

**Item 1. Cover Page**

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

**LS Investment Advisors, LLC**

**d/b/a LSIA**

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Date of Brochure: March 31, 2022

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

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

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

## **Item 2. Summary of Material Changes**

The date of our last annual update to Form ADV, Part 2 was March 31, 2021. Since that date, we have made certain changes to the brochure. The following is a summary of only the material changes made since that filing.

*Item 4. Advisory Business* was updated to reflect that on October 5, 2021, Daniel Kostaroff was appointed President of LSIA, replacing Karen McClintock who left LSIA to pursue other opportunities. In connection with Ms. McClintock's departure, LSIA's Pasadena, CA office was closed and LSIA redeemed Ms. McClintock's membership interests in LSIA. As a result of this redemption, Mark Shank, Chief Investment Officer, increased his ownership to 39.4% of LSIA, and Jay Van Cleave, Wealth Advisor, increased his ownership of LSIA above 25% to 28.6%.

*Item 4. Advisory Business, Item 5. Fees and Compensation and Item 8. Methods of Analysis, Investment Strategies and Risk of Loss* were revised to reflect the replacement of three distinct investment strategies with a single LSIA investment strategy that represents all of the previously existing investment strategies.

*Item 5. Fees and Compensation* was revised to introduce a new standard fee schedule effective March 31, 2022.

*Item 8. Methods of Analysis, Investment Strategies and Risk of Loss* was updated to include a discussion of the risks associated with indirect investments in certain asset classes or strategies through ETFs and mutual funds compared to direct investment.

You may request a complete copy of our brochure by contacting Kristine Hollister at (248) 646-2650 or [khollister@myLSIA.com](mailto:khollister@myLSIA.com).

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

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## **Item 4. Advisory Business**

### OUR OWNERS AND PARTNERS

LSIA was organized in October 2008 as part of a spin-off transaction involving the personal wealth division of a large institutional investment advisory firm. We currently maintain offices in Bloomfield Hills, MI, Milwaukee, WI, and Boca Raton, FL. Our current owners, who were all founders of the firm, are: Mark Shank, Jay Van Cleave, Daniel Kostaroff, Kristine Hollister and Joann Kayser.

We are required to disclose the persons owning twenty-five percent (25%) or more of our firm's membership interests. Mark Shank currently holds 39.4% of the firm's membership interests. Jay Van Cleave holds 28.6% of the firm's membership interests.

### ASSETS UNDER MANAGEMENT

As of March 31, 2022, LSIA had \$912.9 million of assets under management, all of which we managed on a discretionary basis.

### OUR INVESTMENT SERVICES

Within LSIA, we divide our business into two areas, one for individual clients, referred to as "LSIA Wealth," and one for institutional clients, including accounts managed through a sub-advisory relationship, referred to as "LSIA Institutional."

LSIA Wealth takes a holistic approach to managing the personal economy of each individual client. Acting as a personal Chief Financial Officer, we work to coordinate the many aspects of each client's finances to ensure they are aligned with the goal of building and protecting wealth. Our portfolio management services include financial planning whereby we integrate client investment, insurance and estate planning needs, working alongside other professionals, including insurance agents, estate planning attorneys, accountants and business partners. For LSIA Wealth clients, we develop a customized investment strategy based on the specific goals and objectives of the individual client. Within any such strategy, clients may impose restrictions on certain securities or types of securities.

LSIA Institutional provides its clients with investment management designed to meet the needs of the client organization. We work with the organization to identify a strategy that is consistent with the client's investment policies and objectives. We will accommodate client-directed investment restrictions, including prohibited issuer lists, socially responsible investment policies, tax implications, and other investment limitations.

## **Portfolio Management**

The investment strategy we offer our clients focuses on U.S.-traded equity and/or U.S.-traded fixed income investments. Lead portfolio managers work closely with other members of our investment team to implement the appropriate investment strategy for the client.

## **Client Relationships**

At the onset of any new client relationship, we designate a lead portfolio manager to work closely with the client to understand the client's individual objectives, including long-term goals, risk tolerance, tax considerations, if any, and unique circumstances.

Based upon client needs, we develop a strategy and invest client assets in accordance with that strategy. See *Item 8. Methods of Analysis, Investment Strategies and Risk of Loss* below.

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

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

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

**Item 5. Fees and Compensation**

PORTFOLIO MANAGEMENT

As compensation for our investment management services, we charge an advisory fee, which is stated as a percentage of our client’s assets under our management. Effective March 31, 2022, our standard advisory fee schedule is as follows:

<b>ANNUAL FEE</b>	<b>ASSETS UNDER MANAGEMENT</b>
0.95%	On the first \$2 million
0.80%%	On the next \$3 million
0.60%	On the next \$5 million
0.50%	On value over \$10 million

The minimum annual fee is \$7,500.

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

The amount of and specific way we charge our fees are established in our written agreement with the client. We generally bill our fees on a quarterly basis in advance; however, for some LSIA Institutional clients, we bill our fees on a quarterly basis in arrears. We ask all clients to authorize their designated custodian to deduct our fees directly from their custodial account but will invoice clients directly if we do not receive such authorization. For accounts initiated or terminated during a calendar quarter, we will charge a prorated fee based on the actual number of days in the applicable calendar quarter for which we were entitled to receive a fee.

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

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

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

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

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

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

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

LSIA Wealth offers portfolio management services to high net worth and other individual clients, including trusts and estates. LSIA Institutional offers portfolio management services to institutional investors, such as charitable organizations, including foundations and endowments, pension and profit-sharing plans, insurance companies, unions and corporations.

LSIA does not have a minimum account size. Instead, all accounts are subject to a minimum fee, as described above under *Item 5. Fees and Compensation*.

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

##### METHODS OF ANALYSIS

Where we directly invest in equity and/or fixed income securities, we use fundamental analysis to evaluate these investments for our clients. Fundamental analysis is a technique that attempts to determine a security’s value by focusing on the financial well-being of an economic entity as opposed to only the price movement of its securities. In the course of our analysis, we review, among other things, a

company's financial statements and consider factors including, but not limited to, the company's revenue growth, the company's profitability, the company's competitive position and the company's ability to repay its debts. Because it can take time for a company's value to be reflected in the market, the risk associated with this method of analysis is that a gain is not realized until the price of the company's securities rises to the company's true value.

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

Where we invest all or a portion of an account in mutual funds or exchange-traded funds ("ETFs"), we typically select investment vehicles that provide additional diversification or exposure to one or more targeted sectors or asset classes. Where we utilize money market mutual funds for all or a portion of a client's cash allocation, we select funds that offer a higher yielding alternative to the client's default cash sweep vehicle. In each case, portfolio managers choose specific funds/ETFs based on the desired risk/return characteristics for the client, taking into account applicable expenses.

## INVESTMENT STRATEGY

### **Our Investment Strategy**

We manage client accounts using a customized allocation of assets based on the client's specific investment goals and objectives. Generally, we allocate a portion of the client's portfolio to equities through direct investment in stocks and, if appropriate, a portion of the portfolio to fixed income through direct investment in bonds. For any particular client, if the Portfolio Manager believes it is appropriate to provide additional diversification or to add exposure to investment class(es) not represented through direct investment, such as small-cap stocks, commodities, foreign markets or specific sectors, we sometimes also allocate a portion of the client's portfolio to mutual funds and/or ETFs representing those additional asset classes. For certain accounts, we invest directly in fixed income securities, but use mutual funds and/or ETFs in lieu of direct equity investments in an effort to gain broader equity market exposure and/or reduce issuer risk. For other accounts, particularly those with lower balances or liquidity concerns, we utilize mutual funds and/or ETFs exclusively. For accounts that maintain higher cash balances for

extended periods of time, we will also use money market mutual funds as an alternative, or in addition to, the client's default cash sweep vehicle.

For our clients' direct equity investments, we seek to invest in U.S.-traded common stock or other equity securities of domestic and foreign industry-leading companies that have the potential to produce attractive long-term returns. It is a large-cap core focus that aims for total returns in excess of the S&P 500 Index with lower variability of returns.

We maintain a list of equity securities that forms the basis for most client direct equity investments. From time to time, instead of or in addition to direct investments in a particular sector, we include one or more sector ETFs or mutual funds on the list. Not all clients will have the same allocation or the same securities in their portfolios. In addition, we will not implement the purchase and sale of the same security for all clients at the same time. Rather, client portfolios will vary based upon individual goals and objectives, cash needs, risk tolerance, tax considerations, and the individual portfolio manager responsible for the account. For some clients, we also limit direct equity investments to U.S.-traded common stock of companies with strong dividend payment histories.

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

For our clients' direct fixed income investments, we seek to invest in a portfolio of well-researched, high-quality bonds based on defined portfolio parameters such as duration, sector weights and average quality and then select individual bonds to meet those parameters. Portfolios can include any or all of the following types of U.S. dollar-denominated investments: domestic and foreign corporate bonds, U.S. and foreign government agency bonds, U.S. and foreign government bonds, mortgage-backed securities, asset-backed securities and/or U.S. and foreign municipal bonds. The bonds in which we invest are primarily investment grade or better and trade with high liquidity.

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

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

For each individual portfolio we customize the maturity structure, specific holdings and weights, sector diversification, and the types of bonds depending on the nature of the client, the relative value of the bonds, and the individual portfolio manager responsible for the account.

### TYPES OF INVESTMENTS AND RISK OF LOSS

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

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

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

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

- **ACTIVE MANAGEMENT RISK:** The investment strategy, techniques and risk analyses employed by us, while designed to enhance returns, may not produce the desired results. Our assessment of a particular security or assessment of market, interest rate or other trends could be incorrect, which can result in losses.

- **ASSET ALLOCATION STRATEGY RISK:** Asset allocation strategies do not assure profit or diversification and do not protect against loss.
- **EQUITY SECURITIES RISK:** The price of equity securities fluctuates based on changes in the issuer's financial condition which may be affected by the overall market and other economic conditions. Equity securities are subject to changes in value and their values may be more volatile than other asset classes.
- **INFLATION RISK:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation. Even when portfolio value growth is positive, it may not be sufficient to offset the effect of inflation.
- **INTEREST RATE & CREDIT RISK:** The two main risks related to fixed income investing are interest rate risk and credit risk. Typically, when interest rates rise, there is a corresponding decline in the market value of bonds. Credit risk refers to the possibility that the issuer of the bond will not be able to make principal and interest payments. Obligations of U.S. government agencies and authorities are supported by varying degrees of credit, but generally are not backed by the full faith and credit of the U.S. government. Investments in non-investment grade debt securities (also known as high-yield bonds or junk bonds) may be subject to greater market fluctuations and risk of default or loss of income and principal than securities in higher rating categories.
- **ISSUER RISK:** A portfolio's performance depends on the performance of the individual securities in which the portfolio invests. Changes to the financial condition or credit rating of an issuer of those securities may cause the value of the securities to decline or even become worthless.
- **MARKET RISK:** The price of a security, bond, mutual fund or ETF may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **MUNICIPAL SECURITY RISK:** Municipal securities are subject to interest rate and credit risks. There may be less information available on the financial condition of issuers of municipal securities than for public corporations. Municipal securities may be subject to a complete or partial loss if the municipality files for protection in bankruptcy. The market for municipal bonds may be less liquid than

that for taxable bonds. Some or all of the income from municipal bonds may be taxable. Some investors may be subject to alternative minimum tax (AMT).

- **NON-U.S. SECURITIES RISK:** Investments in the securities of non-U.S. issuers are subject to the risks associated with non-U.S. markets in which those non-U.S. issuers are organized and operate, including but not limited to, risks related to foreign currency, fluctuations in the exchange rate, limited liquidity, less government regulation, and the possibility of substantial volatility due to adverse political, economic or other developments, differences in accounting, auditing and financial reporting standards, the possibility of repatriation, expropriation or confiscatory taxation, adverse changes in investment or exchange control or other regulations and potential restrictions on the flow of international capital. These risks are often heightened for investments in smaller capital markets or emerging markets.
- **PREPAYMENT RISK:** Mortgage-backed and asset-backed securities are valued based on the expected payment streams associated with the securities' underlying mortgages or other asset-based loans. The principal on mortgage-backed or asset-backed securities may normally be prepaid at any time, which can have the effect of reducing the yield and market value of these securities.
- **SMALL & MID-CAP COMPANY RISK:** Investing in small-capitalization companies, directly or indirectly, may entail greater risk and higher volatility than investing in mid- and large-capitalization companies, due to factors such as shorter operating histories, less seasoned management or lower trading volumes, among other things. Investing in mid-capitalization companies may itself entail greater risk and higher volatility than investing in larger companies.
- **INDIRECT INVESTMENT RISK:** Investing indirectly through ETFs or mutual funds does not insulate an investor from the risks associated with direct investment. Although indirect exposure to asset classes such as commodities or real estate may reduce liquidity risk or volatility risk associated with direct investment, but it may not reduce such risks.

### **Mutual Funds and ETFs**

As described above, we sometimes allocate a portion of a client's portfolio to mutual funds and/or ETFs in order to provide additional diversification or exposure to an otherwise unrepresented or underrepresented investment class or strategy. For certain accounts, particularly those with lower balances, we utilize mutual funds and/or ETFs exclusively. For accounts that maintain higher cash balances for

extended periods of time, we will also use money market mutual funds as an alternative, or in addition to, the client's default cash sweep vehicle.

A mutual fund is a pooled investment vehicle of stocks and/or bonds in which each investor owns shares, representing a portion of the holdings of the fund. Mutual funds of all types charge their shareholders various advisory fees and expenses associated with the establishment and operation of the funds. These mutual fund fees will generally include a management fee, shareholder servicing fee, other fund expenses and sometimes a distribution fee. If the fund also imposes sales charges, the client may pay an initial or deferred sales charge. These separate mutual fund fees are disclosed in each fund's current prospectus, which is available from the mutual fund and which we can provide to the client upon request. In addition, like stock trades, your custodian/broker may charge you a brokerage commission for each mutual fund trade.

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

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

### OTHER RISKS

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

risk of loss from investments or other financial decisions which are not actively monitored or reviewed.

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

#### **Item 9. Disciplinary Information**

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

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

LSIA has no financial industry affiliations to report.

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

Employees of our firm and certain related individuals, including spouses, children and other persons living in the same household (collectively, "Access Persons"), are, from time to time, permitted to buy or sell securities for their personal account(s) that are the same as or similar to those that we purchase for or recommend to our clients. Personal trading activity gives rise to a conflict of interest due to the fact that the prices or terms on which LSIA Access Persons invest could be more favorable than the prices or terms on which a client may subsequently invest or may have previously invested. That said, due to variations in personal goals, investment horizons, risk tolerance and the timing of purchases and sales, our Access Persons will make investments in their own accounts that are different from the ones made in client accounts.

In order to address the conflict of interest that arises from personal trading by our Access Persons, we have adopted a Code of Ethics, which governs trading in their personal accounts, among other conduct. Under our Code, Access Persons may not directly, or indirectly, purchase or sell most types of securities (each known as a

“covered security”) when they know, or reasonably should have known, that such covered securities transaction competes in the market with any actual (or considered) covered securities transaction for any of our clients, or otherwise acts to harm any client’s covered securities transaction. Accordingly, our Code contains several provisions that allow us to monitor personal trading and to restrict certain types of trades by Access Persons in their personal accounts.

First, the Code requires all Access Persons to report upon hire, and annually thereafter, all holdings of covered securities, as well as all accounts in which covered securities may be held. Transactions in covered securities must be reported quarterly. In addition, Access Persons with actual or imputed knowledge of covered securities trading in one or more client accounts are prohibited from trading in the same securities in their personal accounts within the seven-day period before or after the client trades. All Access Persons must also pre-clear trades in any covered security through a personal trading preclearance system, subject to certain exemptions for open-end mutual funds, various broad market index exchange-traded funds (“ETFs”), U.S. government and agency securities, and large-cap/*de minimis* transactions that are unlikely to affect the market of the covered security. Further, our Code of Ethics requires the prior approval of any acquisition of covered securities in a limited offering (e.g., private placement) or an initial public offering. For any transaction requiring pre-approval, failure to obtain such approval will be considered a violation of the Code and may not be approved after the transaction has occurred.

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

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

Clients and prospective clients may obtain a copy of our Code of Ethics upon request by contacting Melanie Mayo West, our Chief Compliance Officer, at (248) 646-2650 or [mwest@myLSIA.com](mailto:mwest@myLSIA.com).

## **Item 12. Brokerage Practices**

As an investment advisory firm, we have a fiduciary duty to seek best execution for client transactions. The SEC has indicated that among the specific obligations that flow from an advisor’s fiduciary duty is the requirement to seek to obtain the best

price and execution of client securities transactions where the advisor is able to direct brokerage transactions.

#### NON-DIRECTED BROKERAGE CLIENTS

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

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

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

#### SOFT DOLLAR BENEFITS

Our Trading Oversight Committee oversees the use, if any, of soft dollars, which includes a review of overall and average commissions paid to each approved broker-dealer. LSIA has no formal soft dollar arrangements; that is, we do not direct client

transactions to any particular broker-dealer for the purpose of obtaining soft dollar benefits. Nevertheless, LSIA often receives unsolicited proprietary research reports and other informational materials from broker-dealers with whom we trade. We consider these materials routine and ancillary to the relationship and do not include any broker-dealers on our approved list based on the materials they provide to us. Further, we believe that these materials are provided at no additional charge and do not impact the commissions we pay.

Notwithstanding the foregoing, the research we receive is a benefit that we would otherwise have to produce ourselves or pay for directly if we did not trade with these broker-dealers. Because of this, we have an incentive to select the broker-dealer based on the availability of that research, rather than based on our clients' interest in receiving the most favorable execution and may pay commissions (or markups or markdowns) in excess of those that other brokers charge for transactional services alone. In practice, however, given the basic nature of the materials received, LSIA would not likely seek to replace any lost materials from termination of any of these brokerage relationships.

As a separate matter, since not all of our clients invest in the same market segments to the same extent, not all of our clients benefit equally from our use of certain research materials we receive. Nevertheless, we do not seek to allocate any such benefits proportionately across the accounts we manage.

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

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

#### DIRECTED BROKERAGE CLIENTS

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

While we do not request or require that a client execute transactions through a specified broker-dealer, when a client requests a recommendation, we recommend Schwab Institutional Services, Inc. a division of Charles Schwab & Co., Inc. (“Schwab”), a registered broker-dealer, for custodian and brokerage services. Clients who select Schwab are considered directed brokerage clients.

When recommending Schwab or any other broker-dealer, we consider their financial strength, reputation, execution, pricing and services. We do not receive any form of compensation from Schwab for recommending their services; however, investment advisors such as LSIA, whose client base includes a sufficient number of accounts using Schwab, obtain access to the Schwab Institutional Platform. The Schwab Institutional Platform is a website that provides online resources for operations and compliance personnel, as well as portfolio managers, to assist in various aspects of running an investment advisory business and servicing clients. In addition, employees of Schwab Institutional Platform companies receive newsletters regarding industry developments and can attend complimentary educational webinars and industry conferences sponsored by Schwab.

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

#### BLOCK TRADING

We often aggregate orders for securities transactions in such a way that a group of client accounts buying or selling a particular security will be traded in a block trade. In doing so, we strive to treat each client fairly and will not favor one client over another client. Each account that participates in an aggregated equity trade will receive an average share price and transaction costs will be shared equally on a pro-rata basis (unless a portion of the aggregated order is a “step-out” trade for a

directed brokerage client, in which case there may be additional costs charged separately to that client). For aggregated secondary market fixed income trades, we negotiate the price of the aggregated trade and each account receives that price. For new issues, the price is pre-determined. In all cases, if an aggregated order is not filled in its entirety, it will typically be allocated among participating accounts on a prorated basis, subject to account rounding conventions. However, if the partial fill is determined to be inappropriate for an account such that the prorated investment amount for a particular account would be too small to warrant the investment or result in costly per ticket brokerage charges, then that account will not receive any allocation. If a portion of an aggregated equity order remains unfilled at the end of a day, it is treated as a new transaction on the following day for purposes of determining average price.

Even for clients with similar portfolios and investment objectives, client accounts are managed independently to meet individual client needs and restrictions. While we seek to block trades where we believe it is appropriate and advantageous to clients, not all similar transactions are blocked together. Blocking trades permits us to trade aggregated orders from multiple client accounts. Block trading also permits us to execute trades in a more efficient and timely manner and allows us to obtain an average share price for clients participating in the block. At times, however, a portfolio manager places similar trades in numerous accounts within a single day that are not aggregated. There are also circumstances specific to individual clients that may limit our ability to aggregate trades. For example, there may be times when price sensitivity or urgency to complete a trade differs, or there may be times when there is a limited supply or demand for a particular security. When trades for multiple clients are not aggregated, unlike in the case of blocked trades, some clients will receive more favorable pricing than others. Conversely, in some cases, trade aggregation may adversely affect the price paid or received by an account or the size of the position obtained or liquidated for an account.

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

From time to time, Portfolio managers may place trades in one or more accounts that are directly opposite of trades placed for other accounts. This can occur, for example, when different portfolio managers are rebalancing the same security, or when one account needs to raise cash while a new account is funding.

#### TRADING OVERSIGHT COMMITTEE

The TOC was established to review and monitor our trading practices. The TOC regularly reviews best execution and directed brokerage issues, soft dollar arrangements and proxy voting guidelines, and other issues that may arise relating to trading.

The TOC is made up of representatives from portfolio management, trading, operations and compliance. The TOC meets periodically and is responsible for monitoring our firm's trading practices and periodically reviewing and evaluating the services provided by broker-dealers, the quality of executions, research, commission rates and overall brokerage relationships.

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

Each account has a designated portfolio manager who is responsible for reviewing and monitoring the underlying securities and account continuously in accordance with the account's stated investment objectives and guidelines. For clients of LSIA, portfolio managers periodically schedule in-person or telephone conferences to review these objectives and guidelines, as well as any financial plan developed for that client.

In addition, in order to assist with day-to-day monitoring of compliance with applicable investment guidelines, we utilize an integrated and automated compliance management system. The compliance system is linked to our trading system as well as our accounting system. Our compliance system offers pre-trade, post-trade and batch compliance monitoring capabilities for certain types of restrictions and accounts. Where operational on a pre-trade basis, the compliance system is designed to prevent a prohibited account transaction from being sent to the trading desk for execution. The daily, post-trade batch compliance reports identify potential guideline issues caused by trading activity, cash flows, market movements, or other non-volitional events.

In all cases, portfolio managers will execute or recommend changes to holdings in an account as they deem necessary or appropriate. They are also responsible for responding to warnings or alerts generated by the compliance system and making portfolio adjustments, if necessary. Changes to investment objectives or guidelines

may be triggered upon client request or by portfolio manager recommendation following consultation with the client.

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

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

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

We are required to disclose certain compensation our employees may receive in connection with generating new business for LSIA. In addition to normal salary and annual discretionary bonus, certain LSIA portfolio managers are eligible to receive quarterly bonus compensation. This additional compensation is based on the amount of net new LSIA assets under management that were added during the trailing four quarters and attributable to the portfolio manager's relationships. Further, we primarily compensate our Business Development Officer by paying him a percentage of the fees LSIA earns on assets in client accounts he has sourced.

In many cases, regular or bonus compensation of this type gives rise to an inherent conflict of interest because potential recipients have a financial incentive to recommend or sell one product or service over another. In this case, however, we believe the conflict of interest is minimal, since the incentive is tied to becoming an LSIA client and/or increasing assets managed by us, and not investment in any particular type of security or investment product. Further, in order to ensure that any recommendation to transfer assets from a retirement account into an IRA account to be managed by LSIA is in the client's best interest, LSIA portfolio managers are required to summarize in writing for the client their recommendation analysis.

We are further required to disclose any arrangements pursuant to which LSIA directly or indirectly compensates any third party for client referrals. LSIA does not currently have any such arrangements.

## **Item 15. Custody**

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

Clients receive statements periodically from the custodian that holds and maintains their investment assets. We urge clients to carefully review such statements and compare such official custodial records to any account statements that we deliver or otherwise make available. Upon request, we will provide clients with annual reports that include holdings, gains and losses, transactions, performance or other available information. Our statements may differ from the official custodial statements based on accounting procedures, reporting dates and valuation methodologies of certain securities.

## **Item 16. Investment Discretion**

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

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

Each client also authorizes us in writing, through a limited power of attorney contained in the investment advisory agreement, separate brokerage agreement or other authorization, to carry out our discretionary authority to trade in his or her account.

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

Advisory clients may elect to delegate their proxy voting authority to us. Alternatively, clients may, at their election, choose to receive proxies related to their own accounts directly from their custodians and vote them as they choose. Clients may consult with their portfolio manager on proxy voting matters as requested. With respect to ERISA employee benefit plan accounts, we will always vote proxies unless the plan fiduciary specifically reserves the right to vote the plan's proxies.

We have adopted policies and procedures for voting proxies to ensure that any proxies for which we have authority to vote are voted in the best interests of the owner of the underlying security. We vote proxies for clients that have delegated to us their proxy voting authority. LSIA relies on a third-party proxy voting service to analyze each proxy proposal, make a voting recommendation for each proposal, and vote all proxies in accordance with our policies and procedures for proxy voting.

Our policies and procedures provide that all proxies will be voted consistent with the proxy voting service's recommendations, except where LSIA determines that it is not in the best interests of our clients to vote in that manner. If a client desires us to vote one or more proxies in a way that is different from the proxy voting service recommendation, the client must contact, in writing, the portfolio manager responsible for the account. Clients may also request, in writing, information on how proxies for their account were voted.

Clients may obtain a copy of our Proxy Voting, Corporate Actions and Class Actions Policies and Procedures by contacting Melanie Mayo West, our Chief Compliance Officer, at (248) 646-2650 or [mwest@myLSIA.com](mailto:mwest@myLSIA.com)

## **Item 18. Financial Information**

As a registered investment advisor, we are required to provide clients with certain financial information or disclosures about our financial condition in the event we have financial commitments that impair our ability to meet contractual and fiduciary commitments to clients. We do not have any such financial commitments that would impair our ability to meet our contractual and fiduciary commitments to clients and have never been the subject of a bankruptcy proceeding.

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

This item is not applicable to LSIA.