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This brochure provides information about the qualification and business practices of WCM Investment Management. If you have any questions about the contents of this brochure, please contact us at (949) 380-0200, or by email at [learnmore@wcminvest.com](mailto:learnmore@wcminvest.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

WCM Investment Management is a registered investment adviser with the Securities and Exchange Commission ("SEC"). SEC registration does not imply any certain level of skill or training. Additional information about WCM Investment Management is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

March 24, 2017

# Material Changes

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## Annual Update

WCM Investment Management is providing this information as part of our annual updating amendment, which contains material changes from our last annual update. This section discusses only material changes since the last annual update, which most recently occurred on 03/18/2016.

## Material Changes since the Last Update

This brochure contains the following updates:

1. As of December 31, 2016, WCM managed \$14,042 million assets on a discretionary basis. Please see the *Client Assets* section.
2. The WCM Small-Cap Value Fund, LP was closed in November, 2016.

## Full Brochure Availability

Copies of this brochure are available by contacting David Brewer, WCM Investment Management's Chief Compliance Officer at (949) 380-0200 or at davidbrewer@wcminvest.com.

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# Advisory Business

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## Firm Description

WCM Investment Management (“WCM” or “Firm”) is an investment advisory firm, registered with the SEC that specializes in providing innovative, equity investment advisory services. WCM was founded in 1976.

## Principal Owners

Several members of the current management team joined the organization in the mid-to-late 1980s and acquired 100% ownership of the organization in the mid-to-late 1990s. The principal owners of the Firm are Kurt Winrich and Paul Black. Other key owners include Sloane Payne, Peter Hunkel, Michael Trigg, Sanjay Ayer, and David Brewer. Together they control 91% of the company. These individuals are all employees. The remainder of the Firm’s ownership is spread among other employees. This provides employees with a stake in the Firm’s success.

## Types of Advisory Services

WCM is an investment adviser that provides investment advisory services on a discretionary basis in accordance with the methods described in the *Methods of Analysis, Investment Strategies and Risk of Loss* section of this brochure.

WCM provides discretionary investment advisory services to Private Accounts, Mutual Funds, and Private Funds as described in the *Types of Clients* section of this brochure. It also acts as sub-adviser to several mutual fund relationships.

In addition, the Firm is: the General Partner to three private funds (the WCM Focused International Growth Fund LP, the WCM Focused Global Growth Fund LP and the WCM Focused Emerging Markets Fund LP; “WCM Private Funds”); investment adviser to four mutual funds (the WCM Focused International Growth Fund, the WCM Focused Global Growth Fund, the WCM Focused Emerging Markets Fund, and the WCM International Small Cap Growth Fund; “WCM Mutual Funds”; collectively, “WCM Funds”. The Firm also sub-advises a UCITS for Heptagon Fund plc, the WCM Global Equity Fund. For more information, see the *Other Financial Industry Activities and Affiliations* section.

WCM also participates as a sub-adviser in various wrap fee programs, as described in the *Advisory Business: Wrap Fee Programs* section below, and acts as a non-discretionary sub-adviser by providing our investment models to a few advisers, as described in the *Brokerage Practices: UMA Programs* section below.

## Tailored Relationships

WCM’s standard services are tailored to our Client’s investment objectives. Clients may impose reasonable restrictions on investing in certain securities or types of securities. Such restrictions must be submitted to WCM in writing. Client imposed restrictions may affect WCM’s ability to implement our stated investment strategy including how trades are executed (as described in the *Brokerage Practices*

section of this brochure); therefore, investment performance may differ from other accounts managed in accordance with the unrestricted strategy.

Private Funds, Mutual Funds and UCITS are managed only in accordance with each fund's objectives and are not tailored to any particular fund investor (each a "Fund Investor"). Since WCM does not provide individualized advice to Fund Investors, they should consider whether a particular fund meets their investment objectives and risk tolerance prior to investing. Information about each fund can be found in each fund's respective Private Placement Memorandum ("PPM") or Prospectus. This disclosure brochure is designed solely to provide information about WCM and should not be considered an offer of interest in the WCM Funds.

## Wrap Fee Programs

WCM provides investment advisory services with respect to accounts in so called "wrap fee" programs sponsored by various broker-dealers, investment advisers, consultants or other organizations ("Sponsors"). In these programs, Clients of the Sponsor generally receive a package of services, which includes any or all of the following: discretionary investment management, trade execution, account custody, performance monitoring and manager evaluation. Sponsors typically: (1) assist Clients in defining their investment objectives based on information provided by the Clients; (2) determine whether the given wrap fee arrangement is suitable for each Client; (3) aid in the selection and monitoring of investment advisers (whether WCM or another adviser) to manage accounts (or a portion of account assets); and (4) periodically contact Clients to ascertain whether there have been any changes in Clients' financial circumstances or objectives that warrant changes in the arrangement or the manner in which Clients' assets are managed. Client information is generally channeled to WCM through the program Sponsor, and WCM relies on the Sponsor to forward current and accurate Client information on a timely basis to assist in the day-to-day management of wrap accounts. Under certain programs, a Client may contact WCM directly concerning his or her account. WCM offers its discretionary investment advisory services under a number of these programs, which are described in more detail below.

Wrap fee programs come in many different forms. In some, the Client has a contract only with the Sponsor, and the discretionary manager enters into a sub-advisory contract with the Sponsor to provide discretionary investment advisory services to the Sponsor's Clients. In these programs, WCM is paid by the Sponsor and receives a portion of the wrap fee collected by the Sponsor. In other programs, the Client has a contract with both the Sponsor and with the discretionary adviser. In these programs, WCM generally uses its standard investment advisory agreement, and Clients usually pay the standard WCM investment advisory fee schedule, although fees and account minimums may be negotiable under certain circumstances. In broker-dealer sponsored wrap programs, the Client's contract with the Sponsor is charged either as an asset-based fee or a transaction-based fee (i.e. commission), but WCM currently participates only in asset-based wrap fee programs. A typical account minimum for these programs is \$100,000, and the wrap fee charged by the Sponsor ranges between 1.25% and 2.25%.

In evaluating wrap fee arrangements, a Client should consider a number of factors. Wrap fee arrangements are not be suitable for all Clients. Suitability depends on a number of factors, including,

but not limited to: the applicable wrap fee; account size; anticipated account trading activity; the Client's financial needs; circumstances and objectives; and the value of the various services provided. In some instances, these services may be obtained at a lower aggregate cost if purchased separately.

Although WCM is typically responsible for directing trades to brokers or dealers that it believes are capable of providing best execution, trades for asset-based wrap fee accounts are generally executed by the Sponsor so that the Client is not charged commissions on the trades, as would be the case if WCM were to direct trades to other broker-dealers for execution. Even in the event that another broker-dealer quotes a more favorable price than that quoted by the Sponsor in a given trade, the aforementioned lower price, along with the added commission, may on balance be less favorable to the Client than the Sponsor's higher quoted price. Broker-dealer Sponsors providing execution services under a wrap fee are responsible for providing best price and execution for Client trades.

Also, for asset-based wrap fees which cover trades executed by a broker-dealer Sponsor, Clients are charged both commissions on trades executed by other broker-dealers, as well as "mark-ups" and "mark-downs" on trades affected by the Sponsor or another dealer as principal, as well as: odd-lot differentials; transfer taxes; handling charges; exchange fees; offering concessions and related fees for purchases of unit investment trusts; mutual funds and other public offerings of securities; and other charges imposed by law with regard to transactions in Client accounts. Because Sponsors receive no commissions from trades affected on an agency basis, Sponsors have an incentive to affect trades as principal in order to obtain "mark-ups" and "mark-downs." Asset-based fees may be considered by the Internal Revenue Service as an investment expense, rather than a transaction charge, which may result in less favorable tax treatment for certain investors. (Clients should consult with their professional tax advisers concerning the effect of this tax treatment on their individual circumstances.)

See the *Brokerage Practices: Wrap Fee Programs* section of this brochure for additional information.

## **Back Office Support**

In connection with certain directed trading accounts, WCM has engaged SEI Global Services, Inc. ("SEI"), to provide certain back-office support services on our behalf. SEI's services to us include, but are not limited to, trading, settlements, reconciliation, account maintenance, and billing. We continue to monitor accounts serviced by SEI, and we supervise all functions performed on behalf of our firm and our clients.

## **Client Assets**

As of December 31, 2016, WCM managed \$14,042 million assets on a discretionary basis. WCM also provides model portfolio recommendations for \$1,271 million in UMA Programs.



# Fees and Compensation

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WCM charges advisory fees based on the value of Client assets managed. Unless otherwise specifically provided for, valuation of securities follows WCM's *Valuation Policy*.

## Private Account Fees

Private Account fees are generally payable quarterly in advance and are calculated based on the value of an account's assets on the last business day of each calendar quarter. If an account commences or terminates on a date other than the first or last business day of a billing period, the fee is prorated based upon the portion of the billing period in which WCM provided services. All unearned, pre-paid fees will be refunded upon account termination. At WCM's discretion, assets of related accounts, such as family or business relationship, may be aggregated for purposes of calculating the applicable advisory fee. Private Account agreements may be terminated at any time by either party, for any reason upon written notice.

When fees are paid in advance and a significant Client deposit or withdrawal occurs, fees may be adjusted, as specified in a Client Investment Management Agreement. A significant deposit or withdrawal is typically defined as a capital flow in excess of 25%. An adjustment is calculated based on the amount of the deposit or withdrawal applied to the fee schedule and prorated for the portion of the calendar quarter in which WCM provided services. Such adjustments are generally applied in the subsequent billing period.

WCM's standard fee schedules for Private Accounts are as follows:

Strategy: Focused Growth International, Quality Global Growth, Emerging Markets, International Small Cap Growth, Emerging Markets, and Focused Small Cap

\$10 million and over      1.00%

Strategy: Small Cap Value, SMID Value, and Focused Micro Cap

\$3 million and over      1.50%

Strategy: High Quality Intermediate (fixed income)

\$3 to \$10 million      0.50%

Next \$40 million      0.35%

Remaining assets      0.25%

Management fees and minimums are negotiable. To the extent that fees are negotiable, some Clients may pay more or less than other Clients for the same management services, depending, for example, on account inception date, number of related investment accounts or total assets under management. WCM will also, in its sole discretion, charge lower management fees or waive account minimums based on certain criteria (e.g., historical relationship, related accounts, account composition, anticipated future

earning capacity, anticipated future additional assets, accounts referred to adviser by another professional, etc.). We charge lower fees for accounts managed through wrap-fee programs, or pursuant to other consulting or referral arrangements in which broker-dealers, investment advisers, trust companies and other providers of financial services typically provide Clients with services that complement or supplement our services. Fees for such accounts vary depending on the nature of the arrangement and other circumstances. Additionally, fee reductions or waivers are available to WCM personnel and their family members.

Clients may either choose to pay management fees themselves or, with Client authorization, management fees may be automatically deducted quarterly from Client accounts by billing their custodians. In either case, Clients receive an invoice detailing the management fee calculation.

Typically, Clients are charged fees in addition to the advisory fee paid WCM, which can include brokerage commissions and other custodian fees. Please refer to the section entitled *Brokerage Practices* for more information.

To the extent that Client assets may be invested in shares of non-WCM-related investment companies (e.g., mutual funds, ETFs), these assets are included in calculating the value of an account for purposes of computing WCM's fees, and are also subject to additional advisory and other fees and expenses as set forth in the prospectuses or offering memoranda of those investment companies, which are paid by the investment companies, but ultimately borne by investors. For Client assets invested in the WCM Mutual Funds for reasons other than tax-loss selling, and for which WCM serves as the adviser or sub-adviser, these assets are excluded in calculating the value of an account for purposes of computing WCM's fees.

### **WCM Mutual Fund Fees**

Fees for the WCM Mutual Funds are described in each fund's Prospectus, which are paid directly from each fund. Fees include management fees (paid to WCM) and "Other expenses (including shareholder service fee)". Additionally, each fund pays brokerage commissions, as well as other transaction or fund-related expenses out of each respective fund. Each fund also charges a short term redemption fee if redeemed within 30 days of purchase. See *Prospectus* for all fee details.

As discussed above, the value of the WCM Mutual Funds is excluded from the value of the assets for the calculation of the management fees when a client account holds WCM Mutual Funds for reasons other than tax-loss selling.

Some of WCM's Investment Adviser Representatives ("IARs") are licensed as agents with a broker-dealer. In such capacity, the IARs will discuss and offer WCM Mutual Funds to institutional clients and investment consultants. This presents no conflict of interest as there is no incentive for IARs to recommend one investment vehicle over another based on the compensation received, because the fee sharing arrangements are the same for all vehicles. Recommendations are made based on client's needs. Suitability reviews serve to confirm that a client's account is properly matched with their investment objectives. Additionally, Clients have the option to purchase investment products that are recommended through other brokers or agents that are not affiliated with us.

## WCM Private Fund Fees

Fees for WCM Private Funds are described in each private fund's respective Private Placement Memorandum ("PPM"). Investors are generally charged an advisory fee, payable quarterly, based upon the net asset value of the capital account of each investor on the first day of each calendar quarter. The private funds also pay brokerage commissions, as well as other transaction and fund-related expenses.

As General Partner to the WCM Private Funds, WCM will not pay an advisory fee on its capital account, and advisory fees may be altered, reduced or waived with respect to investors who are related parties or persons of the General Partner, or those deemed to involve a significant or strategic relationship. Thus, different investors will pay different advisory fees. The WCM Private Funds may also maintain multiple class structures with differing fees paid by each class.

As General Partner, WCM may directly access the assets of the WCM Private Funds. WCM will comply with the requirements of the Custody Rule with regard to the WCM Private Funds.

Specific procedures and restrictions apply to redemptions, as described in each private fund's respective PPM. The General Partner, in its sole discretion, may impose minimum redemption amounts and require the maintenance of a minimum capital account size in the event of a partial redemption. The General Partner may also, in its sole discretion, require an investor to redeem all or part of its interest in a private fund to ensure that the private fund remains in compliance with applicable law, or for any or no reason at all.

Some of WCM's Investment Adviser Representatives ("IARs") are licensed as agents with a broker-dealer. In such capacity, the IARs will discuss and offer WCM Private Funds to institutional clients and investment consultants. This presents no conflict of interest as there is no incentive for IARs to recommend one investment vehicle over another based on the compensation received, because the fee sharing arrangements are the same for all vehicles. Recommendations are made based on client's needs. Suitability reviews serve to confirm that a client's account is properly matched with their investment objectives. Additionally, Clients have the option to purchase investment products that are recommended through other brokers or agents that are not affiliated with us.

## Performance-Based Fees

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Performance-based fees are based on a percentage of the capital appreciation of the assets in a fund or account. In limited circumstances, WCM accepts client requests to charge a performance-based fee. Because WCM manages accounts that are charged an asset-based fee and accounts that are charged a performance-based fee, there is an incentive for WCM to favor accounts for which we receive a performance-based fee and/or to make investments that are riskier or more speculative than would be the case in the absence of such a compensation framework. Please refer to the *Brokerage Practices* section for additional information on how WCM mitigates such presented conflicts by aggregating orders.

# Types of Clients

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## Description

WCM generally provides discretionary investment advisory services to institutional clients, such as pension and profit sharing plans, business entities, charitable organizations, foundations, endowments, trusts, individuals and public funds (collectively, “Private Accounts”), mutual funds (“Mutual Funds”), privately placed pooled investment vehicles organized as limited partnerships (“Private Funds”; collectively, “Clients”), and UCITS.

## Account Minimums

WCM’s minimum account size for a Private Account ranges from \$3 to \$10 million based on Strategy as noted under *Private Account Fees*. Minimums are sometimes waived depending on the circumstances. It is not required that a minimum be maintained as a condition of continued management. Minimum investment requirements for the WCM Funds are set forth in each fund’s respective Private Placement Memorandum or Prospectus. This disclosure brochure is designed solely to provide information about WCM and should not be considered to be an offer of interest in the WCM Funds.

# Methods of Analysis, Investment Strategies and Risk of Loss

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## Types of Investments

At the highest level, our investment philosophy rests on four timeless principles in support of our overall goal of providing significant, long-term excess return (“alpha”) over appropriate benchmarks:

1. **Differentiation:** we believe that to outperform a benchmark, a portfolio has to be meaningfully different than the benchmark;
2. **Simplicity:** regardless of approach, we think that unnecessary complication ultimately detracts from returns;
3. **Culture:** we believe that successful investing includes an element of gifted ability, so we strive to foster a firm culture that attracts and keeps gifted investors, including a commitment to keep the Firm simple, and thus relatively small; and
4. **Temperament:** we think that temperament—which includes discipline, patience, the ability to look through the short term to the long term—is a necessary ingredient in the recipe for long-term excess return.

Our firm’s overall vision embraces multiple and, on the surface, disparate strategies, each run by gifted, passionate investors because, unlike most mid-sized investment firms, we are not defined by a philosophical allegiance to a single investment style or asset class; therefore, we manage various portfolios, including fundamental equity strategies, quantitative equity strategies, and fundamental fixed-income strategies. A significant benefit ensues since we encourage collaboration and debate between the teams responsible for those strategies. That is, by fostering an atmosphere of inquiry and intellectual rigor, we ensure that investment results are not constrained by the arbitrary orthodoxy that defines traditional methodologies (e.g., “growth” or “value”).

## Methods of Analysis

WCM employs two distinct approaches to equity security analysis.

For the group of strategies loosely referred to as “fundamental”, such as *Focused Growth International*, *International Small Cap Growth*, *Quality Global Growth*, *Emerging Markets*, *Focused Micro Cap*, *Focused Small Cap*, we utilize a bottom-up, pure fundamental method of analysis that emphasizes outstanding long-horizon growth prospects, strong competitive advantages that continue strengthening, and company cultures conducive to attracting great people, keeping great people and nurturing the positioning and competitive advantage of the business. Valuation is an important factor in this analysis method, predominantly impacting portfolio position size. These fundamental strategies utilize different capitalization ranges (e.g., large-cap, small-cap, all-cap,) different geographical scopes (e.g., international, global, emerging markets, U.S. domestic) and different security types (e.g., foreign ordinary shares, American Depository Receipts “ADR”.)

For the group of strategies loosely referred to as “quant/quantitative,” such as *Small-Cap Value* and *Mid-Cap Value*, we employ a screen-based, quantitative approach that is refined with a basic qualitative overlay. These quant strategies also utilize different capitalization ranges (e.g., small-cap, mid-cap) and different geographical scopes (e.g., U.S. domestic, international).

WCM employs one method of analysis for fixed-income strategies, such as *High-Quality Intermediate*. This methodology focuses on relative value among fixed income types (e.g., government, corporate), and reward/risk ratios along the maturity spectrum (e.g., short, intermediate). The methodology is characterized by four key checkpoints: value along the yield curve, value in portfolio structure, value among sectors, and value in specific issues.

## Investment Strategies

As noted, equity investment strategies at WCM can be generally categorized as either fundamental or quant.

The philosophical underpinnings for our fundamental strategies are comprised of four key elements:

### 1) Structural Differentiation

It should be clear that to outperform the benchmark, the portfolio has to be meaningfully different from the benchmark. Our emphasis on simple to understand, high-quality, consistent

earning companies tends to force us into traditional growth sectors such as technology, healthcare and consumer companies. By focusing on these sectors (where we believe true growth resides) we construct portfolios that are meaningfully different from the benchmark. This strategy provides us with a significant structural advantage, in part, because it's likely that growing consumer wealth and spending around the world will benefit those companies making technology, providing healthcare and creating consumer products.

## **2) Competitive Advantage**

We require each prospective company to possess a durable and, more importantly, improving competitive advantage, which we term an "economic moat." When valuing a company, historical evidence clearly demonstrates that a growing economic moat is far more important to that valuation than an absolutely wide economic moat. For that reason, we spend an enormous amount of our analytical energy determining the direction of the company's competitive advantage. Importantly, this same methodology helps us when selling companies as well. In our work, if a company is no longer growing its competitive advantage, then it should be sold.

## **3) Company Culture**

We believe that successful investing includes an element of gifted ability, so we strive to foster a firm culture that attracts and keeps gifted investors, including a commitment to keep the Firm simple, and thus relatively small. In a similar way, we view corporate culture as important to the long-term success of any enterprise. So, when selecting companies, we work on understanding the "DNA" of the enterprise. As but one example, we view as extremely important the strength, quality and trustworthiness of management. We think a primary goal of any company should be to attract and retain quality people. In our view, the culture is what foundationally enables the success or failure of a business, and what separates the great businesses from the mere good ones.

## **4) Focused Portfolio**

Since our objective is to significantly outperform the global indices over an extended period of time, we employ a focused approach to investing. We believe exceptional returns can only be achieved by structuring a portfolio distinct from the international indices, so we own roughly 30 positions. Said positively, we would rather own a lot of a good company than a little bit of an average one. Said negatively, we refuse to dilute the portfolio with inferior ideas.

A couple of important supportive elements to our philosophy include valuation and temperament:

*Reasonable valuation* –We believe that long-term outperformance is enhanced by serious consideration of the price paid for an investment. Our catchphrase is that "we want to own great companies at fair prices." So that we can legitimately determine the "fair price", or intrinsic value, of a company, we insist on owning simple-to-understand businesses, with low-or-no debt and with predictable free cash flow generation. Furthermore, since we agree with Mark

Twain's observation that "it's tough to make predictions, especially about the future," we employ scenario analysis (encompassing worst, nominal, and best case estimates of the future) so that we can assess a range of intrinsic values, rather than deceiving ourselves with unwarranted precision. All of this helps us to assess the "margin of safety" and supports our emphasis on downside protection.

*Temperament* – The longer we are in this investment business, the more convinced we become that temperament is what sets the great investors apart from the pack. Temperament is that attitude or approach to investing that includes discipline, patience, the ability to look through the short term to the long term, the ability to "buy when others are despondently selling and sell when others are greedily buying," as Templeton used to say, and the ability to stay rational when all your emotions are screaming at you to be otherwise. We think temperament is an oft-overlooked yet important "edge" an investor can have.

The philosophical underpinnings for our quant strategies comprise four key elements:

**1) Predominantly Quantitative**

We believe a predominantly quantitative process that corrals unbridled subjectivity will increase the likelihood that past results can be replicated indefinitely. Each of the different segments of the investable equity universe (e.g., small, large, domestic, international) will contain several under-followed and, in many more cases, mispriced securities. We believe these pricing inefficiencies can be exploited through a systematic and disciplined process. This is the approach we use to achieve our primary goal: to outperform the relevant market benchmark while substantially reducing portfolio volatility. Portfolio investment restrictions are intentionally broad but designed, in aggregate, to control the various risks (discussed in more detail below). Each of our quant processes begins with a series of quantitative screens to identify the most attractive stocks within each respective universe. The selection universe is defined for each different strategy based on factors like market capitalization (e.g., small, mid, large) and/or geographical distribution (e.g., domestic, international, global).

**2) Elegantly Simple**

We believe, and can cite substantial evidential support, that simpler quantitative models, focused on the right factors, capture a comprehensive depiction of value and quality that is inherently robust and that provides excellent prospects for long-term outperformance. In our quant strategies we use a six-factor model that is primarily valuation ratios, but also includes EPS revision trends, consistency of earnings and relative price strength as criteria that, we believe, help avoid "value traps."

**3) Pragmatic, Not Dogmatic**

Our quantitative strategies borrow substantially from methods traditionally employed by "growth" investors, yet remain constrained by strict valuation disciplines. This provides a

competitive advantage over most “growth” and “value” managers who are often hemmed in by the dogma of their growth/value orientation. This pragmatic bent also manifests in portfolio construction, where sector and industry analysis are important elements. Such analysis is largely determined by the industry and sector concentration revealed in the highest ranked groups of our quantitative screens. We emphasize that we do not make top-down “macro” calls for portfolio tilts.

#### **4) Just Enough Qualitative Judgment**

A “blind”, backward-looking quantitative process, while advantageous in terms of corraling subjectivity, can also have drawbacks, such as potentially increased volatility, or missing an easily identifiable forward-looking red flag. It is in this sense that, even though our methodologies are grounded in bottom-up approaches, we believe qualitative considerations add additional value. Those companies surviving the quantitative screens are subjected to more intense traditional research analysis, with particular attention to the balance sheet. We look for companies with conservative, easily understood financial structure and a large cushion of tangible assets relative to the stock price. In addition to an attractive and financially sound company, we look intently for a catalyst which may cause the stock price to move quickly to its intrinsic value. Roughly 70% of our resources are devoted to the quantitative, bottom-up dimensions of the investment process and the remaining 30% of resources applied could be appropriately labeled either qualitative and/or top-down.

The philosophical underpinnings for our fixed-income strategies comprise four key elements:

#### **1) Principal Preservation**

Primarily addressed by limiting exposure to risk, we believe that we must select a duration, or average maturity, which is appropriate for the individual Client’s need for liquidity and tolerance for risk, as well as one which is appropriate for current market conditions.

#### **2) Liquidity**

We believe the way a portfolio is structured around its target duration not only determines liquidity and cash flow, but also contributes to overall portfolio return. We calculate total return on different possible portfolio structures over time, under many different interest rate assumptions.

#### **3) Attractive, Stable Returns**

In order to stay consistent with the first two key elements, we work to optimize sector selection, analyzing historical differences among sectors in the context of current market conditions.

#### **4) Enhanced Income**



Within market sectors, individual securities have different risk-return characteristics. We believe we can enhance income through analysis of many different securities within each sector in order to identify those that have the greatest relative value.

## Risk of Loss

Although WCM makes every effort to preserve each Client's capital and achieve real growth of wealth, investing in the stock markets involves risk of loss that each Client should be prepared to bear. Investing in financial markets involves exposure to political, economic and currency risks. Some specific risks are as follows:

### Risks of equity investing in general:

**Equity Risk:** Investment in equity securities involves risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. The market value of a stock may fluctuate for any number of reasons that directly relate to the company, such as management performance, financial leverage, and reduced demand for the company's goods or services.

**Market Risk:** This is the risk that portfolio value may be affected by a sudden overall price decline in the financial markets. The prices of equities may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a stock's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

**Interest-rate Risk:** Fluctuations in interest rates may cause stock prices to fluctuate. For example, companies with higher rates of earnings growth, selling at higher price/earnings ratios, may be more susceptible to price declines if interest rates rise.

### Risks of equity investing outside the U.S.:

**Foreign Equity Risk:** This is the risk that prices of non-U.S. securities may be more volatile than those of U.S. securities because of reduced liquidity, economic conditions abroad, political developments, and changes in the regulatory environment of foreign countries. Non-U.S. companies are generally subject to different legal and accounting standards than U.S. companies, and foreign financial intermediaries may be subject to less supervision and regulation than U.S. financial firms.

**Currency Risk:** Non-U.S. securities that trade in, and receive revenues in, foreign currencies are subject to the risk that those currencies will fluctuate in value relative to the U.S. dollar.

**Emerging Markets Risk:** Investments in emerging market countries involve exposure to changes in economic and political factors. The economies of most emerging market countries are in the infancy stage of capital market development. As a result, their economic systems are still evolving and their political systems are typically less stable than those in

developed economies. For example, emerging market countries can suffer from currency devaluation and higher rates of inflation.

**Frontier Market Risk:** Frontier market countries generally have smaller economies and even less developed capital markets than traditional emerging markets, and as a result, the risks of investing in emerging market countries are magnified in frontier market countries. The magnification of risks are the result of potential for extreme price volatility and illiquidity in frontier markets; government ownership or control of parts of private sector and of certain companies; trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which frontier market countries trade; and the relatively new and unsettled securities laws in many frontier market countries.

**Risks of investing in concentrated portfolios:**

By definition, concentrated portfolios hold larger position sizes. In principle, a large loss in any one holding has a greater impact on portfolio return for a concentrated portfolio than it would for a broadly diversified portfolio.

**Risks of investing in smaller companies:**

Investments in small-sized companies often pose greater risks than those typically associated with larger, more established companies. Examples include increased volatility of earnings and prospects, higher failure rates, and limited markets, product lines or financial resources.

**Risks of fixed-income investing:**

**Interest rate risk:** This arises from the fact that a rise in interest rates will cause the price of a fixed-income security to fall. Securities with longer maturities typically suffer greater declines than those with shorter maturities. Mortgage-backed securities can react somewhat differently as a result of prepayments.

**Credit risk:** This is the risk that an issuer of a fixed-income security will default (fail to make scheduled interest or principal payments), potentially reducing income distributions and market values. This risk is increased when a security is downgraded or the perceived creditworthiness of the issuer deteriorates.

**In a different category, but still worth noting, is Systems Risk:** the risk that WCM's investment infrastructure (software, hardware, databases, and communications links) is damaged or inaccessible for a protracted period. WCM mitigates this risk using several industry standard approaches to disaster recovery. Please refer to the section in this document titled *Additional Disclosures: Summary of Business Continuity and Disaster Recovery Plan*, below.

# Disciplinary Information

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Neither WCM nor any of its management personnel have been involved in a disciplinary proceeding. In addition, they have not been involved in any legal proceeding that might reasonably be considered material to a Client's evaluation of WCM's advisory business or the integrity of its management.

# Other Financial Industry Activities and Affiliations

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WCM is a 100% employee owned investment advisory firm.

## Industry Activities

Some of WCM's Investment Adviser Representatives ("IARs") are licensed as agents with a broker-dealer. In such capacity, the IARs will discuss and offer WCM Funds to institutional clients and investment consultants. For further information, see the *Fees and Compensation* and *Code of Ethics* sections.

## Industry Affiliations

### **Mutual Fund**

WCM serves as the adviser to the WCM Mutual Funds (as described earlier in *Types of Advisory Services* section). If deemed by WCM to be in the Client's best interest, WCM invests Clients in such mutual funds. The WCM Mutual Funds are advised by WCM following WCM's general investment philosophy and management strategies. Fees paid to WCM with respect to the WCM Mutual Funds are described in the *Fees and Compensation* section.

### **Private Fund**

WCM serves as General Partner to the WCM Private Funds (as described earlier in *Types of Advisory Services* section). WCM IARs will offer the private funds to eligible Clients as a possible vehicle for investing in one of WCM's strategies. The WCM Private Funds are advised by WCM following WCM's respective investment philosophy and management strategy. Fees paid to WCM with respect to the WCM Private Funds are described in the *Fees and Compensation* section.

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

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## Code of Ethics

WCM has adopted a Code of Ethics (“Code”) pursuant to Rule 204A-1 that sets forth the standards of business conduct required of WCM’s personnel, and requires an affirmative commitment that we will comply with federal securities laws. As a matter of Firm policy, WCM’s Code of Ethics states:

***“WCM is committed to maintaining the highest legal and ethical standards in the conduct of our business. We have built our reputation on Client trust and confidence in our professional abilities and our integrity. As fiduciaries, we place our Clients’ interests above our own. Meeting this commitment is the responsibility of WCM and each and every one of our employees.”***

All WCM personnel are subject to the Code’s restrictions and procedures on personal securities transactions. Among other things, the Code addresses:

- WCM’s fiduciary obligations to Clients.
- WCM’s obligation to provide all personnel with a copy of the current Code and any subsequent amendments, and obtain a written acknowledgement of their receipt of the Code and any amendments.
- WCM’s restrictions on purchases and sales for personal accounts of securities purchased or sold for Clients and reporting requirements.

The Code is based upon the following principle: “The personal investing activities of all WCM personnel and family members must be conducted in a manner to avoid actual or potential conflicts of interest with WCM’s Clients and WCM itself. No employee of WCM may use his or her position with WCM or any investment opportunities they learn of because of his or her position with WCM to the detriment of WCM’s Clients or WCM.”

The Code generally requires pre-clearance by the Chief Compliance Officer of all personal securities transactions in any Covered Security as defined in the rule and the Code. Pre-clearance requests will be approved or based on: the general policies set forth in this Code; the requirements of applicable law; the timing of the proposed transaction in relation to transactions made or contemplated for Clients of WCM; the nature of the security and transaction involved; and the potential for conflicts with the interests of Clients or WCM, or the appearance of such conflicts. Pre-clearance is only good for the day the pre-clearance was approved. All WCM personnel must provide to the Chief Compliance Officer personal securities’ holdings reports and quarterly transaction reports within 30 days of the end of each

calendar quarter, which may consist of monthly brokerage statements for all accounts in which they have a beneficial interest. Typically, this requirement is satisfied when WCM personnel electronically link their brokerage accounts relating to all personal securities transactions in which they have a beneficial ownership interest to the Firm's compliance portal for real-time monitoring of personal securities transactions and holdings by the Chief Compliance Officer. All WCM personnel are also required to comply with ethical restraints relating to Clients and their accounts, including restrictions on giving gifts or political contributions to, and receiving gifts from, Clients in violation of WCM's general standards of conduct.

All WCM personnel must comply fully with the Code and related procedures. Failure to do so may result in disciplinary action, up to and including termination of employment.

An existing or prospective Client may obtain a copy of the Code upon request.

### **Recommend Securities with Material Financial Interest**

WCM receives a fee for its role as adviser to the WCM Mutual Funds. In certain situations, WCM may place this fund in a Client's account when the Client's investment objectives seek such an investment opportunity. Yet, direct ownership of the individual securities may not be cost effective due to the size of the Client's account. If the fund is held in a Client's account for reasons other than tax-loss selling, its value is not included in the account value when computing WCM's management fee.

Under special circumstances, if eligible, WCM IARs will solicit Clients to invest in the WCM Private Funds in which WCM has a financial interest. As General Partner to the WCM Private Funds, WCM participates in the private funds' investments, pro rata, in accordance with its capital accounts (as described in the *Brokerage Practices* section of this brochure). Principal executive officers and other personnel of WCM receive annual compensation and bonuses based, in part, on the performance of the private funds, and are also be permitted to invest in the private funds as "knowledgeable employees."

### **Invest in Same Securities Recommended to Clients**

WCM acts as investment adviser to numerous accounts. WCM gives advice and takes action with respect to any Client account or for its own account, or the account of its officers, directors, employee, or agents, that may differ from actions taken by WCM on behalf of other accounts. WCM is not obligated to recommend, buy or sell — or to refrain from recommending, buying or selling— any security that WCM, its officers, directors, employees or agents, may buy or sell, directly or indirectly, for its or their own accounts, or for any other account WCM manages. WCM is not obligated to refrain from investing in securities held in the accounts it manages, except to the extent that such investments violate the Code adopted by WCM.

From time to time, access persons of WCM will have interests in securities owned by or recommended to Clients. On occasion, WCM purchases or sells for its advisory accounts securities of an issuer in which WCM or its access persons also have a position or interest. To mitigate this conflict of interest, WCM aggregates transactions for its proprietary accounts and accounts of its personnel, and averages prices across all accounts participating in the transaction to the extent that such aggregated transactions do

not violate the securities laws or regulations or the Code. Additionally, “knowledgeable employees” of WCM may invest in private funds which, in turn, may invest in securities in which WCM invests on behalf of other managed accounts. As these situations represent a potential conflict of interest, WCM has implemented procedures, relating to personal securities transactions and insider trading, that are designed to prevent actual conflicts of interest.

## Insider Trading Policy

Access persons may, from time to time, come into possession of material nonpublic and other confidential information which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, access persons are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such other person is an advisory Client. Accordingly, should access persons come into possession of material nonpublic or other confidential information with respect to any company, they are prohibited from communicating such information to, or using such information for the benefit of, WCM Clients, and have no obligation or responsibility to disclose such information to, nor responsibility to use such information for the benefit of, Clients when following policies and procedures designed to comply with law.

The Code contains a policy on *Protection of Material, Nonpublic and Other Confidential Information and Prevention of Insider Trading and Tipping*, adopted in accordance with Advisers Act Section 204A, which establishes procedures to prevent the misuse of material nonpublic information by access persons. Any WCM officer, director, employee or other access person who fails to observe the above-described policies risks serious sanctions, including dismissal and personal liability.

# Brokerage Practices

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## Selecting Brokerage Firms

In determining the ability of a broker-dealer to obtain best execution of securities transactions, WCM considers a number of factors, including: size; access to various markets; history in effectively completing transactions in certain types of securities (e.g., bonds, over-the-counter securities, listed stocks); ability, based on our own experience with them, to execute transactions quickly and effectively; execution capabilities required by the transactions; the importance to the account of speed, efficiency and confidentiality; the broker-dealer’s apparent familiarity with sources from or to whom particular securities might be purchased or sold; the reputation and perceived soundness of the broker-dealer; research services received from the broker-dealer; as well as other matters relevant to the selection of a broker-dealer for portfolio transactions.

In evaluating the reasonableness of brokerage commissions, we consider the size of the transaction, the difficulty of the transaction (e.g., liquidity), and the degree of effort put forth by the broker to achieve the best possible price. Except in connection with Clients who are treated as Directed Brokerage Clients (see *Directed Brokerage and Consultant Accounts, Wrap Fee Programs and UMA Programs* below),

wherever possible, we negotiate commissions at the lowest commission level based on the previously mentioned factors. We do require that the commission discounts be competitive with those offered by other firms for like transactions. Occasionally, we perform a trade with a broker and pay a higher commission than another might charge; however, if this is done, it will be because of our need for specific expertise a firm has in a particular type of transaction (due to factors such as size or difficulty), or for speed/efficiency in execution, or for research services provided (see *Research and Soft Dollars* below). In all cases though, the transaction costs will still remain competitive.

When a Client does not have a brokerage arrangement, or is not using a bank or trust company as custodian for the Client's assets, WCM will sometimes suggest the services of a broker-dealer or bank trust department. Our suggestion is generally based on our past experience with a custodian and a confidence in their abilities to service our Clients.

### **Commission Rates or Equivalent Policy**

WCM has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction or to select any broker-dealer on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to minimize the expenses incurred for effecting portfolio transactions to the extent consistent with the interests and policies of the accounts. Although WCM generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker-dealer involved and thereby entail higher commissions (or their equivalents) than would be the case with other transactions requiring more routine services.

### **Research and Soft Dollars**

Under Section 28(e) of the Securities Exchange Act of 1934, WCM pays commissions to broker-dealers for Client portfolio transactions that exceed the amount of commissions that would be charged by another broker-dealer for the same transaction, provided that WCM determines in good faith that the amount of commissions paid are reasonable in relation to the value of the brokerage and research services provided by such broker-dealer, either in terms of a particular transaction or WCM's overall responsibilities with respect to accounts for which it exercises investment discretion. Pursuant to Section 28(e), WCM has entered into soft dollar arrangements with third parties and broker-dealers for eligible "brokerage" and "research" products and services (as defined under Section 28(e)) used by WCM in connection with its investment process, including, without limitation, general economic and security market analyses and reports, industry and company analyses and reports, third party and proprietary analyses and reports concerning securities, and market data. WCM uses these eligible research and brokerage products and services in providing investment advisory services to all of its Clients, rather than just those portfolios for which soft dollar transactions are executed. WCM believes that its soft dollar arrangements comply with the requirements of Section 28(e). A potential conflict of interest exists because WCM receives these products and services from broker-dealers in exchange for directing commissions from Client portfolio transactions, rather than paying for these products and services with its own assets. WCM has an incentive to select or recommend a broker-dealer based on our interest in

receiving the research or other products or services, rather than on our Clients' interest in receiving most favorable execution. To mitigate this conflict, WCM conducts quarterly reviews of our best execution efforts, as described in the *Brokerage Reviews* section below.

## Brokerage Reviews

All the topics discussed in this *Brokerage Reviews* section are reviewed quarterly by WCM's Best-Execution Committee. The committee reviews the approved broker list, all trade activity, commissions paid, commission allocation, execution quality, qualitative performance of brokers, directed broker relationships, and soft dollar commissions, research and execution services. This committee is comprised of representatives from the Investment Strategy Group (ISG) and Portfolio Management Team, the Leadership Team, the Trade Team, the Ops Team, and the Chief Compliance Officer.

## Order Aggregation

Except as disclosed in *Directed Brokerage and Consultant Accounts, Wrap Fee Programs* and *UMA Programs*, WCM generally aggregates or "blocks" orders being placed for execution at the same time for the accounts of two or more Clients where it believes such aggregation is appropriate and in the best interest of Clients. WCM believes this practice enables WCM to seek more favorable executions and net prices for the combined order.

All block orders are subject to WCM's order aggregation and allocation policy and procedures ("Procedures"). The Procedures are designed to meet applicable legal standards. They have been designed to ensure that Clients whose orders are eligible for aggregation are treated fairly vis-à-vis one another. WCM makes decisions to recommend, purchase, sell or hold securities for all of its Client accounts, including affiliated Client accounts, based on the specific investment objectives, guidelines, restrictions and circumstances of each account. Accounts for WCM personnel which are managed by the firm are aggregated with Client trades as permitted by the Code of Ethics discussed above.

WCM believes that aggregating orders will, in general, benefit its Clients as a whole over time by lowering the commissions for the aggregate transaction. Aggregation typically benefits the accounts because of the much larger volume discount obtainable with the aggregate transaction than that possible with the single account. However, in any particular instance, aggregation may result in a less favorable price or execution for any particular Client than might have been obtained if a particular transaction had been effected separately.

## Trade Rotation

To avoid competition in the markets among orders for its Clients, WCM executes orders on a rotational basis. WCM utilizes a two-bucket trade rotation system for executing orders. Bucket A consists of all accounts over which WCM has full discretion for trade execution and settlement ("Non-Directed Brokerage Clients"). These accounts generally have the following characteristics: (1) the Client's custodian does not provide bundled brokerage services; (2) the Client's custodian does not charge "trade away" fees; (3) the Client has not provided directed-brokerage instructions to WCM for currency



or securities trades; and (4) the Client is not participating in a Wrap Fee Program or UMA Program. Bucket B consists of all other accounts, including: (1) those for which the Client has provided explicit directed-brokerage instructions to WCM; (2) accounts whose custodian provides bundled brokerage services and charge a “trade away” fees (e.g., Charles Schwab, Fidelity, TD Ameritrade, etc.); (3) accounts participating in Wrap Fee Programs or UMA Programs; (4) accounts with non-standard trade or settlement systems/processes (or systems/processes that are otherwise incompatible with WCM’s trade systems/processes); and (5) accounts with Client-imposed restrictions or certain other specialized requirements.

For each investment decision that leads to transactions in Client accounts, accounts in Bucket A will typically trade first, followed by accounts in Bucket B, so that Non-Directed Brokerage Clients are not disadvantaged as a result of the specialized requirements of the other Clients. Under normal circumstances, trading for accounts in Bucket B will not start until trading for accounts in Bucket A is complete. Upon completion of trading for accounts in Bucket A, trades for accounts in Bucket B will be entered on a straight rotational basis (i.e., the accounts at the end of the last trade program move to the beginning of the next trade program,) a procedure that is designed to ensure that no one Client, or group of Clients, within this Bucket has an unfair advantage over another Client, or group of Clients, within this Bucket.

Because Bucket B usually trades after Bucket A, trades for accounts in Bucket B are subject to potential adverse price movements, particularly if they follow large block trades, involve illiquid securities or occur in volatile markets. This risk is heightened by the fact that trading for accounts in Bucket B often is not complete until several days, sometimes weeks or even months, following the start of trading for accounts in Bucket A. Consequently, accounts in Bucket B may receive prices/executions that are less favorable than those obtained for accounts in Bucket A. While WCM seeks to mitigate this risk through careful management of the trade execution process and attention to market impacts, accounts in Bucket B may achieve comparatively lower returns than accounts in Bucket A.

Additionally, an account may trade outside its typically assigned Bucket or position in the trade rotation due to a Client-directed event, such as a cash flow, tax-loss harvesting, or liquidation request. As a result, these Client-directed events or otherwise special circumstances may cause an account to receive less favorable execution or achieve comparatively lower returns than it would otherwise receive or achieve.

## **Trade Allocation**

To the extent operationally and otherwise practical, WCM will allocate investment opportunities to each Client over a period of time in a fair and equitable way relative to the Firm’s other Clients. Each account that participates in an aggregated order will participate at the average share price of all trades that comprise the aggregated order. Block trades are generally pre-allocated (i.e., allocated prior to trade execution.)

If an aggregated order is only partially filled, the trades will generally be allocated on a pro-rata basis at the market’s close, when the average price of the trades can be calculated. In the case of an aggregated

order that has not been completely filled, WCM's traders may increase or decrease the number of securities allocated to one or more accounts to avoid allocating odd-lots or an insignificant number of shares to a Client account.

Where advisory accounts have competing interests in a limited investment opportunity, WCM will allocate investment opportunities based on a number of considerations, including cash availability and/or liquidity requirements, the time competing accounts have had funds available for investment or have had securities available for sale, investment objectives and restrictions, an account's participation in other opportunities, tax considerations and relative size of portfolio holdings of the same or comparable securities.

### **ADR-Only Accounts**

Some WCM strategies may be offered in an ADR-Only format. ADR-Only accounts may be limited in their access to certain investments, which subjects them to disadvantages, when compared to other accounts in the same strategy.

Additionally, accounts eligible to hold ORDs [ORD accounts] will normally trade before other accounts that are limited to US-traded holdings [ADR accounts]. Consequently, ADR accounts may be subject to adverse price movements, particularly if they follow large ORD trades, involve illiquid securities or occur in volatile markets. This risk is heightened by the fact that trading for ADR accounts does not commence until the completion of trading the ORD accounts, which could take several days, sometimes weeks or even months. As a result, ADR accounts may receive prices/executions for similar securities that are less favorable than those obtained for ORD accounts. Further, where WCM believes it is more advantageous to trade ADRs directly in local markets, ADR-only accounts may be subject to additional conversion and commission charges.

While WCM seeks to mitigate these risks through careful construction of the ADR-Only model and management of the trade execution process, ADR accounts may achieve comparatively lower returns than ORD accounts.

### **Directed Brokerage and Consultant Accounts**

Clients may direct WCM to use specific broker-dealers to execute transactions in their accounts by separate written notice, or through selection of a custodian that provides bundled brokerage services and may charge "trade away" fees (e.g., Charles Schwab, Fidelity, TD Ameritrade, etc.). Such Clients are referred to as "Directed Brokerage Clients." For such Clients, notwithstanding any information provided elsewhere in this *Brokerage Practices* section, WCM is not in a position to negotiate commission rates, spreads or other transaction costs, or to seek best execution.

Directed Brokerage Clients are solely responsible for establishing, negotiating and monitoring their brokerage arrangements (e.g., ensuring that the broker-dealer complies with the terms of the brokerage arrangement, ensuring that the nature and quality of services provided by the broker-dealer are as agreed between the Client and the broker-dealer, and negotiating commission rates to be paid to the broker-dealer by the Client). Directed Brokerage Clients may not be able to participate in investment

opportunities if the directed broker-dealer does not have access to the relevant securities or the systems or expertise to effectively process transactions. Moreover, directed brokerage arrangements may adversely affect WCM's ability to obtain research-related services, which benefit all Clients, including Directed Brokerage Clients.

Directed Brokerage Clients are also be subject to other disadvantages. For example, for execution purposes, WCM generally attempts to aggregate orders for all accounts participating in a particular transaction (see *Order Aggregation* above). However, orders for Directed Brokerage Clients are not generally aggregated with orders for the same securities for other accounts managed by WCM for which WCM selects broker-dealers (i.e., "Non-Directed Brokerage Clients"). As a result, Directed Brokerage Clients may not participate in potential savings on execution costs resulting from volume discounts that WCM might otherwise be able to obtain for Non-Directed Brokerage Clients. Under these circumstances, a disparity exists between the brokerage commission rates for trades executed for a Directed Brokerage Client as compared to the rates charged to a Non-Directed Brokerage Client.

Further, to avoid competition in the markets among orders for its Clients, WCM executes orders for Directed Brokerage Clients on a rotational basis. As noted above in *Brokerage Practices: Trade Rotation*, Directed Brokerage Clients are included in the rotation of Bucket B and under normal circumstances trade after corresponding orders have been executed for Bucket A. Consequently, they are subject to all of the potential disadvantages described above in *Brokerage Practices: Trade Rotation*.

Notwithstanding WCM's policy of executing orders for Directed Brokerage Clients after corresponding orders have been executed for Non-Directed Brokerage Clients, WCM will, at its discretion, execute an order for a Directed Brokerage Client as part of a "block" trade (see *Order Aggregation* above) with Non-Directed Brokerage Clients under either of the following circumstances:

- (1) The designated broker-dealer is the executing broker-dealer for an otherwise blocked trade;  
or
- (2) The executing broker-dealer for the block trade is willing to "step out" the Directed Brokerage Client's portion of the trade in a way that does not disadvantage other participating accounts, and the broker-dealer designated by the Directed Brokerage Client is willing to accept a trade handled in such manner. However, executing broker-dealers generally do not view "step out" transactions as a profitable business and thus may limit or refuse to engage in such transactions. Moreover, commission rates for "step out" transactions may differ from the rates negotiated with the executing broker-dealer in the aggregated transaction.

Clients should be aware that the above-described issues relating to directed brokerage arrangements also arise in connection with accounts that are introduced to WCM by other investment advisers ("consultants") that have separately negotiated with certain designated brokers to provide brokerage and custody services to Clients of the consultant. The brokerage arrangements negotiated by these consultants often subject their Clients to additional charges, such as trade away service fees if trades are not executed through the selected brokers. In order to attempt to minimize the total execution cost of trades for these accounts, WCM generally treats these accounts as Directed Brokerage Client accounts

and directs most, if not all, transactions for these accounts to the selected brokers. Because WCM generally treats these Clients as Directed Brokerage Clients, Clients of consultants who have negotiated these brokerage arrangements should understand that their accounts will be subject to all the constraints that generally affect Directed Brokerage Clients discussed above.

Any Directed Brokerage Client who wishes to cease directing its brokerage and to begin permitting WCM to select broker-dealers to execute its orders must notify WCM in writing of this change and satisfy the custody arrangements described for Bucket A above in *Brokerage Practices: Trade Rotation*.

## Wrap Fee Programs

WCM participates in wrap fee programs offered by broker-dealers and other Sponsors as described above in the *Advisory Business: Wrap Fee Programs* section. In evaluating such an arrangement, a Client should recognize that, notwithstanding any information provided elsewhere in this *Brokerage Practices* section, brokerage commissions for the execution of transactions in the Client's account are not negotiated by WCM.

Securities transactions for accounts that are under an asset-based wrap fee arrangement are effected without commission, and a portion of the wrap fee is generally considered as being in lieu of commissions. Trades are generally executed only with the broker-dealer Sponsor with which the Client has entered into the "wrap fee" arrangement, such that WCM will not seek best price and execution by placing transactions with other broker-dealers. Clients should also consider that, depending on the level of the wrap fee charged by the broker-dealer, the services provided under the arrangement, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were provided separately and if WCM were free to negotiate commissions and seek best price and execution of transactions for the Client's account. Wrap accounts are subject to many of the potential disadvantages described above in *Directed Brokerage and Consultant Accounts*.

Further, to avoid competition in the markets among orders for its Clients, WCM executes orders for wrap fee programs on a rotational basis. As noted above in *Trade Rotation*, wrap fee program accounts are included in the rotation of Bucket B and under normal circumstances trade after corresponding orders have been executed for Bucket A. Consequently, they are subject to many of the potential disadvantages described above in *Brokerage Practices: Trade Rotation*.

See the *Advisory Business: Wrap Fee Programs* section of this brochure for additional information.

## UMA Programs

WCM provides model portfolio recommendations for UMA ("Unified Managed Account") Programs offered by broker-dealers, advisers and other Sponsors ("Sponsors"). WCM delivers the model portfolio recommendations to Sponsors on a rotational basis for trading by the Sponsor. As noted above in *Trade Rotation*, UMA Programs are included in the rotation of Bucket B and under normal circumstances recommendations are delivered after corresponding trades have been executed for Bucket A. Consequently, accounts in the UMA Program are subject to many of the potential disadvantages described above in *Brokerage Practices: Trade Rotation*.

## Trade Errors

A “trade error” is defined as (1) an error with the trading process (e.g., a buy order may be executed as a sell, or vice versa, or a security other than that which the Portfolio Manager ordered may be purchased or sold); or (2) a violation of a Client’s investment restrictions (e.g., a decision may be to purchase a security or an amount of a security that is inconsistent with a Client’s investment restrictions). As a fiduciary, WCM has the responsibility to effect orders correctly, promptly and in the best interests of its clients. In the event any error occurs in the handling of any Client transactions, due to WCM’s actions, or inaction, or actions of others, WCM’s policy is to: (1) notify the Client of such error, (2) ensure that the Client is treated fairly when correcting such errors, and (3) correct the error as soon as practicable and in such a manner that the Client will be in the same position they would have been if the error had not occurred. WCM’s investment personnel are responsible for reviewing all accounts for which they authorize trades to determine that the transactions entered are correct and are correctly entered. Upon detection of a trade error, the investment person will research the trade error and immediately report the trade error to the Chief Compliance Officer. The Chief Compliance Officer, along with the Portfolio Manager for the account, will determine the appropriate method for correcting the error.

If the error is the responsibility of WCM, any Client transaction will be corrected and WCM will be responsible for any Client loss resulting from an inaccurate or erroneous order. Any Client gain resulting from an inaccurate or erroneous order will be credited to the Client account, unless directed otherwise by the Client. WCM will not use “soft dollars” to correct trade errors.

# Review of Accounts

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## Periodic Reviews

The Portfolio Management Team reviews accounts for compliance with Client stated investment guidelines and restrictions. Frequencies vary with the level of review, which include daily reviews of cash positions, weekly post-trade compliance and drift auditing, monthly peer-performance comparison, and annual reviews of performance and objectives. WCM makes extensive use of technology (e.g., portfolio management system, customer relationship management system, and document management system) to monitor and review accounts.

## Review Triggers

Other factors that trigger an account review include: (1) a change in a Client's investment objectives or guidelines; (2) change in diversification; (3) change in asset allocation; (4) tax considerations (although WCM does not provide tax advice); (5) cash added or withdrawn from management; (6) strategy trade program; (7) exception reports which monitor cash available for investment and security holdings whose size must meet certain guidelines; (8) developments in domestic or international economies; (9) developments in a particular business in which Clients hold a position.

## Regular Reports

WCM provides reports to Clients as requested by the Client in writing.

Clients receive quarterly or monthly statements from the account custodian showing all activity during the reporting period, including transactions and account holdings as well as the deduction of any fees, expenses or other charges from the account.

Wrap accounts will receive reports regarding their investments from the Wrap Sponsor, as described in the Sponsor's own disclosure documents.

Mutual fund investors receive reports as described in the Prospectus.

Private fund Investors receive reports as described in the applicable Private Placement Memorandum. WCM generally supplies quarterly reports to Investors which include investment summaries as well as the performance of the private fund against an agreed upon benchmark. Each Investor also receives relevant tax reporting information. Annual audit reports are provided in accordance with the Custody Rule. Reports may be sent by a third party service provider on behalf of WCM.

# Client Referrals and Other Compensation

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## Economic Benefits

Prior to April 2004, WCM participated in a program operated by Charles Schwab & Co., Inc. ("Schwab") called Schwab Advisor Network ("Service"). The Service was designed to help investors find an independent investment adviser. Through the Service, Schwab referred Clients to WCM. Schwab prescreened WCM and checked its experience and credentials against criteria set by Schwab. Schwab is a broker-dealer independent of and unaffiliated with WCM and its employees. WCM and its employees are not employees or agents of Schwab. Schwab does not supervise WCM and has no responsibility for WCM's management of Clients' portfolios or WCM's other advice or services. Schwab does not prepare, verify or endorse information distributed by WCM. Investors must decide whether to hire WCM and what authority to give WCM. Investors, not Schwab, are responsible for monitoring and evaluating WCM's service, performance and account transactions. As of April 2004, WCM no longer participates in the Service, and therefore WCM no longer receives or pays Schwab fees for Client referrals through the Service. WCM still pays a Participation Fee for existing Client relationships that were established through the Service. WCM's participation in the Service raises potential conflicts of interest described below.

WCM pays Schwab a Participation Fee on all referred Clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by WCM is a percentage of the fees the Client owes to WCM or a percentage of the value of the assets in the Client's account, subject to a minimum

Participation Fee. WCM pays Schwab the Participation Fee for so long as the referred Client's account remains in custody at Schwab. The Participation Fee is billed to WCM quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by WCM and not by the Client. WCM has agreed not to charge Clients referred through the Service fees or costs greater than the fees or costs WCM charges Clients with similar portfolios who were not referred through the Service. WCM generally pays Schwab a Non-Schwab Custody Fee if custody of a referred Client's account is not maintained by, or assets in the account are transferred from, Schwab. This Fee does not apply if the Client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Adviser generally would pay in a single year. Thus, WCM will have an incentive to recommend that Client accounts be held in custody at Schwab. The Participation and Non-Schwab Custody Fees will be based on assets in accounts of WCM's Clients who were referred by Schwab and those referred Clients' family members living in the same household; thus, WCM will have incentives to encourage household members of Clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit WCM's fees directly from the accounts.

For accounts of WCM's Clients maintained in custody at Schwab, Schwab will not charge the Client separately for custody but will receive compensation from WCM's Clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab will also receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees; thus, WCM Investment Management has an incentive to cause trades to be executed through Schwab rather than another broker-dealer. WCM Investment Management nevertheless acknowledges its duty to seek best execution of trades for Client accounts. Trades for Client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for WCM's other Clients; thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

### **Third Party Solicitors**

From time to time, WCM compensates, either directly or indirectly, third persons for Client referrals. Such referral arrangements are generally governed by a written agreement between WCM and the particular third party that (i) complies with the SEC's "cash solicitation" rule (Rule 206(4)-3); (ii) requires that Clients be provided with copies of WCM's ADV brochure, separate disclosure of the nature of the referral arrangement (including compensation features) applicable to the Client being referred and containing the information required by the Rule, and any other document required to be provided under applicable state law; and (iii) provides that the third party will not be paid compensation for any Client referral unless it is registered as an investment adviser or investment adviser agent to the extent required under federal law and the law of the state in which the referred Client resides. Solicitors are paid a portion of the fee paid by each Client they refer to WCM. WCM does not charge solicited Clients fees greater than those charged to new WCM Clients with similar portfolios managed by WCM who

were not introduced by a third party solicitor, subject to the conditions for case-by-case fee negotiation described in the *Fees and Compensation* section of this brochure.

### **Former Employees**

From time to time, WCM will share a portion of the management fee received on Client accounts with former employees as part of a severance or retirement agreement. Such an arrangement will not change the management fee paid by the Client (i.e., the Client will not pay a higher fee).

## **Custody**

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### **Account Statements**

WCM is not a broker-dealer and does not take physical possession of Client assets. Our Client assets are maintained in nationally recognized banks or brokerage firms, otherwise known as custodians, selected by the Client. WCM has the authority to directly debit Client accounts for quarterly fees, if authorized in writing by the Client, and therefore is deemed to have custody.

WCM requires that the custodian, selected by the Client, send account statements directly to our Clients at a minimum of a quarterly basis. We urge Clients to compare the account statements they receive from the qualified custodian with those reports they receive from WCM (if requested).

WCM is deemed to have custody over the assets maintained in the WCM Investment Management Employee Savings Plan Trust, as the Principals of the Firm act as trustee to this WCM managed account. As required under the Custody Rule, WCM has retained a third-party certified public accounting firm to conduct an annual surprise Custody Examination on these assets.

The funds for which WCM acts as the General Partner receive an annual audit from an independent accounting firm registered with, and subject to, regular inspection by the Public Company Accounting Oversight Board. Audited financial statements are provided to the limited partners of the fund within 120 days after its fiscal year ends.

## **Investment Discretion**

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### **Discretionary Authority for Trading**

WCM renders advice primarily on a discretionary basis. By signing the investment management agreement, the Client generally gives WCM full discretion on all investment decisions regarding their account. Depending on the terms of the agreement that WCM has entered into with each Client for whom it provides discretionary management, WCM is generally given authority to make the following determinations without obtaining the consent of the Client before a transaction is effected:



- Which securities to buy or sell;
- The total amount of securities to buy or sell;
- The broker or dealer through whom securities are bought or sold;
- The commission rates at which securities transactions for Client accounts are effected;
- The prices at which securities are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

WCM's authority is, however, subject to conditions imposed pursuant to its agreement with the Client. Examples might include (a) restrictions on ownership of securities in a specific industry, or (b) directions that transactions be accomplished using particular brokers.

Clients retaining WCM for discretionary or non-discretionary services are free to select their own custodians and brokers.

When WCM is retained as a sub-adviser, it may be either a discretionary or non-discretionary sub-adviser. Additionally, WCM provides model portfolio recommendations to UMA Programs, which are implemented by the UMA Sponsor (see *Brokerage Practices: UMA Programs.*)

### Limited Power of Attorney

By signing the investment management agreement the Client gives WCM Power of Attorney on all investment decisions regarding their account. Unless WCM otherwise agrees in writing, WCM does not advise or take any action on behalf of Clients in any legal proceedings, including bankruptcies or class actions, involving securities held or formerly held in Client accounts or the issuers of those securities.

## Voting Client Securities

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### Proxy Voting

WCM has written proxy voting policies and procedures as required by Advisers Act Rule 206(4)-6. Under these policies and procedures, WCM votes proxies relating to equity portfolio securities in the best economic interests of Clients, unless the Client contract specifies that WCM will not vote. WCM believes that its Clients' best economic interest with regards to proxy voting is best served by engaging an independent firm that specializes in researching companies and their management for the purpose of increasing Investors potential financial gain through voting proxies. WCM has therefore engaged and adopted the U.S. Policy, International Policy and Investment Manager Policy of Glass Lewis. In the event of a special Client request, WCM will also accommodate the following styles: Taft Hartley, Public Pension, ESG (environmental, social and government practice) and Management Supportive. In limited circumstances, WCM may choose to vote a proxy against the recommendation of Glass Lewis, if WCM believes such vote is in the best economic interest of its Clients. In such cases, this decision will be made by the Investment Strategy Group (ISG) who will maintain documentation to support WCM's decision.

In the event WCM does not have the authority to vote proxies on a Client's behalf, Clients should instruct their custodian to send proxies directly to them. Any proxies erroneously received by WCM for the Client will be forwarded to the Client. Clients are welcome to contact WCM with questions regarding proxy ballots or other solicitations.

WCM acknowledges its responsibility for identifying material conflicts of interest relating to voting proxies. When a material conflict of interest between WCM's interests and its Clients' interests appears to exist, WCM will either (1) obtain a Client's consent to how the ISG will vote the proxy; or (2) vote in accordance with Glass Lewis' recommendation. In the event that a conflict of interest arises between Glass Lewis or the proxy issuer and a Client of WCM, WCM will evaluate the circumstances and either (1) elevate the decision to the ISG who will make a determination as to what would be in the Client's best interest; (2) if practical, notify affected Clients of the conflict of interest and seek a waiver of the conflict; or (3) if agreed upon in writing with the Clients, forward the proxies to affected Clients allowing them to vote their own proxies.

For each proxy, WCM maintains all related records as required by applicable law. Clients may obtain copies of WCM's written proxy voting policies and procedures, as well as information on how proxies were voted for their accounts by requesting such information from WCM at the address and phone listed on the cover of this brochure. WCM will not disclose proxy votes for a Client to other Clients or third parties unless specifically requested in writing by the Client; however, to the extent that WCM serves as a sub-adviser to another adviser to a Client, WCM will be deemed to be authorized to provide proxy voting records on such Client accounts to such other adviser.

## Financial Information

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WCM has never been the subject of a bankruptcy petition, and it is not aware of any financial condition that is reasonably likely to impair its ability to meet any contractual commitments to Clients.

## Additional Disclosures

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### Privacy Notice

#### *Our Privacy Policy*

In managing your account, WCM Investment Management obtains certain nonpublic personal information about you. We recognize the sensitive nature of this information and take appropriate precautions to protect your privacy. Our policy is to keep this information strictly safeguarded and confidential, and to use or disclose it only as necessary to provide services to you or as otherwise permitted or required by law. We do not sell, rent or trade any Client information to other companies.

Our privacy policy applies equally to former Clients of our Firm and individuals who inquire about our services. We are required to provide our Clients with a document illustrating the types of information we collect and the circumstances under which we may share it. This policy statement takes the place of any previous privacy policy issued by WCM.

### ***Information We Collect***

“Nonpublic personal information” is personally identifiable financial information about you as an individual or your family. The kinds of nonpublic personal information we have about you includes the information you give us when you open your account with us or when we discuss your account with you, such as your name, address, telephone number, Social Security number, employment, income, assets, family, and personal financial situation and your investment objectives. In most cases, you give us this information yourself, in person or by mail. We also have information about your account assets and transactions and the brokerage and custodial arrangements for your account.

### **Information We Disclose**

We disclose nonpublic personal information about you only to those persons that provide necessary services to your account or as permitted or required by law or specifically authorized by you. The following discussion identifies categories of persons who may have access to this information.

#### *Within WCM*

WCM employees are permitted access to the information they need to perform their jobs on your behalf. We maintain strict internal policies against unauthorized disclosure or use of Client information by employees.

#### *Companies with Whom You Ask Us to Share*

From time to time, you may request that we provide information to third parties such as financial planners, portfolio consultants, tax advisers or legal counsel. In these cases, WCM will obtain your permission prior to sharing your information with the outside firm. WCM may get your written, online, or verbal permission to share your information. Your consent will apply only to the specific parties you request. If you have previously requested that we block the sharing of your information, that request will remain in place for all other situations.

#### *Outside Service Providers*

We have arrangements with companies whose experience is essential for our advisory services to operate properly. For example, we work with firms that execute securities transactions for us or our Clients, custody Client assets, provide systems or write software for accounting, compliance and other critical operational functions. These companies work at WCM's direction and only the Client information necessary for them to perform these functions is shared. They are required to safeguard your information and only use it for authorized purposes, and within the guidelines established by WCM for the protection of Client information.

### Courts and Government Bodies

Certain federal and state laws may require us to share information about you. For example, if you are involved in a legal matter with a third party, we may be ordered to provide information to a court or other party. In these circumstances, only the specific information required by law, subpoena, or court order will be shared. The Fair Credit Reporting Act and other laws allow us to share specific details about your transactions and experience with us. The use of this information is limited by federal law to specific permissible purposes, such as applications for credit, insurance or employment.

### Former Clients

We may share information about former Clients with third parties as described above. However, former Clients can also elect not to have their information shared, even after their relationship with us ends.

### ***How We Safeguard Your Information***

We restrict access to nonpublic personal information as described above. We maintain physical, electronic and procedural safeguards to protect the confidentiality of all nonpublic personal information we have about you.

### How WCM Uses Email

WCM also uses email to communicate with you; however, WCM will never send emails asking for personal or account information, such as passwords, Social Security numbers, or PINs. WCM will always protect your privacy in a manner that is consistent with the principles outlined in this policy.

If you have any questions regarding our Privacy Policy, please contact us at (949) 380-0200.

## **Summary of Business Continuity and Disaster Recovery Plan**

WCM maintains a document that outlines its immediate and long-term business continuity and disaster recovery plan (the “Plan”). The purpose of the Plan is to provide specific guidelines WCM and its employees will follow in the event of a disruption or failure of any critical business capability whether due to an emergency, disaster or otherwise.

### ***Goals and Objectives***

The goal of this Plan is to provide uninterrupted service to WCM’s Clients or to minimize service interruptions should a disaster result in any of the risks noted above. The Plan has been developed to meet the following objectives:

- Provide for immediate, accurate and measured response to emergency situations;
- Ensure the safety and wellbeing of the Firm’s personnel;
- Protect against the loss or damage to organizational assets;

- Ensure all data processing systems, communication facilities, Client information and business functions can be restored in 24 hours or less;
- Provide our Clients with continuous portfolio management services.

***Key Concept***

Distributed Workspace Environment (“DWE”): WCM built an infrastructure of computer systems and processes that allows the Firm to function from anywhere and at any time. With access to the Internet—which is available from home, public access sites, company-issued wireless “aircards,” or tethered cell phones—personnel can perform all portfolio management functions (e.g., portfolio monitoring, trade allocation, trading, trade settlement, reconciling, reporting); access Client files; maintain electronic communications; retrieve company research; process Client billing; conduct HR functions; and process company payables. A secured connection provides personnel access to the company network, which is maintained at a world-class data center. DWE is a key concept of WCM’s Business Continuity Plan.

***Areas addressed by the Plan***

- The safety and mobility of employees
- Lack of access to office facilities
- Disruption to office communications
- The disaster recovery plans of key third-party vendors
- The stability and security of WCM’s computer network
- The protection, preservation, and recovery of critical data
- Key personnel
- Maintenance and testing of the Plan

## Notice to Canadian Clients

WCM Investment Management (WCM) provides advice to persons and companies located in Canada in reliance upon the international adviser exemption that is available to persons or companies registered, or exempt from registration, in a foreign jurisdiction pursuant to section 8.26 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations (“NI 31-103”) and for purposes of such exemption we are required to advise you of the following:

1. WCM is not registered in any province or territory of Canada to engage in the advisory activity that is contemplated by section 8.26(3).
2. The foreign jurisdiction in which WCM’s head office or principal place of business is located is California, USA.
3. All or substantially all of WCM’s assets may be situated outside of Canada.
4. Consequently, there may be difficulty enforcing legal rights against WCM.

WCM is limited to advising clients in Canada who are “Permitted Clients” as defined under NI 31-103.

WCM has appointed the following agents for service of process in the Canadian provinces listed below:

### **Alberta**

McCarthy Tétrault LLP  
Suite 4000  
421 – 7<sup>th</sup> Avenue SW  
Calgary, AL T2P 4K9  
Attention: John Osler

### **Nova Scotia**

Stewart McKelvey LLP  
Purdy's Wharf Tower One  
1959 Upper Water St.  
Halifax NS B3J 3N2  
Attention: Richard Hirsch

### **Ontario**

Cartan Limited  
Suite 5300  
Toronto Dominion Bank Tower  
Toronto, Ontario M5K 1E6  
Attention: Sean D. Sadler

### **Quebec**

McCarthy Tétrault LLP  
Bureau 2500  
1000, rue De La Gauchetière Ouest  
Montréal QC H3B 0A2  
Attention: Sonia J. Struthers

## Notice to Australian Clients

WCM Investment Management (WCM) is exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001 (Cth) in respect of its financial services. WCM Investment Management is regulated by the SEC under US laws, which differ from Australian laws.