generally be high yield, high risk bonds that are generally rated below investment grade by the primary rating agencies (BB+ or lower by Standard & Poor's Rating Group, and Ba1 or lower by Moody's Investor Services and BB+ or lower by Fitch Ratings). Other terms used to describe such securities include "lower rated bonds," "non-investment grade bonds," "below investment grade bonds," and "junk bonds." These securities are considered to be high-risk investments.

Credit quality of non-investment grade securities can change suddenly and unexpectedly, and even recently-issued credit ratings may not fully reflect the actual risks posed by a particular high-yield security.

High-yield bonds sometimes referred to as "non-investment grade bonds" are generally rated below corporate or investment grade bonds. Bonds which carry a lower grade offer a higher current yield than other higher grade securities, however, they involve greater risks including credit risk and interest rate risk. Credit risk is the risk that the issuer is unable to meet principal and interest payments to bondholders. Interest rate risk when investing in bonds means a rise in interest rates typically causes a fall in the value of the bonds, while a fall in interest rates causes a rise in values.

KCM does not purport to be experts in, and does not provide, tax, legal, accounting or any related services or advice. Tax, legal or accounting related statements are for analysis purposes only and are based upon limited knowledge and understanding of these topics. You should consult your advisors with respect to these areas as they likely have a better understanding of the specifics of your situation.

## DISCIPLINARY HISTORY

We are required to disclose in this Brochure facts about any legal or disciplinary events that have occurred in the last ten (10) years that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. We do not have legal or disciplinary information to disclose.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### Registration as a Broker-Dealer or Broker-Dealer Representative

We are neither registered as a securities broker-dealer nor are we affiliated with a broker-dealer. Certain KCM employees are licensed as registered representatives of IMST Distributors, LLC, an unaffiliated FINRA member broker-dealer and distributor of the KCM Funds. No KCM client is obligated to purchase these funds. KCM employees do not receive separate sales compensation in the form of commissions for investments in the KCM Funds however, they receive compensation for recommending the KCM Funds offered by the firm.

## Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

We are not registered as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

## Relationships Material to this Advisory Business and Possible Conflicts of Interest

Members of our board of directors who are not employees of KCM (an outside director) also may serve in other roles including board members, trustees or employees of private or publicly offered funds that may invest directly or indirectly in items such as debt and equity securities, private funds and real estate. While certain of our clients may have invested in one or more of the investments of these entities none of these investments were made by using assets from accounts managed by us and these investments were made without consulting us.

## Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections

We do not select or advise our clients regarding other advisors or third party managers. We manage all client assets entrusted to us.

## Other Information

KCM is not registered with any foreign financial regulatory authority. However, as contractually required in order for KCM to qualify for a sub-advisory relationship, on April 21, 2011 the Central Bank of Ireland (the “Central Bank”) responded to an application by stating in writing that it has no objection to KCM acting as an investment manager to Irish authorized collective investment schemes (“Irish Funds”). The Central Bank supervises Irish Funds and any investment manager appointed to advise them must meet certain criteria. KCM is not registered with the Central Bank and the Central Bank does not supervise KCM.



# CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

## Code of Ethics

We have adopted a Code of Ethics (the "Code") to establish policies addressing our fiduciary duties to our clients. The Code generally prohibits fraudulent or manipulative practices in connection with client investments. The Code establishes policies regarding personal trading by Access Persons. Specifically, the Code prohibits personal trading in any security (a) being considered for purchase or sale for a client, or (b) which has been purchased or sold for the account of clients in the previous five (5) business days with the exception of adjusting transactions. In addition, the Code establishes an investment holding period of thirty (30) calendar days, subject to certain exceptions. Under certain circumstances, exceptions may be made to the personal trading policy. Records of these trades, including the reasons for the exceptions, will be maintained by the compliance department.

Procedures have been implemented to ensure compliance with the provisions of the Code, including preapproval of personal securities transactions, quarterly affirmations of compliance and annual holding reports. Our personal trading policy is periodically reviewed in light of industry practices, SEC proposals and rules, and best practice recommendations of organizations such as the Investment Adviser Association. Updates to our Code may be made with the approval of our Board of Directors. You may obtain a copy of the Code by writing to Kennedy Capital Management, Inc. at 10829 Olive Boulevard, St. Louis, MO, 63141.

## Recommendations Involving Material Financial Interests

Our firm does not buy or sell securities for client accounts in which our firm or a related person has a material financial interest. We have adopted procedures that are reasonably designed to mitigate the potential misuse of material non-public information including the use of restricted lists, internal controls and information barriers.

Our firm may receive information that restricts its ability to buy or sell securities for substantial periods of time when a profit could be realized or a loss could be avoided. In certain instances, we may have knowledge of information that is both material and non-public ("MNPI") regarding public companies in which we may invest client assets. Trading on this information is prohibited under Section 204A of the Investment Advisers Act of 1940, as amended and we also prohibit trading on MNPI. Restrictions may adversely affect a PM's flexibility in buying or selling securities.

We also manage accounts in which we have invested our own seed money. These accounts are treated similarly to any other client account and in a manner that we believe does not conflict with the interests of any client.

## Investing in the Same Securities as Clients

As we permit our employees to engage in personal securities transactions, conflicts of interest may exist when an employee trades in a security that is considered for purchase or sale by a portfolio manager for a client account. Our employees may hold, buy, or sell the same, similar, or related (i.e., warrants, options) securities in their personal trading accounts that are held, bought, or sold in client accounts. It is our policy that employees must wait five (5) business days to purchase or sell a security after the security has been bought or sold for client accounts with the exception of adjusting transactions; thus, preventing employees from benefitting from transactions placed on behalf of our clients. However, to reduce any conflicts of interest, procedures have been established so that our clients receive priority for any security that is being considered by an employee in a personal trading account. Additionally, transactions effected in employee personal trading accounts that are not managed by KCM must be executed at the broker-dealer through which the personal trading accounts are maintained.

Conflicts of interest may arise regarding the actions taken for our own accounts or the accounts we manage for our employees, directors, or affiliates (“Affiliated Persons”) or for accounts in which Affiliated Persons may participate, such as an unaffiliated mutual fund for which we serve as the sub-adviser. While certain of our Affiliated Persons may have invested in one or more of these unaffiliated mutual funds for which we serve as sub-adviser, none of these investments were made by using assets from accounts managed by us.

We may buy or sell securities for Affiliated Persons or accounts in which our Affiliated Persons may participate that we also recommend to clients. We may also buy or sell securities for accounts in a strategy or strategies that our Affiliated Person(s) may manage which we also recommend to clients. It is our policy that the account(s) is/are managed consistently with that of all other client accounts managed in the selected style. In the event Affiliated Persons participate in any of the strategies offered or managed by us, a conflict of interest may arise regarding trade execution and/or allocation. See *Brokerage Practices* for information regarding allocations.

Our investment management services are not offered exclusively to any client and we will expect to continue to serve as investment manager (or in a similar role) for current and future client accounts.

It is our policy that we will not conduct any principal or agency cross transactions between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

## Trading Securities At or About the Same Time as Clients

Our Code prohibits employees or related persons from personally purchasing or selling a security (a) being considered for purchase or sale for a client, or (b) which has been purchased or sold for the account of clients in the previous five (5) business days with the exception of an adjusting transaction. Employees with accounts managed by us with full discretion similar to other client accounts are not subject to the personal trading requirements with the exception of initial public offerings. These accounts are considered client accounts and are managed consistently with that of other client accounts pursuant to the selected style and are therefore subject to the same aggregation and pro-rata allocation as all other clients. Employee accounts do not receive preferential treatment in the trade allocation process.

## Charitable Contributions

KCM donates to charitable organizations, some of which are affiliated with clients, are supported by clients, and/or are supported by an individual employed by one of our clients. Because the contribution could result in the recommendation of KCM or its services, such contribution raises potential conflicts of interest. As a result, contributions are monitored and made directly to the charitable organization (normally a 501(c)(3) organization). No contribution will be made if the contribution implies that continued or future business with KCM depends on making such contribution.

## Intern Program

KCM supports an active intern program. Students with an interest in pursuing a career or degree in finance will generally complete advanced coursework related to securities analysis, valuation and portfolio management. In some cases, university coursework involves not only securities analysis and valuation studies, but may require students to make recommendations for an actively traded university-sponsored portfolio. KCM interns routinely assist our analysts and portfolio managers with company analysis and have access to the recommendations of our analysts that must be used solely for the benefit of our clients. An intern that makes recommendations for an actively traded university-sponsored portfolio may cause that student's coursework to conflict with the interests of our clients. Such students must advise their KCM supervisor immediately upon registering for such courses so that their supervisor may place restrictions on the intern's access to information within KCM regarding the specific securities and/or sectors they may be assigned to follow. The student will be prohibited from using KCM proprietary research for purposes of their coursework and written coursework recommending any security for purchase or sale pertaining to the university's portfolio will be reviewed by KCM prior to the student's submission. We believe the procedures in place surrounding the student's activities regarding such coursework are adequate to address any potential conflict of interest with the interests of our clients.

## BROKERAGE PRACTICES

KCM has partnered with the Integrated Trading Solutions team at Northern Trust (“NT ITS”) as an outsourced trading partner leveraging NT ITS to provide trade order execution with the objective of obtaining the best possible execution for each order. NT ITS also provides services related to the settlement of securities transactions and transaction cost analysis. KCM will retain trading responsibilities for certain directed brokerage arrangements and KCM will continue to provide UMA Model updates directly to UMA Sponsors. KCM is responsible for overseeing the NT ITS trade activity and to make certain that best execution is obtained on behalf of our clients.

## Research and Other Soft Dollar Benefits

In conjunction with the migration to an outsourced trading solution, KCM has generally “unbundled” the investment research, brokerage products or other services (collectively “Products and Services”) received from the order execution process. This allows our outsourced trading partner, NT ITS, to focus solely on seeking to obtain the overall best execution for client transactions, while we accumulate credits in a commission sharing arrangements (“CSA”) account. A portion of the commissions paid to NT ITS is redirected to KCM’s CSA account, from which KCM can request payment to an independent research provider for Products and Services that fall under the protection of Section 28(e) of the Securities Exchange Act of 1934, as amended.

The Products and Services may be useful for all client accounts, and not all research may be useful for the account for which the particular transaction was effected.

Products and Services may be used by KCM for ourself, affiliates, or in the process of servicing some or all of our clients. In addition, some Products and Services may not necessarily be used for your account even though your commission dollars (or other transaction charges) helped to accumulate the CSA credits used to pay for the Products and Services. We may manage assets for clients who have established a wrap account arrangement with a wrap sponsor. Transactions for these types of accounts are generally executed directly with the wrap sponsor who will execute transactions for its clients without additional transaction costs (i.e., commissions) as its clients pay a bundled fee to the wrap sponsor. That bundled or wrap fee includes costs related to trade execution as well as custodial and other fees. In these instances, such clients will receive the benefit of Products and Services furnished through other client’s commissions.

By using client commissions to obtain these Products and Services, KCM receives a benefit because we do not have to produce or pay for the Products and Services ourself, thus, reducing the cost of providing services to clients. Our clients may pay commissions that exceed the amounts other broker-dealers might have charged for effecting these transactions.

Products and Services may be in any form (e.g., written, oral or on-line) and may include (but are not limited to):

- research products or services;
- clearance;
- settlement;
- custody;
- access to computerized data regarding clients’ accounts;

- performance measurement data and services;
- statistical information;
- data on the pricing and availability of securities;
- security and/or market quotation services;
- on-line financial information;
- publications;
- document retrieval services;
- portfolio strategy advice;
- analyses and/or recommendations concerning specific sectors, industries, companies or securities, and governments;
- market, economic, political or financial information studies and/or forecasts;
- technical data, recommendations and general reports;
- access to brokerage conferences;
- brokerage; and
- computer databases.

These Products and Services may be in the form of written reports, access to various computer-generated data and software, telephone contacts, and/or personal meetings arranged with security analysts, economists, and corporate and industry spokespersons.

In addition, we also periodically obtain opinions from health care providers or other industry experts on industries in general as well as on specific companies or technologies, and these providers may be compensated with credits accumulated in our CSA account.

The Markets in Financial Instruments Directive II (“MiFID II”) is a European Union Law, approved by the European Commission in 2014 and went into effect January 2018. This new regulatory legislation reduces the ability for investment advisers in the United Kingdom to utilize soft dollar payments in their investment research activities. At this time, we are not regulated under European Union Law and therefore, the MiFID II regulations do not apply to our trading, brokerage and soft dollar practices. However, we may have client(s) that are obligated to comply with MiFID requirements and therefore, request their account not participate in soft dollar transactions. Such clients’ transactions will be placed with a broker on an execution only basis and may be traded last in the trade rotation. Also, in these instances, such clients will receive the benefit of Products and Services furnished through other client’s commissions.

In addition, we have the ability to purchase over-the-counter (OTC) stocks for our clients directly from a market maker for whom such a transaction would be a principal transaction (Examples include but are not limited to, Initial Public Offerings, Secondary Offerings and Convertible Bonds) in which case a client may pay a mark-up or mark-down.

KCM generally uses NT ITS for order execution but maintains between 50 and 100 broker-dealers that we reserve the option to transact with directly on an as needed basis. Commissions generally range from \$0.005 to \$0.04 per share and KCM estimates that up to \$0.02 per share is attributable to soft dollars.

In some instances, we may receive Products and Services that may be used for both research/brokerage and non-research/brokerage purposes. In such instances, we will make a good faith effort to determine the relative proportion of the Products and Services used for research/brokerage purposes and the relative proportion used for non-research/brokerage purposes. The proportion of the Products and Services attributable to research/brokerage purposes will be paid through accumulated CSA credits generated by client transactions, while the proportion attributable to non-research/brokerage purposes will be paid for or reimbursed by us from our own resources. The receipt of "mixed-use" Products and Services and the determination of an appropriate allocation between research/brokerage and non-research/brokerage purposes create a potential conflict of interest between us and our clients. These arrangements are periodically reviewed in relation to Section 28(e) of the Securities Exchange Act of 1934, as amended.

In no event are soft dollar credits to be used to offset losses from trading errors. A copy of our *Trade Error Policy* is available upon request.

## Brokerage for Client Referrals

We do not select broker-dealers for trade execution based on our interests in receiving client referrals from broker-dealers or third parties. However, certain broker-dealers may recommend us to their clients and it is generally expected that trades for these types of accounts will be directed only to that particular broker-dealer.

## Directed Brokerage

You may direct that a portion, or in certain circumstances all, of the transactions for your account (a "directed brokerage account") be executed through one or more broker-dealers (a "directed broker"). In such cases, our policy is that you must negotiate the commissions or other charges and fees for your transactions with the broker-dealer. When you direct the execution of transactions through a particular broker-dealer, we are not responsible for the negotiation of transaction commissions or other related charges or fees. There may be a material disparity in commission charges directed to brokerage accounts and the accounts of other clients. For this reason, clients who direct us to use specified broker-dealers may not receive an execution that is comparable to the best execution we might obtain on transactions if we were free to execute with NT ITS. Our investment advisory agreements include acknowledgements regarding these issues.

We may be able to include the order of a directed brokerage account with orders of other accounts with the objective of obtaining a better execution for the directed brokerage account if the directed broker-dealer will accept the transfer of the billing and settlement of the order from NT ITS (generally known as a "step-out"). Reconciliation of the portion of the trade given to a directed broker is done through the clearing process between the two broker-dealers. Under such circumstances you may incur both a transaction cost for the execution of the trade and a transaction cost for the billing and settlement of the trade. We will bunch the trades of directed brokerage accounts only under circumstances in which we consider that executing the order in this manner is in the best interest of the directed brokerage account. Our investment advisory agreements include acknowledgements regarding these issues.

Although KCM does not participate in commission recapture programs, a client may request that their account transactions be executed through one or more broker-dealers. Where directed by a client (other than in a wirehouse consulting account or similar directed brokerage arrangement) in writing that they have elected to participate in a commission recapture program, it is our standard policy to use our reasonable best efforts to instruct the transfer of up to 10% of commissions generated by that account on an annual basis to the commission recapture broker.

As a participating manager in various wirehouse consulting programs, we are generally free to place orders in these accounts through NT ITS. However, since wirehouse consulting clients' fee arrangements generally cover transaction costs only when we place orders in these accounts through the wirehouse consulting program sponsor, in most cases we will place orders for wirehouse consulting accounts through the sponsor since to do otherwise would likely increase the cost of wirehouse consulting services to the wirehouse consulting clients. When we place orders for wirehouse consulting clients through the sponsoring program broker-dealer, we will typically do so in a rotational manner, as described below.

Clients involved in wrap programs or similar directed brokerage arrangements should understand that client transactions are expected to be executed only with the broker-dealer providing custodial and other services, generally the sponsor. 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. Depending on a variety of factors, including the amount of the combined fee, the trading activity and the value of custodial and other services, the combined fee may or may not exceed the total cost of such services if obtained separately. Under certain circumstances, we may direct client securities transactions to a broker-dealer or intermediary other than the designated broker-dealer or custodian if, in our opinion, we believe that such direction is in the client's best interest.

## Aggregating Trading for Multiple Client Accounts

It is our policy to seek overall best execution in all trading activities and to allocate purchases and sales of securities fairly among strategies and individual client accounts.

### **Order Aggregation**

As part of our effort to obtain best execution, KCM generally looks to aggregate orders for the same security (a practice commonly known as block trading or bunching trades) unless restricted by client direction, the type of account, or other account restrictions. Other factors that may be taken into account when considering to aggregate orders include the investment strategy, account objectives, cash balances, portfolio manager instructions, and the size of the order.

When recommending or effecting a transaction for more than one client, KCM will allocate the transaction among clients for whom such recommendation is made on a basis that KCM deems equitable. Shares purchased in bunched trades are generally allocated pro-rata relative to account assets among the clients for whom the stock is being purchased subject to adjustment for additional factors, including cash availability within specific accounts, consideration of the minimum

distribution of shares bought for an account, portfolio sector balancing, and building the percentage of assets invested in the stock in selected accounts. Allocations may also reflect the judgment of the portfolio manager as to the specific needs of an account, such as raising cash. While it is generally in the client's best interest to aggregate orders, the effect of aggregating may operate on some occasions to a client account's advantage or disadvantage.

Typically, trade orders are filled at several different prices through multiple trades executed in a single day. Whenever aggregating trade orders for multiple accounts, all accounts will receive the average execution price per share of the trade order. Additionally, each account participating in a block trade will pay a pro rata portion of the commissions for multiple trades of the same security executed in a single day.

### **Allocation of Partial Fills from Aggregated Orders**

Our portfolio managers generally establish an objective as to the amount of stock in a bunched order to be allocated to each client account, such position generally being expressed as a percentage of the assets in the client's account. The liquidity of some small cap stocks is limited, and the stock initially purchased at the target price may be insufficient to achieve the minimum position objective established by the portfolio manager. In addition, it may not be possible that enough additional stock may be purchased at the target price to achieve the portfolio manager's minimum position for each account. Therefore, in the portfolio manager's sole discretion, shares of a traded block may be allocated among accounts with each selected account being allocated the minimum percentage position prior to shares being allocated to another account. Weighted pro-rata allocation may also be used to allocate small positions obtained in initial public offerings or Limited Issuance positions. This may result in some accounts not receiving any portion of the stock purchased in a bunched transaction, an initial public offering or a Limited Issuance. This allocation is done automatically through the trade order management software system. If an account receives only a portion of the minimum percentage position set by the portfolio manager, KCM may manually allocate shares purchased in subsequent block trades to fill the position on a weighted pro-rata basis.

We employ several strategies in managing accounts, and a particular stock may be appropriate for and utilized in more than one strategy. Stocks may be held among different strategies managed by more than one portfolio manager. If one or more portfolio managers decide to sell the stock or purchase more of the stock then, to the extent that there is coordination among the portfolio managers, sales and purchases are allocated:

- first, among strategies in proportion to the size of the order for each respective strategy, and
- second, within each strategy, as described above.

### **IPOs**

We may be allocated shares of equity securities being sold in an initial public offering (a "new issue"). Under FINRA Rules, as they may be amended from time to time (the "Rules"), each client account or investor in a client account, as applicable, must certify to our satisfaction whether they are a "restricted person," as defined by the Rules, prior to participating in any new issue profits or losses. If a client fails to provide us with such certification the client will be deemed a restricted person and will only be entitled to participate in new issue profits or losses at a reduced level, if at all. Our policy provides that a new issue will be allocated among client accounts in the same manner as other



purchases of securities, to the extent allowed by the Rules. If the allocated new issue position is large enough, it will be allocated among the accounts as a percentage of the assets in our clients' accounts. Random allocations may be used to allocate small new issue positions and may result in some clients obtaining the benefits of new issues while others do not. Client accounts custodied at certain broker-dealers may not be included in IPO allocations because their custodian or broker-dealer will not settle such transactions.

### **Limited Issuance**

Additionally, we may be allocated other securities in limited offerings, including private placements (each, a "Limited Issuance"). Our policy provides that a Limited Issuance will be allocated among client accounts in the same manner as other purchases of securities, to the extent allowed by applicable securities laws. If the allocated Limited Issuance position is large enough, it will be allocated among the accounts as a percentage of the assets in our clients' accounts. Random allocations may be used to allocate small Limited Issuance positions and may result in some clients obtaining the benefits of Limited Issuances while others do not.

### **Client Directed Brokerage and Wrap Orders**

Clients who designate the use of a particular broker-dealer should understand that they may lose (i) the possible advantage that non-designating clients derive from aggregation of orders for several clients as a single transaction, and (ii) the ability to effectively negotiate a commission rate or security price to obtain volume discounts.

Clients who designate the use of a particular broker may be subject to acceptable order processing delays. Client directed brokerage orders may be delayed until the non-directed order flow has been executed. For some strategies, at the portfolio manager's discretion, the portfolio manager may instruct a specific trade rotation between freely traded aggregated trades and aggregated trades of the same security with a designated broker requirement.

Multiple orders may be created simultaneously for a group of client directed brokerage or wrap program accounts, and may not be aggregated into block trades available to other accounts due to restrictions imposed by client directed brokers or the wrap programs. In this situation, orders for client directed brokerage accounts and wrap program accounts will be traded separately and every effort will be made to process the order of the trades with these client directed brokers or wrap program custodians on a fair and unbiased basis over time.

In the absence of unique circumstances, orders for all freely traded accounts are generally aggregated and traded together as noted above. Orders for accounts with directed brokerage requirements are generally aggregated and traded together for each specified directed broker-dealer.

Whenever possible, KCM will attempt to have non-directed orders and fully directed orders obtain the least disparity in average execution price on a best efforts basis.

### **Unified Managed Accounts ("UMAs")**

For some strategies KCM provides a strategy specific investment model to a UMA Sponsor. KCM provides security weighting updates for the specific strategy to the UMA Sponsor. Upon receipt of a model update the UMA Sponsor, at their discretion, applies the model changes to their client accounts. KCM does not execute or allocate security transactions for UMA Models or for clients who

have established UMA accounts. KCM does not assume any fiduciary duties associated with clients who establish UMA accounts with UMA Sponsors, or in connection with transactions executed on behalf of those clients by the UMA Sponsor.

Generally, each UMA Sponsor may choose whether or not to implement the changes to the model provided by KCM.

The UMA Sponsors, or their designated Overlay Managers, generally retain investment and brokerage discretion with respect to the clients who have established UMA Model accounts. Typically, KCM will provide updates to the UMA Models to the respective UMA Sponsors or Overlay Manager after the completion of trades for client accounts that KCM has a fiduciary obligation to and has a responsibility for order execution and allocation.

## Liquidations of Existing Positions Upon Transition to KCM

Generally, securities deposited into your account will be liquidated if the portfolio manager, in his/her sole discretion, believes the securities are not consistent with the investment strategy. The cash resulting from the liquidations will be re-allocated according to the KCM strategy you have selected. A client's tax consequences are generally not considered when liquidating securities deposited into an account managed by KCM.

## REVIEW OF ACCOUNTS

### Frequency and Nature of Reviews

It is your responsibility to notify us of any changes in your investment objectives and/or financial situation. We encourage you to review investment objectives and account performance with us on an annual basis. We offer to be available for at least one meeting per year with you to review account performance and investment objectives. We believe these meetings, which may be held at our client's office, our office, or via telephone or video conference, are important in aligning our individualized portfolio strategy with our client's investment needs.

Portfolio managers are responsible for constructing and maintaining the investment allocation of their strategies. The portfolio manager is responsible for the day-to-day supervision of your account as well as the review of the securities held in their managed strategy or strategies to determine the likelihood that assets held will continue to achieve the expected investment objective. Account reviews are designed to ensure that transactions for client accounts are consistent with each client's specific investment objectives as indicated in the client's investment advisory agreement and additional instructions to us. Matters generally reviewed include specific guidelines, if any, and the performance of the account on a year-to-year basis.

The Investment Policy Committee performs a periodic assessment of the investment decisions implemented by each portfolio manager. The matters reviewed include (but are not limited to) diversification, portfolio composition, performance, and factor characteristics relative to the identified benchmarks.

Cash, account holdings and share quantities are reviewed monthly against custodial statements by the operations department. Data feeds from many of our clients' selected custodians are obtained through a third party, and are used to compare custodial data to our client account records as frequently as daily. We expect that our clients will agree to support KCM's efforts to arrange for one or more electronic connections to your custodian's recordkeeping systems including, where available, both access to your custodian's external manager portal as well as an information link or data feed between our portfolio accounting system and your custodian. You may request that KCM not maintain electronic connections to your custodian's data. This request must be received in writing. In addition, you should understand that lacking this data feed(s) will severely inhibit KCM's ability to maintain accurate records for your account.

In some instances, variances may exist between final audited custodial information and the information we obtain via such data feeds. All variances are typically reconciled to the applicable account no later than each month-end. Additional reconciliation or client specific reconciliation worksheets are completed for certain clients upon request.

The overall performance of each strategy is reviewed on a periodic basis.

Additionally, many of our clients engage third-party consultants to assist with monitoring performance, stated objectives and risk tolerance.

## Factors that Trigger a Non-Periodic Review

Daily compliance checks are applied both pre-trade and post-trade electronically through the order management system to determine compliance with specific client guidelines. Alerts are brought to the attention of the compliance department and if necessary are reviewed in more detail by the portfolio manager. Generally, the compliance department conducts daily trade surveillance on a post-trade basis to review allocations, pricing, cash levels, foreign holdings, and security position weightings, among other things. Discrepancies are researched to understand the cause and to determine if any changes or corrective actions are needed. A more thorough analysis is undertaken periodically to determine that investments in accounts are consistent with objectives and the client's identified restrictions.

Events that may trigger a review include client requests, a change in a client's financial objectives, and significant world, economic or market events.

## Content and Frequency of Regular Reports Provided to Clients

Generally, reports are furnished no less than quarterly. We will furnish reports on a more frequent basis if requested. Reports typically summarize investments in the client's account, including an inventory of account holdings with corresponding market values, a summary of executed transactions, the percentage of each security held relative to the total account, along with account performance. Performance is compared to the appropriate index and other relevant benchmarks, where applicable. You may also receive from us periodic letters and commentaries discussing the outlook for the markets and your portfolio. Additional reports may be provided upon request.

You may request to receive transaction confirmation notices directly from the broker-dealer executing the transactions in your account. You should also verify that your broker-dealer, bank or other qualified third-party custodian (where your account is maintained, referred to hereinafter as your custodian) is providing statements to you no less than quarterly as such reports are the official books and records for your account and should be reviewed carefully. It is your responsibility to confirm the delivery frequency of account statements directly with your custodian. KCM receives a duplicate copy of the custodian statements sent to clients. This duplicate copy is used to conduct reconciliation for trading, cash flows, fees, security positions and other changes. We encourage you to compare the information included with our account statements to the information reflected in the statements you receive directly from your custodian. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities and are not intended to replace the custodial account statements as records for official or tax reporting purposes. Your custodian is required to maintain important tax information, report such information to the IRS, and should be consulted to obtain account tax records. Please consult with your tax advisor to interpret and use the information contained in any report received from either your custodian or us; we do not provide tax advice.

Wrap program relationships authorize us to offer continuous investment management services to wrap program clients. For wrap program and model portfolio program accounts, KCM reviews these accounts on a regular basis for conformity with the model. These clients generally receive portfolio holdings and performance reports from the Sponsor. KCM may provide reports to Sponsors that are not regularly sent to clients regarding performance, portfolio holdings and other portfolio information. Unless specifically requested by the Sponsor, KCM generally does not provide statements or one-on-one presentations to these clients. The Sponsor is the client's primary contact.

# CLIENT REFERRALS AND OTHER COMPENSATION

## Economic Benefits Provided by Third Parties for Advice Rendered to Clients

Our revenues are derived from advisory fees. Clients should be aware that, although not necessarily related to advice rendered to clients, KCM employees may from time to time give or receive gifts to or from clients, broker-dealers, and other unaffiliated third parties. Additionally, our employees may host a client, broker-dealer, and/or unaffiliated third party or be the recipient of entertainment provided by a client, broker-dealer, and/or other unaffiliated third party. We maintain a gift and entertainment policy that limits gifts and entertainment that employees may receive without approval to \$250 and requires internal reporting of any gifts valued at \$10 or greater. Neither KCM, nor our employees, receive sales awards or other prizes, directly or indirectly from any third party as an incentive for providing advice to our clients.

Except for the receipt of soft dollar benefits previously described in the *Brokerage Practices* section, KCM does not receive an economic benefit from third parties in connection with the investment advice we render to clients.

## Compensation to Non-Advisory Personnel for Client Referrals

In some circumstances, payments to a third party may create an incentive for the third party to recommend KCM's advisory services to their clients.

KCM does have contractual arrangements with other investment advisory firms to provide sub-advisory services (e.g. where KCM acts as a strategist or model provider) for a fee. KCM pays a fee to certain firms to be included on the model platform and for receipt of analytical data regarding model program accounts.

KCM does not currently have any written agreements with third parties to act as solicitors for KCM's investment advisory services.

Some of KCM's clients and prospective clients retain investment consultants or other intermediaries to advise them on the selection and review of investment managers. These consultants or other intermediaries may recommend KCM's investment advisory services, or otherwise place KCM into searches or other selection processes on behalf of their clients. KCM does not directly compensate investment consultants or other intermediaries for client referrals but from time to time may provide indirect compensation through the form of a gift or entertainment.

KCM provides consultants with information on accounts we manage for mutual clients as directed by those clients. KCM also provides general information about our investment strategies and processes to consultants that use that information for searches they conduct for their clients. KCM also responds to requests for proposals from prospective clients and/or consultants in connection with those searches.

## CUSTODY

We do not accept physical custody of your assets, including the receipt of securities, cash or checks at any time. However, pursuant to Rule 206(4)-2 under the Act, KCM may be viewed for regulatory purposes as having custody of certain client assets due to:

- KCM's ability to deduct management fees directly from certain client accounts, and/or – the ability to instruct custodians to withdraw the amount of the management fees from a client's account. KCM is given the authority to receive payment of its management fees directly from the account pursuant to explicit instructions from the client, but is not authorized to make any other withdrawals or to transfer assets out of the account to a third party.

The decision to select a qualified third-party custodian remains solely with you. You must contract directly with your selected qualified third-party custodian or registered broker-dealer for custodial services. Wrap accounts, directly managed accounts, unified managed accounts, similarly named arrangements or accounts participating in a model program will be held by the Sponsor of the program. Clients participating in these programs should refer to the Sponsor's program brochure and agreements for information regarding custodial arrangements.

## INVESTMENT DISCRETION

Discretion means we may make investment decisions without consulting you first, regarding the selection of securities to buy or sell, the amount of securities to buy or sell, the broker-dealer to use, and the commission rates to pay, subject to reasonable investment objectives and guidelines that are generally established by an investment advisory agreement at the time of account inception. Prior to assuming discretionary authority, an investment advisory agreement will be executed. By signing the investment advisory agreement, discretionary investment authority over your account per the terms of the investment advisory agreement is granted to us. The investment advisory agreement grants us authorization to provide instructions to your custodian regarding the investment decisions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash, or cash equivalent or other investment for your account.

We do not accept responsibility for the active management of your account, unless and until, we have received written verification from your custodian (in a form acceptable to us) of the amount and nature of the assets held in your account. We shall have no liability based upon estimates of market gain or loss, or otherwise, for the failure to commence investment of your account until we have received such written verification from your custodian. It is your responsibility to instruct your custodian to provide such information to us.

Wrap fee programs as outlined in the section entitled *Advisory Business*, authorizes us to offer continuous investment management services to wrap accounts. Generally, each wrap account client enters into an agreement with a Sponsor, and in turn the Sponsor has a separate investment advisory agreement with us. With certain limited exceptions, we generally maintain discretion as to which securities shall be purchased or sold in a wrap program account in a manner consistent with the client's selected strategy, investment objectives, policies and any reasonable restrictions. In order to avoid incurring the incremental costs created by using other broker-dealers, transactions for wrap

program clients are typically executed through the wrap program sponsor. In most cases, as part of the wrap program arrangement, we have been directed to execute orders with the wrap program sponsor.

Additionally, as outlined in the section entitled *Advisory Business*, KCM may enter into a non-discretionary arrangement in which a model portfolio of securities is provided to a Sponsor. The Sponsor is then responsible for executing transactions to establish and maintain the portfolio according to our model as provided.

Generally, it is our policy to not accept unsupervised assets. An unsupervised asset is an asset managed by you, the client.

## VOTING CLIENT SECURITIES

### Clients That Provide Proxy Voting Authority to KCM

We will accept authority from you to vote your proxies and will vote according to our proxy policy as outlined below.

Rule 206(4)-6 and amendments under the Act, which became effective August 6, 2003, are designed to ensure that investment advisers fulfill their fiduciary obligation when voting client proxies. Disclosure requirements include:

- (i) investment advisers that exercise proxy voting authority for clients must describe the firm's proxy policies and procedures, and upon request, provide clients with a copy of those policies and procedures; and,
- (ii) advisers must describe how clients may obtain information on how their securities were voted.

We generally vote proxy ballots for our clients using a proxy voting service to help fulfill our voting obligations, although some clients may choose to retain voting responsibility. Unless otherwise instructed by you, we will undertake to vote proxies for your account. We must make proxy voting decisions solely in the best interests of our clients and will place our clients' interests above our own interests.

Institutional Shareholder Services, Inc. ("ISS") has been retained to provide proxy vote research and recommendations based on their own internal guidelines. Votes are cast through the ISS ProxyExchange platform ("ProxyExchange"), which provides access to proxy voting recommendations and historical voting information. The services provided to KCM include access to ISS' research, analysis and voting recommendations, receipt of proxy ballots, vote execution based upon the recommendations of ISS as well as reporting, auditing, recordkeeping and consulting assistance for the handling of proxy voting responsibilities. ProxyExchange also maintains proxy voting records and provides KCM with reports that reflect the proxy voting activities of client portfolios. KCM uses this information for appropriate monitoring of such delegated responsibilities.

You may select among two voting policies which are:

- **ISS Benchmark Research Policy**
- **ISS Catholic Policy.**

The ISS Benchmark Research Policy will be used for voting proxies for all clients that have delegated voting authority to us (both ERISA and non-ERISA) unless you specifically select the Catholic Policy.

When voting, we generally follow the recommendations of ISS. We may direct that proxies be voted in a manner different from that recommended by ISS. However, when our interests conflict with the interests of our clients, we will follow the recommendation of ISS. Additionally, we may seek guidance from our Proxy Voting Committee to resolve material conflicts of interest. While it is our policy to not accept unsupervised assets, in the event there are unsupervised assets in your custody account for which we have proxy voting authority, we will generally vote with the recommendations of ISS. In the event that ISS does not provide a recommendation on the aforementioned securities, no vote will be entered for these securities unless explicitly instructed by you or an authorized agent you assign. This policy will also apply to any proxy votes for short-term investment fund securities that were selected by you or your custodian.

You may elect to participate in a securities lending program through your selected custodian. Under typical securities lending arrangements, securities on loan to a borrower on a proxy record date may not be voted by the lender. Therefore, we will not vote securities that are on loan as the responsibility to vote proxies will typically reside with the borrower of the shares.

Although it is our policy to seek to vote all proxies for the securities held in your account(s) for which we have proxy voting authority, in the case of non-U.S. issuers proxies are voted on a best efforts basis. Generally, research coverage of non-U.S. issuers is provided by ISS. Voting recommendations are not always provided with research; therefore, ballots for non-U.S. issuers are generally voted according to the chosen policy.

A custodian may, in its discretion, determine that it will provide proxies to ISS for U.S. domestic companies, but not for foreign or global companies. Or, custodians may determine to provide proxies for non-U.S. companies to their selected proxy voting provider. In these instances, ISS is not able to vote non-U.S. proxies for your account.

It is within each custodian's discretion as to whether it will provide ballots to ISS for issuers whose stocks are held in your account. Instead, a custodian may select its own proxy voting provider and choose not to provide proxy ballots to ISS. In these instances, ISS is not able to vote proxies for your account and KCM will not be able to accept voting authority for your accounts.

When voting ballots, it is the custodian's discretion as to whether it will aggregate shares, held on behalf of its various clients, in an omnibus account instead of submitting individual ballots for segregated accounts. In these cases, custodians must rely on their own internal records to differentiate the various underlying holdings. In these instances, ISS will not be able to provide us with a detailed history of voting records at the individual client account level.

You may obtain a copy of our proxy voting policy and procedures or information on your voting history by writing Kennedy Capital Management, Inc., 10829 Olive Boulevard, St. Louis, MO, 63141 or by calling (800) 859-5462.



## Clients That Retain Proxy Voting Authority

If you do not grant us proxy voting authority, you may receive proxies and other solicitations directly from your custodian or a transfer agent. We are not able to provide advice on proxy voting issues when a client retains authority to handle such matters.

## Class Action Lawsuits

From time to time, we may receive notification that securities held in your account may be the subject of a class action lawsuit. If you are an existing client, we will make our best efforts to determine if securities held by you in your custodial account are subject to a pending or resolved class action lawsuit. Unless we have received confirmation from you or your custodian that your custodian will be submitting claims on your behalf, we will make our best efforts to evaluate your eligibility and, if eligible, we will submit a claim on your behalf to participate in the proceeds of a securities class action settlement or verdict. Eligibility is generally based on the accounts for which purchases and sales of the affected security were executed during the class action period while under our management. However, if we do not receive the claim forms or other necessary documentation in a timely manner, we may not be able to file a claim on your behalf. Moreover, we will not submit claims for securities purchased by a prior manager as we will not have the transaction information pertaining to your account that is needed in order to file a proof of claim on your behalf. Generally, responsibility for submitting a claim for clients participating in a wrap account program or model program rests with the Sponsor, not with KCM.

If you have instructed your custodian or another third-party the responsibility of filing class action claims on your behalf, please advise us so that we do not duplicate any filings.

Any payment received inadvertently by KCM as a result of filing a class action claim on behalf of a client will be returned to the sender. It is our policy that no payments shall be directly accepted by us on behalf of any client.

## Corporate Action Processing

KCM receives notification of corporate actions directly from many of the custodians of our clients' accounts. Corporate actions generally fall into the category of mandatory or voluntary.

In the case of voluntary corporate actions, KCM seeks the recommendation of the portfolio manager for an election decision. KCM will then make that election with the custodian who holds assets for clients.

KCM seeks to post all corporate actions, both mandatory and voluntary, to our accounting system, Advent APX, at the earliest available time. However, so that an unfair advantage is not provided to any specific client/clients, each corporate action will generally not be posted until KCM has verified the processing of such corporate action with all applicable custodians.

On an exception basis KCM may move forward with posting a corporate action for those clients whose custodians have processed them (even though not all applicable custodians have done so), for one or more of the following reasons, among others, in the portfolio manager's discretion: most of KCM

clients' custodians have already processed the corporate action, the custodian(s) for a majority of client assets under management in that strategy has/have already processed the corporate action and/or the custodian(s) that has/have not yet processed the corporate action is/are typically the last or one of the last custodian(s) to do so.

Clients who participate in a securities lending program may experience a delay in the posting of any or all of a corporate action due to shares on loan. Upon the receipt of confirmation from the custodian that the shares have been recalled, the corporate action will be processed.

KCM uses a variety of data sources, including the custodians, for verification of the terms of a corporate action and will follow-up with any custodian whose processing terms differ from those KCM believes to be accurate.

## FINANCIAL INFORMATION

### Balance Sheet

We do not require prepayment of more than \$1,200 in fees per client, six months or more in advance; therefore, a balance sheet is not required to be included with this Brochure.

### Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients

We do not currently believe nor foresee any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to clients.

### Bankruptcy Petitions in Previous Ten Years

We have not been the subject of a bankruptcy petition in the last ten years.

# EXHIBITS

## EXHIBIT A: PRIVACY NOTICE

**FACTS** What does Kennedy Capital Management, Inc. (KCM) do with your personal information?

**Why?** Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

**What?** The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Information we receive from you or your authorized representative on investment advisory agreements, client information forms, or written correspondence (which includes email) – including, but not limited to, your name, address, phone number, tax identification number, assets, income, and date of birth
- Other information and documentation that we may collect from you to verify your identity
- Custodian account statements
- Information about your transactions with independent broker-dealers including, but not limited to, your account number and balance, cost basis information, and other financial information
- Investment experience and risk tolerance
- Information that we may receive from third parties

When you are *no longer* our client, we continue to share your information as described in this notice.

**How?** All financial companies need to share clients' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their clients' personal information; the reasons KCM chooses to share; and whether you can limit this sharing.

| Reasons we can share your personal information  | Does KCM share?      | Can you limit this sharing? |
|---|----------------------|-----------------------------|
| <b>For our everyday business purposes</b> – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus | <b>Yes</b>           | <b>No</b>                   |
| <b>For our marketing purposes</b> – to offer our products and services to you   | <b>Yes</b>           | <b>No</b>                   |
| <b>For joint marketing with other financial companies</b>   | <b>No</b>            | <b>We do not share</b>      |
| <b>For our affiliates' everyday business purposes</b> – information about your transactions and experiences   | <b>No affiliates</b> | <b>No affiliates</b>        |
| <b>For our affiliates' everyday business purposes</b> – information about your creditworthiness   | <b>No affiliates</b> | <b>No affiliates</b>        |
| <b>For nonaffiliates to market you</b>  | <b>No</b>            | <b>We do not share</b>      |

## Who we are

Who is providing this notice? Kennedy Capital Management, Inc. (KCM)

## What we do

### How does KCM protect my personal information?

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

We take precautions to protect your information. We restrict access to your personal information to those employees who need to know that information in order to provide services to you. We also maintain physical, electronic and procedural safeguards to guard your personal information.

### How does KCM collect my personal information?

We collect your personal information, for example, when you

- Enter into an advisory agreement
- Open an investment advisory account
- Provide your contact information

We also obtain information for the purpose of verifying your identity, proper execution of transactions, cost basis information, etc. We may also collect your personal information from other companies, such as, consultants, broker-dealers, and custodians.

### Why can't I limit all sharing?

Federal law gives you the right to limit only

- Sharing for affiliates' everyday business purposes – information about your creditworthiness
- Affiliates from using your information to market to you
- Sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

## Definitions

### Affiliates

Companies related by common ownership or control. They can be financial and nonfinancial companies.

- *KCM does not have affiliated service providers or company relationships*

### Nonaffiliates

Companies not related by common ownership or control. They can be financial and nonfinancial companies.

- *Unaffiliated service providers include banking institutions and broker-dealers that may provide services at KCM's direction. KCM does not share with nonaffiliates so that they can market to you.*

### Joint Marketing

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- *KCM does not jointly market products or services to its clients*