



# Form ADV Part 2A & 2B

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This brochure provides information about the qualifications and business practices of Zacks Investment Management. If you have any questions about the contents of this brochure, please contact us at 312.265.9500. 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.

Additional information about Zacks Investment Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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INFORMATION

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## Material Changes

The following material changes have been incorporated into this brochure since the previous annual amendment filed in May 2014:

- The firm updated the *Advisory Business* and *Fees and Compensation* sections to include disclosures about Zacks Services Direct, which is part of ZIM's "Wealth Management Program".  
The firm enhanced order aggregation and allocation disclosures in the *Brokerage Practices* section.

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## Advisory Business

ZIM manages investment advisory accounts primarily on a discretionary basis. Adviser manages separate accounts, public and private pooled investment vehicles, and is an adviser to a number of wrap-fee programs.

Adviser also manages investment advisory accounts on a discretionary basis under the "Wealth Management Program". This program offers clients an asset allocation approach to investments and includes thirteen investment strategies: "Zacks Dividend Strategy", "Zacks All-Cap Core Strategy", "Zacks Quantitative Strategy", "Zacks International Equity Strategy (Developed Countries)", "Zacks International Equity Strategy (Emerging Markets)", "Zacks Fixed-Income Strategy", "Zacks Focus Growth", "Zacks MLP Strategy", "Zacks Energy Strategy", "Zacks Preferred Income Strategy", "Zacks Small-Cap Core Strategy", "Zacks Mid-Cap Core Strategy", and "Zacks Global Tactical Strategy". The asset allocation also incorporates cash and cash-like instruments in its portfolios. Retail Wealth Management Program clients generally engage ZIM through a ZIM Investment Consultant ("IC") or directly (e.g., Zacks Services Direct program).

Please refer to *Fees and Compensation*, *Review of Accounts*, and *Client Referrals and Other Compensation* sections below for more information about Zacks Services Direct and ZIM's Investment Consultants.

Adviser also manages investment advisory accounts on a discretionary basis under "alternative investments" strategies. This program offers clients an alternative approach to investments and includes the following two strategies: "Zacks Long/Short Strategy," and "Zacks Market Neutral Strategy". The minimum account that will be accepted is \$500,000. The typical management fee is 1% and where applicable a performance incentive fee of 20% of the total return above the high-water mark is charged quarterly.

The Adviser may utilize the services of various unaffiliated firms for assistance in providing advice to clients that request financial planning assistance. Financial planning activities may result in the subsequent management of client assets by the Advisor for which it may receive advisory fees from the client.

Adviser serves as a portfolio manager in a number of wrap fee programs. Management of wrap accounts is viewed by Adviser as part of its wholesale business. The list of programs includes, but is not necessarily limited to: (i) Wells Fargo & Company's FS Program; (ii) UBS Mac Platform Program; (iii) Deutsche Bank; (iv) Charles Schwab Access RIA Program; (v) Morgan Stanley's FS & UMAs; (vi) Merrill Lynch's UMA and Consults Programs; (vii) LPL Manager Select Program; (viii) Janney Montgomery Partners Advisory Account/Advisors Account Program; (ix) Fidelity Funds Network Program; (x) Envestnet UMA; (xi) Lockwood; (xii) Placemark; (xiii) Commonwealth; and (xiv) Raymond James. These wrap fee programs are arrangements in which investment advisory services, brokerage execution services and custody are provided by a sponsor for a single predetermined "wrap" fee (regardless of the number of trades completed by a client). Generally, clients participating in a wrap fee program ("Wrap Program Clients") pay this single, all-inclusive fee quarterly in advance or arrears to the program sponsor, based on the net assets under management. Adviser receives from the program sponsor a portion of the wrap fee for the portfolio management services it provides. Each program sponsor is required to prepare and deliver a brochure which contains detailed information about its wrap fee program, including the wrap fee charged. Copies of each brochure are available from the program sponsor upon request. Each wrap program sponsor has retained Adviser through a separate investment advisory contract. In limited cases, a participant in a Wrap Program has dual agreements, one agreement with the Wrap Program sponsor and an agreement with Adviser. Wrap Program Clients should note that Adviser will execute transactions for their accounts through the Wrap Sponsor. Transactions executed through a Wrap Sponsor may be less favorable in some respects than Adviser's clients whose trades are not executed through the Wrap Sponsor. This is because Adviser may have no ability to negotiate price or take advantage of combined orders or volume discounts. Adviser may be constrained in obtaining best execution for Wrap Program Clients by sending trades to the Wrap Sponsor.

Adviser has a small number of wholesale arrangements where it provides model portfolio investment recommendations without brokerage execution or additional services. Adviser's fees for these services are negotiated on a case-by-case basis. This type of client account is not managed by Adviser; the client may be notified of changes to Adviser's model portfolio after

Adviser's discretionary client accounts have traded. The client may or may not use the information received from Adviser in making investment decisions.

Adviser is hired by clients to manage assets according to a specific investment strategy (or strategies) based on the client's investment objectives and the philosophy, process, and investment performance of the strategy. Clients may impose reasonable mandates or restrictions, such as positions limits or avoiding certain securities or types of securities.

ZIM has been in business as a registered adviser since January 1992. ZIM is wholly owned by Zacks Investment Research, Inc ("ZIR"). The principal owners of ZIR are Messrs. Len Zacks and Ben Zacks. As of March 31, 2014, ZIM managed approximately \$3,449,420,945 billion of regulatory assets under management on a discretionary basis on behalf of approximately 10,552 accounts and approximately \$553.7million a regulatory assets under management on a non-discretionary basis on behalf of approximately 5 accounts.

### Index Services

The Zacks Index Services division of Zacks Investment Management creates and manages quantitative investment models that are used in financial products available to investors worldwide. Zacks Index Services manages the underlying indices behind Exchange Traded Funds (ETFs), and also is the sub-advisor on several unit investment trust strategies. Zacks Index Services Indices based on Zacks quantitative models are utilized by leading sponsors of UITs and ETFs allowing individual investor's access to strategies previously only available to institutional investors. Fees are negotiated.

## **Fees and Compensation**

Clients are billed in accordance with terms specified in the client agreement(s). Please see the *Performance Based Fees and Side-by-Side Management* section below for additional information with respect to fees.

### *Retail*

All clients with Retail Wealth Management Program accounts that have been opened as of February 26, 2004 pay the following annual Assets Under Management Fees, which are deducted quarterly based on the average assets under management in the client's account at the end of each calendar quarter. The fees for a limited number of individual accounts may differ from this schedule.

- 1.8% if assets under management are less than \$200,000
- 1.6% if assets under management are between \$200,000 and \$400,000
- 1.4% if assets under management are between \$400,000 and \$600,000
- 1.2% if assets under management are between \$600,000 and \$1,000,000
- 1.0% if assets under management are between \$1,000,000 and \$3,000,000
- 0.8% if assets under management are over \$3,000,000

All clients with Retail Wealth Management Program accounts that are opened effective February 27, 2004 and later pay the following annual Assets Under Management Fees, which are payable quarterly in advance based on the market value of the client's account on the last business day of the previous calendar quarter.

1.80% if assets under management are up to \$500,000  
1.65% if assets under management are between \$500,000 and \$1,000,000  
1.50% if assets under management are between \$1,000,000 and \$1,500,000  
1.45% if assets under management are between \$1,500,000 and \$2,000,000  
1.35% if assets under management are between \$2,000,000 and \$2,500,000  
1.30% if assets under management are between \$2,500,000 and \$3,000,000  
1.25% if assets under management are between \$3,000,000 and \$3,500,000  
1.20% if assets under management are between \$3,500,000 and \$4,000,000  
1.15% if assets under management are between \$4,000,000 and \$4,500,000  
1.10% if assets under management are between \$4,500,000 and \$5,000,000  
1.05% if assets under management are between \$5,000,000 and \$10,000,000  
1.00% if assets under management are greater than \$10,000,000

Retail Wealth Management Program clients that have their assets held at FOLIOfn Investments, Inc., an online discount broker-dealer ("FOLIOfn"); pay Adviser an annual, fixed, non-refundable account administration fee of \$495 per client account, for an account with over \$50,000. For accounts between \$20,000 and \$50,000 in assets, the fee is \$295 per client account; for client accounts under \$20,000, the fee is zero. If client initiates non-window trades in its FOLIOfn account, incurs margin debt, or executes other selected transactions, the client may be charged a fee by FOLIOfn. Clients that have their assets held at FOLIOfn are entitled to have up to twenty different strategies in their account. If the client holds more than ten portfolios, the client pays a non-refundable fee of \$50 per year to FOLIOfn for each additional account. For the first \$500,000 in client assets, FOLIOfn receives 20 basis points of management fees charged to clients custodied at FOLIOfn, which is non-refundable to the Adviser and/or the client. For client assets above \$500,000, FOLIOfn receives 18 basis points of management fees charged to clients custodied at FOLIOfn, which is non-refundable to the Adviser and/or the client. A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Unless a client requests otherwise in writing, the Adviser's general policy is to liquidate terminating accounts.

Clients invested in the Global Tactical Strategy pay the following annual Assets Under Management Fees, which are payable quarterly in advance based on the market value of the client's account on the last business day of the previous calendar quarter. Clients invested in the strategy are responsible for all trading cost associated with an investment in the strategy.

0.95% for assets \$0 to \$500,000  
0.90% for assets \$500,000 to \$1,000,000  
0.80% for assets \$1,000,000 to \$4,000,000  
0.70% for assets over \$4,000,000

Clients with assets consisting of individual fixed-income securities such as treasury, corporate and municipal bonds pay the following annual Assets Under Management Fees, which are payable quarterly in advance based on the market value of the client's account on the last business day of the previous calendar quarter.

0.65% if assets under management are between \$500,000 and \$2,000,000  
0.50% if assets under management are between \$2,000,000 and \$4,000,000  
0.40% if assets under management are between \$4,000,000 and \$6,000,000  
0.25% if assets under management are greater than \$6,000,000

#### *Zacks Strategies Direct*

Client in the Strategies Direct program pay the following annual Assets Under Management Fees, which are deducted quarterly based on the assets under management in the client's account at the end of each calendar quarter.

0.99% for assets \$0 to \$500,000  
0.90% for assets \$500,000 to \$1,000,000  
0.80% for assets \$1,000,000 to \$2,000,000  
0.70% for assets \$2,000,000 to \$5,000,000  
0.60% for assets over \$5,000,000

Clients that engage ZIM through the Zacks Services Direct portion of the Retail Wealth Management Program are commonly subject to a lower fee schedule because such clients engage ZIM directly rather than using a ZIM Investment Consultant.

ZIM fees may be negotiable. To the extent that clients' accounts are invested in mutual funds or exchange-traded funds ("ETFs"), these funds pay a separate layer of management, trading, and administrative expenses.

**ZIM Wrap Program** - As this program may be viewed as a wrap fee program, ZIM Wrap Program clients should refer to the *Services, Fees and Compensation* section in Appendix 1 of Form ADV Part 2A for a description of ZIM Wrap Program fees.

#### *Institutional*

Institutional clients pay the following annual Assets Under Management Fees, which are payable quarterly in arrears based on the market value of the client's account on the last business day of the previous calendar quarter. Institutional clients may choose to have fees automatically deducted from their account, or to pay ZIM via a check or wire.

0.75% on the first \$10,000,000  
0.65% on amounts greater than \$10,000,000 but below \$20,000,000.  
0.55% on amounts greater than \$20,000,000 but below \$50,000,000.  
The fees for amounts over \$50,000,000 are negotiable.

In addition to ZIM's investment management fees, retail and institutional clients will incur trading costs and custodial fees (please refer to the *Brokerage Practices* section for more information).

ZIM fees may be negotiable. To the extent that clients' accounts are invested in mutual funds or ETFs, these funds pay a separate layer of management, trading, and administrative expenses.

Partnership management fees will be charged in arrears against the Capital Account of each investor and on a monthly basis at a rate of 1/12 of 1% (annual rate of 1%) of the net asset value of such Partner's Capital Account at the beginning of each monthly period.

#### *Wholesale (Wrap Programs, Mutual Funds)*

##### Wrap Programs (not sponsored by ZIM)

As described in the *Advisory Business* section, ZIM is a portfolio manager in a number of wrap fee programs. With respect to wrap fee programs, the wrap sponsors are typically ZIM's clients, unless a dual agreement has been signed with a participant. An annual fee is negotiated between ZIM and the wrap sponsor. Fees are paid quarterly to ZIM, from the wrap sponsor, via a check or wire. The total fee that participants will pay typically includes ZIM's management fee within the platform or program fee charged by the wrap sponsor. Under many of these platforms and programs, there are no separate commissions or transaction costs charged to participants. In addition, many of these platforms and programs do not charge separate administrative, custodial, or reporting fees. Such an all-inclusive or bundled fee structure is often otherwise referred to as a "wrap fee". Participants should carefully review the Disclosure Document(s) for each wrap fee program that they participate in, for complete details on the charges and fees clients will incur. Such additional Disclosure Documents, as applicable, will be provided by the wrap sponsor.

##### Mutual Funds

Investors in mutual funds or ETFs (sub) advised by ZIM should refer to the applicable fund's prospectus for a description of the fees and expenses of the fund. Please refer to the *Client Referrals and Other Compensation Arrangement* section below for additional disclosures regarding mutual funds.

##### Index Services

The Zacks Index Services division of ZIM negotiates all fees on a case by case basis.

## **ZACKS FUNDS – QUALIFIED & INDIVIDUAL RETIREMENT ACCOUNTS**

All Zacks managed qualified and individual retirement accounts will receive a fee refund for the account's proportional share of the net fees earned by managing the Zacks Market Neutral, All-Cap Core Funds and Small-Cap Core ("Zacks Funds") from the inception of the investment in the Funds. Client's retirement account's share of the net fees we earn for managing the Zacks Funds will automatically be refunded to clients on a quarterly basis in arrears. The Market Neutral and All-Cap Core Funds pay Zacks an investment advisory fee computed at the annual rate of 1.10% and .90%, respectively. However, under the terms of our investment advisory agreement, Zacks has agreed through March 31, 2016 to waive our fee and, if necessary, reimburse the Fund for certain expenses in order to limit both Funds' annual operating expenses to 1.65% of the Fund's average assets for Class A Shares. To the extent that Zacks waives our fees for managing the

mutual fund, we are entitled to be reimbursed in the future if the fund's operating expenses are lower. Client refunds are calculated net of any such waivers, and if we are reimbursed for waived fees in future months that reimbursement is included in calculating the refund clients receive. The management fees payable to Zacks by the mutual fund are more fully described in the fund's prospectus and statement of additional information, copies of which are available on [www.zacksfunds.com](http://www.zacksfunds.com).

The account fees payable by individual client accounts are described in above and in the *Fees and Compensation* section. Clients refunds for owning the Zacks Funds in a retirement account will typically be less than the account fee for the same period, and will be credited against the account management fee to the extent it can be determined in advance. If necessary, adjustments will be made in future quarters. The refund can only be applied to investment management fees that are paid out of retirement accounts.

We believe an investment in the Zacks Funds to be helpful in reducing the overall risk of client's portfolios as the funds attempts to generate returns in excess of their benchmark. There are no specific limits on our ability to use the Zacks Funds in your retirement account.

## **Performance Based Fees and Side-by-Side Management**

The Adviser maintains a performance-based fee arrangement with certain qualified clients. With respect to all performance fees charged, Adviser will be in compliance with Rule 205-3 under the Investment Advisers Act of 1940 (the "Advisers Act"). For qualified clients, the advisory fees charged are performance based and negotiated depending upon amount of assets being managed, number of years account is under management and the client's investment guidelines. Qualified clients or investors performance fees do not exceed 20% of the total return of the account during a 12-month period. Performance fees are either based on the total return or above the benchmark return measure against an index (i.e. T-Bill or Russell 2000).

Those clients paying a performance fee, after the first 12 months, are billed monthly at the end of the month,  $\frac{1}{2}$  of 1% of the value of the account as a draw against the 12 month performance fee. At the end of the 12-month period based on the performance, the client pays any unpaid balance due, or if the total of the three quarterly payments exceeds the amount due based on the performance for the year, the amount of the excess is returned to the client.

Performance based fees may create an incentive for the Adviser to make investment recommendations that are riskier or more speculative than would be the case in the absence of a performance fee. Further, the Adviser has an inherent conflict of interest to favor performance-based fee accounts so the Adviser can receive compensation. Adviser has adopted and implemented written compliance policies and procedures, codified in our compliance manual, which generally address the above conflicts of interest. Further, the Adviser has a fiduciary duty to act in the best interests of clients.

## **Types of Clients**

ZIM primarily provides customized investment management services to individuals and associated trusts, estates, pension and profit sharing plans, investment companies, public and

private pooled investment vehicles, and other corporations or business entities. In addition, ZIM offers its strategies to a limited number of third party brokerage firms, registered investment advisors and independent broker-dealers. ZIM calls this our Wholesaling business. In this business, ZIM is marketing its investment strategies directly to the institutions and their respective sales groups, who market for prospective participants.

Generally, each client that is charged a performance-based fee must represent and warrant that either (a) the value of the client's account initially is at least \$1,000,000 or (b) the client's net worth, which may include assets held jointly with a spouse, is more than \$2 million. However, Adviser may accept clients with smaller accounts and/or lower net worth, but such clients will not be charged a performance-based fee.

To open a Wealth Management Program account, a client must place equity assets with a value of at least \$500,000. For individual fixed-income securities accounts, a client must place assets with a value of at least \$500,000. However, Adviser may accept clients with smaller accounts.

Interests in the partnerships are sold exclusively to qualified clients and accredited investors. Clients who are eligible to invest in the partnerships may be solicited to invest.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

### *Methods of Analysis*

ZIM manages its investment strategies through the application of a hybrid research process, which uses both quantitative and qualitative criteria. ZIM uses proprietary models to quantitatively assess the attractiveness of a large universe of stocks based primarily on an analysis of changing patterns of multiple fundamental factors. The Adviser utilizes data from ZIR as a tool in managing portfolios. ZIM receives data from ZIR contemporaneously with subscribers to ZIR data. The Adviser provides wealth management services which utilizes an asset allocation model that employs the various strategies described below.

### *Investment Strategies*

The Zacks Quantitative Strategy is designed to utilize the effectiveness of the Zacks proprietary stock ranking system (the Zacks Performance Rank), a quantitative stock ranking model based on earnings estimate revisions and earnings surprises. The Quantitative Strategy purchases between 125 and 260 stocks the majority of which have an attractive Zacks Rank at the time of rebalance. The strategy is rebalanced periodically and generates more turnover than other strategies offered. The portfolio manager of the strategy has the ability to override the quantitative model and purchase lower ranked Zacks stocks as desired at any point in time. Additionally, the portfolio manager may change the rebalance frequency and bring the strategy to cash for defensive purposes. The objective of the Quantitative Strategy is to outperform the S&P 500 Index over a full market cycle.

The Zacks Focus Growth Strategy invests in a diversified group of stocks that Zacks believes will outperform the market over the next twelve months. The strategy primarily invests in growth oriented stocks with a large cap bias. The Focus Growth Strategy makes use of a proprietary multi-factor model. The Strategy contains 50 to 100 stocks and is diversified across multiple sectors. The strategy makes use of an optimizer. The Benchmark for the strategy is the Russell 1000 Growth Index.

Zacks International Equity Strategy is invested in markets outside the U.S.A. and diversifies across nations to lower the overall risk and gain the benefit of an asset class with historically low correlations to the U.S. equity markets. The Strategy's tactical allocation provides exposure to both developed and emerging market nations, allowing for risk controlled growth. The Strategy utilizes a number of country-specific ETFs to capture growth in foreign nations. The manager of the strategy may bring the strategy to cash or reduce emerging market exposure for defensive purposes.

The Zacks All-Cap Core Strategy consists of between 50 to 200 stocks that are selected based on a combination of qualitative decisions and a multi-factor model. The objective of the Zacks All-Cap Core Strategy is to provide risk-adjusted returns and diversification benefits relative to either the S&P 500 index or the Russell 3000 index. The Zacks Rank Strategy is diversified across sectors and market caps. The strategy may hold ETFs if desired by the portfolio manager.

The Zacks Dividend Strategy is designed to produce tax efficient returns from both capital appreciation and dividends. The strategy holds between 50 and 100 stocks believed to represent good fundamental value as determined by a proprietary multi-factor value model which includes dividend yield. The benchmark for the Strategy is the Russell 1000 Value Index. The strategy makes use of an optimizer.

The Zacks Fixed-Income Strategy is employed a component in the allocation efforts for client accounts. The objective is to outperform the Barclays U.S. Aggregate Bond Index on a short, mid and long- term basis. A portfolio manager manages the Fixed Income strategy using a mix of corporate and government bonds through the purchase and sale of various Fixed-Income Exchange Traded Funds (ETF's).

The Zacks MLP Strategy invests, primarily, in Master Limited Partnerships with some holdings in Business Development Companies and U.S. Royalty Trusts. Master Limited Partnerships (MLPs) provide an excellent opportunity for total return through a combination of higher than average yields and the potential for appreciation. MLPs are, typically, investments in energy-related companies that benefit from certain tax law provisions that allow the companies to pass on the majority of their income to shareholders. A portfolio manager manages the Zacks MLP Strategy.

The Zacks Energy Strategy selects positions within the energy sector that have favorable risk reward characteristics and reasonable P/E multiples relative to prior cycles.

The Zacks Preferred Income Strategy incorporates a blend of traditional preferred securities, trust preferred and third party trust preferred securities which provide a high level of current income.

The Preferred Income Strategy allows investors to capture yield and generate income. The strategy is managed qualitatively by a portfolio manager.

The Zacks Market Neutral Fund's (ZMNAZ) objective is to generate positive returns in both rising and falling equity markets. The Fund will simultaneously invest in long and short positions to minimize portfolio exposure to overall equity market risk. The Fund may be appropriate for investors seeking to generate returns that are independent of the direction of the stock market.

The Small-Cap Core Strategy objective is capital appreciation. It primarily invests in equity securities of small capitalization companies and seeks to outperform the Russell 2000 Index over the long term. Diversified portfolio of growth and/or value stocks receiving upward analyst estimate revisions is constructed using quantitative risk controls.

The Mid-Cap Strategy objective is capital appreciation. It primarily invests in equity securities of medium market capitalization companies and seeks to outperform the Russell Mid cap Index over the long term. Diversified portfolio of growth and/or value stocks receiving upward analyst estimate revisions is constructed using quantitative risk controls.

The Zacks Global Tactical Strategy seeks to strategically invest in various asset classes. Zacks utilizes a quantitative model that seeks to identify asset classes poised to outperform, and avoid those poised to underperform. The goal of this approach is to limit drawdowns and generate returns in most market environments.

Please see the *Other Financial Industry Activities and Affiliations* for a description of private fund investment strategies.

### *Risks*

All investing involves a risk of loss that clients should be prepared to bear. Identifying undervalued securities and other assets is difficult, and there are no assurances that Adviser's strategies for clients will succeed. Adviser cannot give any guarantee that it will achieve client investment objectives or that a client will receive a return on their investment. Other potentially material risks may include:

- *Equity Risk* - The risk that the value of the securities held by clients may fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held by clients participate, or factors relating to specific companies in which the Fund invests.
- *Risks of Mid-Cap and Small-Cap Companies* - The securities of small- or mid-cap companies may be subject to more abrupt or erratic market movements and may have lower trading volumes or more erratic trading than securities of larger-sized companies or the market averages in general.
- *Foreign Investment Risk* - Investments in non-U.S. issuers may involve unique risks compared to investing in securities of U.S. issuers. Adverse political, economic or social developments could undermine the value of a client's investments or prevent the client from realizing the full value of investments.

- *Short Selling* - ZIM may include short selling in certain clients' portfolios. Short selling involves selling a security that the client does not own. The client borrows the security that is sold short in hopes of purchasing the security at a later price to repay the lender of the security. If a security that is sold short rises in price, the short seller will lose money. Because there is no limit on how much a security's price may rise, securities sold short are subject to unlimited risk of loss. Therefore, short selling could result in losses significantly higher than the original investment.
- *Frequent trading of securities increases costs* - The turnover rate within certain investment strategies may be significant, potentially involving negative tax implications and substantial brokerage commissions and fees.

## **Disciplinary Information**

ZIM and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

## **Other Financial Industry Activities and Affiliations**

### *Zacks and Company*

ZIM is affiliated with Zacks & Co., a broker-dealer that is registered with FINRA. Messrs. Len Zacks, Ben Zacks, Greg Murphy, and Frank Lanza are management persons that are registered representatives of Zacks and Co. Zacks & Co. is primarily utilized for soft dollar and institutional trading. ZIM does not utilize Zacks and Company for any of its clients trading activity in individual stocks or bonds, or for soft dollar trading. Zacks & Company may receive compensation from mutual fund distributors. Please see the *Client Referrals and Other Compensation* section below for disclosures about conflicts.

### *Zacks Investment Research*

As previously mentioned, ZIR wholly owns ZIM; the staff at ZIM are employees of ZIR. ZIR is a provider of market data services over the Internet and other media. ZIR engages in various ecommerce activities, including the sale of full-text brokerage research reports, investment newsletters and other investment publications over its web site and the web sites of its investor network. The Adviser utilizes data from ZIR as a tool in managing portfolios. The affiliated broker-dealer, Zacks & Company, is utilized by ZIR clients for soft-dollar credits. Mr. Len Zacks spends the majority of his time carrying out his duties for ZIR. Len provides executive management along with direction and oversight for ZIM.

### *Limited Partnerships*

ZIR, the parent company of Adviser, among other business activities, serves as General Partner of Zacks Limited Partnership ("ZLP"), established in 1994, Zacks Strategies II, Limited Partnership ("ZSII"), established in 2002, Zacks Long/Short Limited Partnership ("ZLS"), established in 2004 and Zacks Limited Partnership 2008 ("ZLP2008"), established in 2008. Adviser assists the partnerships in making investment decisions for the partnerships and receives compensation for its services from the partnerships.

ZLP seeks to achieve total investment return for its partners principally through active trading of large cap common stocks. Stocks are selected for investment based upon the Zacks Indicator, a proprietary fundamental model monitoring earnings estimate revisions and deviations between projected and actual reported quarterly earnings. Stocks may be bought or sold short to take advantage of expected price fluctuations due to estimate revisions and differences between projected and actual earnings of the companies.

ZSII seeks to achieve total investment return for its partners principally through active trading of common stocks issued by companies that appear on the Russell 3000 Index (i.e., large, mid and small cap stocks) and/or the Russell 2000 Index (i.e., small cap stocks). Depending on the partnership class, ZSII uses either a market neutral strategy or a long strategy. Stocks are selected for investment based upon the Zacks Indicator, a proprietary fundamental model monitoring earnings estimate revisions and deviations between projected and actual reported quarterly earnings. Stocks may be bought or sold short to take advantage of expected price fluctuations due to estimate revisions and differences between projected and actual earnings of the companies.

ZLS seeks to achieve total investment return for its Partners principally through investing in a concentrated long portfolio of common stocks while selling short a concentrated portfolio of common stocks. The purpose is to hedge market exposure while attempting to generate excess market returns. From time to time, the Partnership may sell covered calls against certain long positions and sell covered puts against certain short positions to enhance returns. It also may employ ETF's to achieve desired exposures.

ZLP2008 seeks to achieve total investment return for its partners principally through active trading of common stocks. Stocks are selected for investment based upon the Zacks Indicator, a proprietary fundamental model monitoring earnings estimate revisions and deviations between projected and actual reported quarterly earnings. Stocks may be bought or sold short to take advantage of expected price fluctuations due to estimate revisions and differences between projected and actual earnings of the companies.

When reviewing a qualified advisory client's investment objectives, Adviser may recommend an investment in ZLP, ZSII and/or ZLS, or a transfer of capital from an individually managed account into one or both of the partnerships. At that time, Adviser explains in writing and discusses with the client the differences in the investment process and risk profile between an individually managed account and the partnerships.

Possible changes in fees and expenses are explained and the client is furnished a copy of the Offering Memorandum of the partnership being recommended by Adviser. Adviser may purchase securities for clients that are also purchased for the Zacks Limited Partnership and/or the Zacks Strategies II, Limited Partnership. Certain individuals and/or entities (i.e. ZIR) related to Adviser may be limited partners in one or both partnerships. ZIM has a conflict of interest to favor the Private Funds over other client accounts since ZIM has the ability to earn incentive fees and ZIR has an ownership interest in the Private Funds. For additional disclosures with respect to performance based fees, please refer to the *Performance Based Fees and Side-by-Side Management* section above.

Please refer to the *Client Referrals and Other Compensation* sections for additional disclosures about ZIM's affiliates.

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

### **CODE OF ETHICS**

Adviser has adopted a Code of Ethics (the "Code") in accordance with the Advisers Act, which includes written procedures governing the conduct of Adviser, certain officers and managers, as well as other advisory persons, investment personnel and access persons of Adviser. To mitigate risks and potential conflicts involving personal trades, the Adviser's Code includes a personal securities and insider trading policies and procedures. The Adviser's Code requires, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of Zacks above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Mitigate any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession; Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

The Adviser's Code requires access persons to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide the Adviser with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such access persons have a direct or indirect beneficial interest. ZIM prohibits access persons from trading in individual stocks. Trades in government securities, open ended mutual funds and certain ETFs are permitted; also, transactions in "grandfathered" securities (prior to August 1, 2009) and other extraordinary trading in individual stocks are permitted with the prior written approval of the CCO, who actively monitors these limited trades.

In addition to the foregoing, the Code also imposes certain reporting obligations upon access persons. The Code and applicable securities transactions are monitored by Adviser's Chief Compliance Officer. Upon request, a copy of the Code will be provided to any (prospective) client or investor.

Certain of ZIM's separately managed account clients may invest a portion of their assets in a mutual fund(s) sub-advised by ZIM in order to obtain exposure to specific investment strategies offered by the Adviser. This presents a conflict of interest since ZIM collects two layers of management fees; a management fee for the separate account and a management fee for the mutual fund. ZIM has adopted and implemented written compliance policies and procedures, codified in our compliance manual, which are designed to mitigate ZIM's risks and conflicts. Further, ZIM has a fiduciary duty to act in the best interests of clients.

Please refer to the *Other Financial Industry Activities and Affiliations* and *Client Referrals and Other Compensation* sections for additional disclosures about ZIM's affiliates.

## **Brokerage Practices**

Subject to the conditions for managing accounts, Institutional clients may designate any broker-dealer through whom the client's transactions are to be executed.

Adviser may execute brokerage transactions through brokers or dealers who also provide it with statistical, research and other information or services that enhance its investment research and portfolio management capability generally, including FOLIOfn, Schwab, Fidelity, and Goldman Sachs, among others. Research received from brokers or dealers may be proprietary or from a third-party. However, no brokerage transactions shall be executed directly or indirectly through Zacks & Company, an affiliated broker-dealer. Further, ZIM does not enter into formal "soft dollar" arrangements with brokerage firms with respect to research or any other products or services. The commission paid to any broker may be in excess of the commission another broker would charge for the same transaction. Such research and other services, moreover, may be available to Adviser on a cash basis. When ZIM uses *client* brokerage commissions (directly or indirectly) to obtain research or other products or services, it receives a benefit because ZIM does not have to produce or pay for the research, products or services. Further, an adviser may inherently have an incentive to select or recommend a broker-dealer based on the adviser's interest in receiving research or other products or services, rather than on *clients'* interest in receiving most favorable execution. Research and brokerage services furnished by brokers or dealers will generally be used in connection with all client accounts, although not all such services may be used in connection with any particular account that paid commissions to the brokers providing such services. In an effort to mitigate ZIM's risks and conflicts, and to comply with federal regulations, ZIM periodically conducts reviews of its ability to seek best execution. Further, ZIM periodically determines in good faith whether the amount of the commission is reasonable in relation to the value of the broker and research services provided by the broker, viewed in terms of either that particular transaction or its overall responsibilities to all of its clients, including consideration of relative equitable treatment of all its clients.

Adviser's policy is to allocate, place, and execute clients' securities transactions in a fair and equitable manner. Adviser has a policy of aggregating trades for client accounts in the same

security if or when it is possible to do so. Aggregated orders may include transactions for registered investment companies, employee benefit plans and private investment vehicles (e.g. limited partnerships or limited liability companies) in which Adviser's principals or employees are among the investors. To ensure the fair aggregation and allocation of securities purchased for all client accounts, accounts in which principals or employees have a beneficial interest are not given favorable treatment. All clients receive the average execution price for each bunched order. For client accounts that use BTIG/Goldman Sachs as their prime broker-dealer, the accounts receive a pro rata allocation of the total transaction cost. Instances in which client securities order will not be aggregated include, but are not limited to, the following: legal, regulatory, cash availability, client-directed brokerage, different investment platforms (e.g., wrap accounts are generally aggregated by platform, wrap accounts are not aggregated with Retail Wealth Management accounts), or other administrative reasons. The primary cost associated when ZIM is unable to aggregate orders is that Clients may receive differing execution prices for securities transactions. In situations where a bunched order is only partially filled by the executing broker-dealer, Adviser allocates the order to all participating accounts on a pro rata basis.

To the extent a client directs brokerage transactions to a particular or preferred broker or dealer, there may be limitations on Adviser's ability to negotiate commissions, obtain volume discounts, aggregate client orders and obtain execution of transactions as efficiently as possible and at the best price. Under these circumstances a disparity of commission charges may exist between the commissions charged to Adviser's other clients.

Transactions for each strategy may be completed independently. As such, there may be circumstances under which Adviser deems it appropriate to cause one of its advisory clients to sell a security and another of its advisory clients to purchase the security on the same day. Further, at times, a security may be held in more than one strategy. For example, an energy stock may be held in the Zacks Energy Strategy and Zacks Rank Strategy.

**ZIM Wrap Program Clients** - ZIM may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Schwab, a registered broker-dealer, member SIPC, to maintain custody of clients' assets. The final decision to custody assets with Schwab and direct brokerage to Schwab is at the discretion of the Advisor's clients, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. ZIM is independently owned and operated and not affiliated with Schwab. Schwab provides ZIM with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For ZIM client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to ZIM other products and services that benefit ZIM but may not benefit its clients' accounts. These benefits may include national, regional or ZIM specific educational events organized and/or sponsored by Schwab Institutional. Other potential benefits may include occasional business entertainment of personnel of ZIM by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist ZIM in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of ZIM's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of ZIM's accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to ZIM other services intended to help ZIM manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to ZIM by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to ZIM. While, as a fiduciary, ZIM endeavors to act in its clients' best interests, ZIM's recommendation/requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to ZIM of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest. ZIM Wrap Program clients may also refer to: 1) directed brokerage disclosures above in this *Brokerage Practices* section; 2) the *Services, Fees and Compensation* section below in Appendix 1 of Form ADV Part 2A, and; 3) the client's advisory agreement with ZIM for more information about the ZIM Wrap Program and the limitations of directing brokerage.

## **Review of Accounts**

Each client account is monitored on an ongoing basis by the client's IC (i.e., a ZIM Investment Consultant). ICs generally review client accounts on a quarterly basis. During each quarterly review, the IC's should determine if any circumstances in the client's life requires their allocation to be changed. Circumstances that would trigger a reevaluation of a client's portfolio may include, but are not limited to: retirement, loss of employment, change in income, marriage, birth of a child or a child entering college. If circumstance arises that prompts an allocation review, the IC submits that account to a member of the Investment Committee to consider a change in the allocation.

The securities broker-dealer, through whom a client's transactions are executed, sends or delivers in written electronic format, to the client a confirmation of each transaction. The broker-dealer also sends the client a written monthly statement of the account showing all transactions during

the month and the month-end position in either physically printed or electronic format. ZIM sends written client quarterly performance reports approximately a month after the quarter end.

## **Client Referrals and Other Compensation**

Adviser and/or affiliated entities have relationships with investment products that Adviser may place client assets into and receive additional compensation. 1) The Invesco PowerShares Zacks Micro Cap Portfolio (Ticker Symbol: PZI) is based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by PowerShares. 2) The Zacks All-Cap Core Fund (Ticker Symbols: CZOAX & CZOCX) are advised by Zacks Investment Management and Zacks Investment Management may receive additional compensation for any assets placed into this Fund. Additionally, our affiliate broker/dealer Zacks & Company may receive compensation from the Fund distributor 3) The Guggenheim Multi-Asset Income Index (Ticker Symbol: CVY) is based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by Guggenheim. Our affiliate, Zacks Investment Research, Inc., receives compensation from Guggenheim pursuant to the license agreement between Guggenheim and Zacks Investment Research, Inc. 4) The Guggenheim Mid-Cap Core ETF (Ticker Symbol: CZA) is based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by Guggenheim. 5) The Guggenheim International Multi-Asset Income Index ETF (Ticker Symbol: HGI) is based upon an index that an affiliate of Zacks Investment Management has constructed and licensed for use by Guggenheim.. 6) The Zacks Income Advantage Strategy UIT Series 21-25 (Ticker Symbols: CCZIUX, CCZIVX, CCZIWX, CCZIYX, CCZIZX) are based upon a strategy that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by Guggenheim. 7) The Zacks Income Advantage Strategy Two-Year UIT Series 3-8 (Ticker Symbols: CTZICX, CTZIDX, CTZIEX, CTZIFX, CTZIGX, CTZIHX) is based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by Guggenheim. 8) The Zacks Diversified Equity and Corporate Bond Blend UIT Series 1-5 (Ticker Symbols: (SMZKBX, SMZKAX, SMZKCX, SMZKDX, SMZKEX) are based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by Hennion and Walsh/Smart Trust. Zacks Investment Management, Inc., receives compensation from Smart Trust pursuant to the license agreement between Smart Trust and Zacks Investment Management, Inc. 9) The Zacks GARP Composite 35 Series 1 (Ticker Symbols: (SMGPAX) is based upon an index that Zacks Investment Management, Inc. has constructed and licensed for use by Hennion and Walsh/Smart Trust. Zacks Investment Management, Inc., receives compensation from Smart Trust pursuant to the license agreement between Smart Trust and Zacks Investment Management, Inc. 10) The Zacks Select Equities Blend UIT Series 5-9 (Ticker Symbols: (SEB2Q13, SEB3Q13, SEB4Q13, SEB1Q14, SEB2Q14) are based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by InCapital. Zacks Investment Management, Inc., receives compensation from InCapital pursuant to the license agreement between InCapital and Zacks Investment Management, Inc. 11) The DB-X 2010, 2020, 2030, 2040 & In-Target ETF(s) (Ticker Symbols: TDD, TDH, TDN, TDV, TDX) are based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by DB-X. 11) The Zacks Market Neutral Fund (Ticker Symbols: ZMNAAX & ZMNCX) are advised by Zacks Investment Management and Zacks Investment Management may receive additional compensation for any assets placed into this Fund. Additionally, our affiliate broker/dealer Zacks & Company may receive compensation from the Fund distributor. 12) The Zacks Small Cap-Core

Fund (Ticker Symbols: ZSCCX) are advised by Zacks Investment Management and Zacks Investment Management may receive additional compensation for any assets placed into this Fund. 13) The Zacks Dividend Fund (Ticker Symbols: ZDIVX) are advised by Zacks Investment Management and Zacks Investment Management may receive additional compensation for any assets placed into this Fund. Additionally, our affiliate broker/dealer Zacks & Company may receive compensation from the Fund distributor.14) The Direxion MLP ETF (Ticker Symbol: ZMLP) is based upon an index that a division of Zacks Investment Management has constructed and licensed for use by Direxion. 15) The Zacks Select Equities Income UIT Series 5-9 (Ticker Symbols: (SEI3Q13, SEI4Q13, SEI1Q14, SEI2Q14) are based upon an index that an affiliate of Zacks Investment Management, Inc. has constructed and licensed for use by InCapital. Zacks Investment Management, Inc., receives compensation from InCapital pursuant to the license agreement between InCapital and Zacks Investment Management, Inc. 15) Zacks Dividend Leader is based upon an index that Zacks Investment Management, Inc. has constructed and licensed for use by TS Capital. Series 1-3 Zacks Investment Management, Inc., receives compensation from InCapital pursuant to the license agreement between TS Capital and Zacks Investment Management, Inc. 16) TSC Strategic Dow 10 Series 1-3 is based upon an index that Zacks Investment Management, Inc. has constructed and licensed for use by TS Capital. Zacks Investment Management, Inc., receives compensation from InCapital pursuant to the license agreement between TS Capital and Zacks Investment Management, Inc.

As a result, in certain instances there may be layering of fees where Zacks Investment Management or its affiliates receive additional compensation; clients must be aware that there are cheaper alternatives available. Clients have an option to purchase investment products (i.e. mutual funds) we recommend through other brokers or agents not affiliated with ZIM. ZIM and ZIR employees have a conflict of interest to recommend affiliated investment products over unaffiliated products in cases where additional compensation is received by ZIM, employees, and/or Zacks' affiliates. ZIM has adopted and implemented written compliance policies and procedures, codified in our compliance manual, which are designed to mitigate ZIM's risks and conflicts. Further, ZIM has a fiduciary duty to act in the best interests of clients.

Zacks Investment Management, Inc. may refer clients or prospects to professional service providers, such as CPA's, attorneys, tax experts, or others who pay a fee to Zacks Investment Management. Zacks Investment Management, Inc. may enter into compensation arrangements with solicitors for new business. Any soliciting arrangements will comply with Rule 206(4)-3 under the Investment Advisers Act of 1940 pursuant to which persons introducing new client accounts to Zacks Investment Management, Inc. may receive a portion of the advisory fee generated by the account for a period of time that varies on a case by case basis.

Investment Consultants at the Adviser may receive a portion of a client's management fees and annual account administration fees per the consultant's arrangement with the Adviser or its affiliate. Investment Consultants may also receive compensation for client investments in mutual funds or ETFs sub-advised by ZIM.

As a result, in certain instances there may be layering of fees where Zacks Investment Management or its affiliates receive additional compensation; clients must be aware that there are cheaper alternatives available. Clients have an option to purchase investment products (i.e.

mutual funds) we recommend through other brokers or agents not affiliated with ZIM. ZIM and ZIR employees have a conflict of interest to recommend affiliated investment products over unaffiliated products in cases where additional compensation is received by ZIM, employees, and/or Zacks' affiliates. ZIM has adopted and implemented written compliance policies and procedures, codified in our compliance manual, which are designed to mitigate ZIM's risks and conflicts. Further, ZIM has a fiduciary duty to act in the best interests of clients.

Zacks Investment Management, Inc. may refer clients or prospects to professional service providers, such as CPA's, attorneys, tax experts, or others who pay a fee to Zacks Investment Management. Zacks Investment Management, Inc. may enter into compensation arrangements with solicitors for new business. Any soliciting arrangements will comply with Rule 206(4)-3 under the Investment Advisers Act of 1940 pursuant to which persons introducing new client accounts to Zacks Investment Management, Inc. may receive a portion of the advisory fee generated by the account for a period of time that varies on a case by case basis.

Investment Consultants at the Adviser may receive a portion of a client's management fees and annual account administration fees per the consultant's arrangement with the Adviser or its affiliate. Investment Consultants may also receive compensation for client investments in mutual funds or ETFs sub-advised by ZIM.

## **Custody**

All client assets are held in custody by unaffiliated broker/dealers or banks. Under Rule 206(4)-2 under the Advisers Act, we are deemed to have custody of your assets if you authorize us to instruct the custodian to deduct our advisory fees directly from your account. For such accounts, account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by ZIM.

ZIM may have access to the Partnerships' assets since ZIR serves as the General Partner of the Partnerships. Limited partners of the Partnerships will not receive statements from the custodian. Instead, each Partnership is subject to an annual audit and the audited financial statements are distributed to each limited partner. The audited financial statements will be prepared in accordance with generally accepted accounting principals and distributed within 120 days of the Partnership's fiscal year end.

## **Investment Discretion**

For the majority of client accounts, ZIM has accepted full discretionary authority (as documented in investment management agreements) to sell, purchase, exchange, trade in or generally to invest and reinvest all assets at any time held in a client's account. ZIM is not limited in this authority except to the extent the investment management agreement and/or client has established specific guidelines and/or prohibitions with respect to its investment account and specific securities.

## **Voting Client Securities**

ZIM often has voting power with respect to securities in client accounts. ZIM has adopted a proxy voting policy and procedures (the “Proxy Policy”) with respect to the voting of proxies for client accounts for which ZIM has proxy voting authority. Advisor utilizes Broadridge for the execution and recordkeeping of ZIM’s proxy voting.

Under the Proxy Policy, ZIM monitors corporate events and votes the proxies in a manner that it deems consistent with the best interests of its clients. The Proxy Policy provides for the process by which proxy voting decisions are made, the identification and handling of material conflicts of interest, disclosing the Proxy Policy to clients, maintaining appropriate books and records relating to proxies, and proxy voting guidelines for common proxy proposals.

As a general rule, ZIM will vote all proxies relating to a particular proposal the same way for all client accounts holding the security in accordance with the proxy voting guidelines set forth in the Proxy Policy, unless a client specifically instructs ZIM in writing to vote such client’s securities otherwise. One such instruction example requires ZIM to vote against all matters that might negatively impact rights or benefits for members of organized labor (i.e. Taft Hartley). In ZLS, ZSII, and ZLP, ZIM splits up proxy voting guidelines according to the percentage of ownership held by Taft Hartley investors and all other investors. For example, if Taft-Hartley investors make up 20% of a fund, ZIM anticipates voting 20% of proxies according to Taft-Hartley instructions, and the remaining 80% of proxies according to the Adviser’s guidelines in the Proxy Policy.

For separately managed accounts with FOLIOfn, the client will reserve and retain the right to vote by proxy securities held in the Account; ZIM does not vote proxies for these accounts. Clients custodied at FOLIOfn are provided electronic access through a FOLIOfn website that allows clients to view and vote proxies. If a client has questions about a particular solicitation, the Client may contact Frank Lanza at 312-265-9359.

Notwithstanding anything in the Proxy Policy, ZIM places priority on investment returns over corporate governance correctness. Accordingly, when economic considerations or extraordinary circumstances warrant, ZIM may make exceptions to the proxy voting guidelines or, as ZIM deems to be in the best interests of clients, intentionally refrain from voting a proxy or sell the security.

Clients may, without charge, request a copy of the Proxy Policy or information about how ZIM voted proxies relating to securities held in their accounts by contacting Mari Cervantes by e-mail at [mcervantes@zacks.com](mailto:mcervantes@zacks.com), by facsimile at 312-265-9537, or by mail c/o Zacks Investment Management, Inc., 1 South Wacker Drive, Suite 2700, Chicago, Illinois 60606.

## **Financial Information**

ZIM is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.

## **PRIVACY NOTICE**

Zacks Investment Management, Inc. is committed to protecting the confidentiality and security of the nonpublic personal information we collect about you to provide you with investment advisory services. This Privacy Notice describes certain steps we have taken to ensure the privacy of information of individuals protected by Regulation S-P, issued by the United States Securities and Exchange Commission. Our privacy policies and practices are designed to protect individuals who use our services primarily for personal, family, or household purposes.

**What Information Do We Collect?** —We limit the collection and use of information to the minimum we require to provide service to your account. Such service includes maintaining your account with us, processing transactions and administering our business. We collect the following kinds of information about you: identifying information (such as name, address and social security number), application information (such as net worth or annual net income), and transaction information (such as securities positions, account performance, and account fees). Identifying and application information is obtained directly from you or your financial advisor or broker when you apply for an account. Transaction information is tracked by us in the process of administering your account.

**What Information Do We Disclose?** —We do not sell your nonpublic personal information to anyone and we do not disclose such information to anyone except as permitted or required by law. We may disclose any information we collect to third parties permitted by law as needed to service your account, such as custodians, brokers, accountants, attorneys, or other professionals and regulatory or law enforcement agencies. Even if you are no longer a client, our privacy policies and practices will continue to apply to you.

**How Do We Protect Information?** —Our employees are required to protect the confidentiality of your information and to comply with our privacy policies and practices. They may access information only when there is an appropriate reason to do so, such as to administer our services. Employees who violate our privacy policies and practices are subject to disciplinary process. We maintain physical, electronic and procedural safeguards to protect your nonpublic personal information.

**Revised Privacy Policies and Practices.** We reserve the right to revise our privacy policies and practices, but we will not disclose your personal nonpublic information, except as required or permitted by law, without giving you an opportunity to direct us not to disclose such information.

# Zacks Investment Management, Inc.

## Part 2A of Form ADV – Appendix 1

### The Wrap Fee Program Brochure

One South Wacker Drive – Suite 2700  
Chicago, IL 60606  
<http://www.zackswmg.com/>

Updated: May 2014

This wrap fee program brochure provides information about the qualifications and business practices of Zacks Investment Management, Inc. (“ZIM” or the “Adviser”). If you have any questions about the contents of this brochure, please contact us at 312-265-9359. 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.

Additional information about ZIM is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

This is ZIM's first filing of Appendix 1 to Form ADV Part 2A.

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## **Services, Fees and Compensation**

ZIM's business historically has not required the Company to file an Appendix 1 to Form ADV Part 2A. In January of 2012, ZIM entered into a written business agreement with Charles Schwab & Co. ("Schwab"). Through this relationship, Schwab provides trading and custody services to ZIM clients that direct brokerage and custody services to Schwab, and ZIM provides advisory services to clients (the "ZIM Wrap Program"). Clients in the ZIM Wrap Program pay one "wrapped" fee for services provided, which may result in the ZIM Wrap Program meeting the technical definition of a wrap fee program. As a result of the ZIM Wrap Program meeting the technical definition of a wrap fee program, and because ZIM may be viewed as administering the ZIM Wrap Program, ZIM has completed and filed this Appendix 1.

Clients in the ZIM Wrap Program sign an advisory agreement with ZIM, and in the agreement the client directs custody of the account and brokerage transactions to Schwab. Clients in the ZIM Wrap Program pay one "wrapped" advisory fee to ZIM based on the assets under management. This fee covers ZIM's advisory services, and also covers custody, execution, clearing, and other services provided by Schwab (please refer to Item 12 in Form ADV Part 2A above for additional Schwab-related disclosures). Further, the fee covers trade order management and client reporting services provided by Envestnet ("Envestnet"). However, in lieu of ZIM Wrap Program clients directly paying Schwab and Envestnet, ZIM pays Schwab and Envestnet's fees using a portion of the advisory fee received from clients in the ZIM Wrap Program. Pursuant to agreements signed with ZIM, Schwab and Envestnet receive a fixed percentage of client assets under the management in the program, and ZIM receives approximately eighty-five percent of the fees paid. While ZIM views this relationship with Schwab to be comparable to a directed brokerage relationship, the compensation structure described above appears to classify the ZIM Wrap Program as a "wrap fee program", which the glossary to Form ADV defines as "an advisory program under which a specified fee or fees are not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions." ZIM will provide all portfolio management services for clients that engage ZIM as

an advisor and direct ZIM to custody assets and execute transactions at Schwab. The ZIM Wrap Program may cost the client more or less than purchasing such services separately, depending on various factors, including the amount of trading activity in a client's account(s), the transaction costs of trading, custodial and client reporting costs. In the event that ZIM is required to pay to Schwab the transaction/execution costs associated with client securities transactions, a disincentive to trade securities may be presented. Clients should refer to Item 12 in Form ADV Part 2A (which is attached) for additional disclosures with respect to the ZIM Wrap Program and the limitations of directing brokerage.

Clients in the ZIM Wrap Program will pay advisory fees according to the schedule below. Fees are deducted quarterly, in advance.

1.80% if assets under management are up to \$500,000  
1.65% if assets under management are between \$500,000 and \$1,000,000  
1.50% if assets under management are between \$1,000,000 and \$1,500,000  
1.45% if assets under management are between \$1,500,000 and \$2,000,000  
1.35% if assets under management are between \$2,000,000 and \$2,500,000  
1.30% if assets under management are between \$2,500,000 and \$3,000,000  
1.25% if assets under management are between \$3,000,000 and \$3,500,000  
1.20% if assets under management are between \$3,500,000 and \$4,000,000  
1.15% if assets under management are between \$4,000,000 and \$4,500,000  
1.10% if assets under management are between \$4,500,000 and \$5,000,000  
1.05% if assets under management are between \$5,000,000 and \$10,000,000  
1.00% if assets under management are greater than \$10,000,000

Fees in the ZIM Wrap Program may be negotiable, subject to ZIM's discretion and approval. To the extent that ZIM Wrap Program client accounts are invested in mutual funds or exchange-traded funds ("ETFs"), these funds charge a separate layer of management, trading, and administrative expenses. ZIM Wrap Program clients invested in mutual funds or ETFs should refer to the applicable fund's prospectus for a description of the fees and expenses of the fund. In certain instances (i.e. investment in an affiliated mutual fund or ETF) there may be layering of fees where ZIM or its affiliates receive additional compensation; clients must be aware that there are cheaper alternatives available. Clients can purchase affiliated or unaffiliated investment products (i.e. mutual funds) we recommend through other brokers, agents, or programs not affiliated with ZIM. ZIM and ZIR (employees) have a conflict of interest to recommend affiliated investment products over unaffiliated products in cases where additional compensation is received by ZIM, employees, and/or Zacks' affiliates. ZIM has adopted and implemented written compliance policies and procedures, codified in our compliance manual, which are designed to mitigate ZIM's risks and conflicts. Further, ZIM has a fiduciary duty to act in the best interests of clients.

Investment Consultants employed by ZIR, an affiliate which owns ZIM, may receive a portion of a ZIM Wrap Program client's advisory fee, per the Investment Consultant's arrangement with ZIR or ZIM. Investment Consultants may also receive compensation for ZIM Wrap Program client investments in mutual funds or ETFs sub-advised by ZIM. The amount of compensation may be

more than an Investment Consultant would receive if a client participated in a different program or paid separately for investment advice, brokerage, and other services. Therefore, ZIM Investment Consultants have a financial incentive to recommend both the wrap fee program and affiliated mutual funds or ETFs.

## **Account Requirements and Types of Clients**

To open an account in the ZIM Wrap Program, a client must place assets with a value of at least \$500,000. However, at ZIM's discretion, it may accept clients with smaller accounts. Please see the *Services, Fees and Compensation* section above to review the fee schedule.

With respect to the ZIM Wrap Program, ZIM generally provides customized investment management services to individuals and associated trusts, estates, pension and profit sharing plans, and other corporations or business entities.

## **Portfolio Manager Selection and Method of Evaluation**

ZIM is the only portfolio manager offered in the ZIM Wrap Program platform. ZIM does not select, recommend, and allocate ZIM Wrap Program assets to third-party managers to manage as a separate account. Therefore, ZIM does not utilize specific performance calculation or presentation standards as a tool in measuring third-party portfolio managers for use on the ZIM Wrap Program platform. ZIM Wrap Program clients sign an advisory agreement with ZIM, and ZIM retains discretionary authority to invest ZIM Wrap Program client assets. ZIM is engaged by ZIM Wrap Program clients to manage assets according to a specific investment strategy (or strategies) based on the client's investment objectives and the philosophy, process, and investment performance of the strategy. ZIM Wrap Program clients may impose reasonable mandates or restrictions, such as positions limits or avoiding certain securities or types of securities. ZIM Wrap Program clients will be primarily invested using asset allocation approach to investments that includes ten ZIM investment strategies: "Zacks Dividend Strategy", "Zacks All-Cap Core Strategy", "Zacks International Equity Strategy (Developed Countries)", "Zacks International Equity Strategy (Emerging Markets)", and "Zacks Fixed-Income Strategy", "Zacks Focus Growth", "Zacks MLP Strategy", "Zacks Energy Strategy", "Zacks Preferred Income Strategy", "Zacks Large-Cap Strategy", "Zacks Small-Cap Core", "Zacks Mid-Cap Core", "Zacks Global Tactical". In carrying out our asset allocation strategies for ZIM Wrap Program clients, ZIM may invest ZIM Wrap Program client assets in a mutual fund or ETF, including affiliated ZIM mutual funds or ETFs (please refer to the *Services, Fees, and Compensation* section above for additional disclosures). Should ZIM invest ZIM Wrap Program client assets in an affiliated mutual fund, ZIM and ZIR employees have a conflict of interest to recommend affiliated investment products over unaffiliated products in cases where additional compensation is received by ZIM, employees, and/or Zacks' affiliates.

Since ZIM is the sole portfolio manager in the ZIM Wrap Program, clients are advised to also review disclosures in ZIM's Form ADV Part 2A (which, in addition to this Appendix 1, is provided by ZIM to ZIM Wrap Program clients). For example, ZIM Wrap Program clients should refer to the following items in ZIM's Form ADV Part 2A:

- Item 4 (Advisory Business)
- Item 6 (Performance-Based Fees and Side-by-Side Management)
- Item 8.A (Methods of Analysis, Investment Strategies and Risk of Loss)
- Item 17 (Voting Client Securities)

## **Client Information Provided to Portfolio Managers**

As previously mentioned, ZIM is the only portfolio manager offered in the ZIM Wrap Program. Therefore, ZIM does not share information with other portfolio managers in a manner that may be typical for most other wrap fee programs in the investment industry (i.e. there are no other portfolio managers on a “platform” in this program). However, should ZIM invest ZIM Wrap Program client assets in a mutual fund or ETF, ZIM may need to share certain current client information (i.e. account number, name, address) with the mutual fund or ETF manager, as necessary, in order for ZIM to transact in and maintain the investment on behalf of the client. In these cases, ZIM intends to comply with the written privacy policies and procedures we have adopted and implemented. For a summary of the information provided by ZIM Wrap Program clients, and how ZIM may share such information in order to manage a client’s account, please refer to ZIM’s Privacy Notice, a copy of which is located within ZIM’s Form ADV Part 2A above. ZIM, as a general policy, provides ZIM Wrap Program clients with a copy of Form ADV Part 2A, in addition to providing this Appendix 1 of Form ADV Part 2A.

## **Client Contact with Portfolio Managers**

As previously mentioned, ZIM is the only portfolio manager offered in the ZIM Wrap Program. ZIM clients that participate in the ZIM Wrap Program may contact and consult with ZIM staff by calling the telephone number on the cover of this Appendix 1. As ZIM is the only portfolio manager offered in the ZIM Wrap Program, ZIM anticipates that ZIM Wrap Program clients will not be restricted from contacting or consulting with ZIM staff.

## **Additional Information**

For additional disclosures about ZIM and ZIM’s advisory business relevant to ZIM Wrap Program clients, please refer to the following items in ZIM’s Form ADV Part 2A (which, in addition to this Appendix 1, is provided to ZIM Wrap Program clients):

- Item 9 (Disciplinary Information)
- Item 10 (Other Financial Industry Activities and Affiliations)
- Item 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading)
- Item 12 (Brokerage Practices – please refer to the ZIM Wrap Program section)
- Item 13 – (Review of Accounts)
- Item 14 (Client Referrals and Other Compensation)
- Item 18 (Financial Information)

# ZIM Investment Management, Inc.

## Part 2B of Form ADV

### The Brochure Supplement

One South Wacker Drive – Suite 2700  
Chicago, IL 60606  
<http://www.zackswmg.com/>

Updated: May 2014

This brochure supplement provides information about Benjamin L. Zacks, Mitchel Zacks, and Manish Jain. It supplements ZIM's accompanying Form ADV brochure. Please contact ZIM's Chief Compliance Officer, Frank Lanza, at 312-265-9359. If you have any questions about the Form ADV brochure or this supplement, or if you would like to request additional or updated copies of either document.

Additional information about Messrs. Ben Zacks, Mitchel Zacks, and/or Manish Jain is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Benjamin L. Zacks' Biographical Information**

### Educational Background and Business Experience

Birth date: December 3, 1946

Education: Boston University, B.A., 1968

Business

Background: President and Senior Portfolio Manager, ZIM, 9/91-Present.

Executive Vice President, Zacks Investment Research, Inc., 3/81-Present

Registered Representative, Zacks & Company, 3/79-Present

### Disciplinary Information

Mr. Zacks has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Zacks or of ZIM.

### Other Business Activities

Mr. Zacks is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of ZIM.

### Additional Compensation

Mr. Zacks does not receive economic benefits from any person or entity other than ZIM in connection with the provision of investment advice to clients.

### Supervision

As ZIM's President and Senior Portfolio Manager, Mr. Zacks maintains ultimate responsibility for the Adviser's investment decisions for the Rank Strategy. Mr. Zacks' activities are overseen by the the Chief Compliance Officer, Frank Lanza. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

## **Mitchel Zacks' Biographical Information**

### Educational Background and Business Experience

Birth date: November 2, 1973

Education: University of Chicago, M.B.A., 1999  
Yale University, B.A., 1995

#### **Business**

Background: Managing Director & Portfolio Mgr., ZIM, 11/96-Present  
Investment Banking Analyst, Lazard Freres, 1995-1996

### Disciplinary Information

Mr. Zacks has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Zacks or of ZIM.

### Other Business Activities

Mr. Zacks is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of ZIM.

### Additional Compensation

Mr. Zacks does not receive economic benefits from any person or entity other than ZIM in connection with the provision of investment advice to clients.

### Supervision

As Managing Director, maintains ultimate responsibility for the company's operations. Mr. Zacks' investment recommendations are supervised by ZIM's Managing Director and Senior Portfolio Mgr., Benjamin Zacks. Mr. Zacks' activities are also overseen by the Chief Compliance Officer, Frank Lanza. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

## **Manish Jain's Biographical Information**

### Educational Background and Business Experience

Birth date: July 14, 1972

Education: Michigan State University, B.A., 1993

Business

Background: Account Executive, Frankwell Management Services, 7/93-6/94

Financial Advisor, H&R Block 10/94-12/02

Portfolio Manager, Peoples Bank Trust Dept., 12/02-6/04

Asst. VP Investment Management, Peoples Bank, 6/04-1/07

Fixed Income Portfolio Manager, Zacks Investment Management, 2/07-Present

### Disciplinary Information

Mr. Jain has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Jain or of ZIM.

### Other Business Activities

Mr. Jain is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of ZIM.

### Additional Compensation

Mr. Jain does not receive economic benefits from any person or entity other than ZIM in connection with the provision of investment advice to clients.

### Supervision

Mr. Jain's investment recommendations are supervised by ZIM's President and Senior Portfolio Mgr., Benjamin Zacks. Mr. Jain's activities are also overseen by the Chief Compliance Officer, Frank Lanza. Any of these individuals can be reached by calling the telephone number on the cover of this brochure supplement.