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# Cramer Rosenthal McGlynn, LLC

## Form ADV Part 2A

### *Firm Brochure*

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March 31, 2012

**This brochure provides information about the qualifications and business practices of Cramer Rosenthal McGlynn, LLC (“CRM”, the “Adviser” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at 212.326.5300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

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

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

**Item 2      Material Changes**

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None

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## Item 4      Advisory Business

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Cramer Rosenthal McGlynn, LLC (“We”, “CRM”, the “Adviser” or the “Firm”) is an SEC-registered investment adviser with its principal place of business in New York, NY. CRM was founded in 1973 as a value investment specialist and has been registered with the SEC since June 1983. Wilmington Trust Investments, Inc. (“WTI”), a subsidiary of M&T Bank Corporation, a publicly held company, is a principal investor in CRM with a primary ownership of 79.82% (67.25% on a fully diluted basis) with Cramer Rosenthal McGlynn, Inc. and CRM Group LLC, employee-owned entities, owning the remaining 20.18% (32.75% on a fully diluted basis). Cramer Rosenthal McGlynn, Inc. and CRM Group LLC retain voting and veto rights in connection with matters pertaining to CRM. This includes decisions relating to how the business is developed, senior investment professionals are appointed, Firm resources are allocated, and Firm objectives are met. WTI is not involved in the day-to-day business activities of the Firm.

CRM provides investment advisory services for separate accounts, a family of mutual funds (the “CRM Mutual Funds”) and other products that pursue several different value equity strategies, including portfolios that invest primarily in small cap value securities, small/ mid cap value securities, mid cap value securities, large cap value securities, in addition to an “all cap” strategy, as well as global and international strategies.

CRM typically manages accounts in accordance with its overall investment style focused on a relative value oriented investment philosophy. Clients may impose restrictions on the investing in certain securities as well as the type of securities for their specific separate account.

As of December 31, 2011, we managed assets on a discretionary basis of \$12,450,929,412.

## Item 5      Fees and Compensation

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CRM’s investment advisory fees are generally based on an annual percentage of assets under management (“AUM”). The percentage at which CRM’s investment advisory fee is calculated generally depends on the type of account, the type of securities in which the account invests, and the amount of assets under management.

In addition to fees based on a percentage of AUM, CRM or its affiliates may receive a so-called “carried interest” from the hedge funds, private equity funds, and fund-of-funds (the “CRM Private Funds”) in their capacity as general partner or managing member of these Funds. In a “carried interest arrangement,” CRM or its affiliates typically receive a performance fee generally equal to 20% of the CRM Private Fund’s return. In addition, and subject to applicable law, CRM may charge separate account clients an “incentive” or “performance” fee, calculated as a percentage of capital gains or capital appreciation of the account.

Fees charged to CRM’s clients are subject to negotiation, and existing accounts may be paying higher or lower rates than those outlined below. In addition, clients may negotiate special fee arrangements with CRM from time to time.

The standard investment advisory fees CRM (and in the case of carried interest payments, CRM affiliates) receives from different types of accounts are listed below. Except as otherwise noted, these are annual fees calculated as a percentage of assets under management.

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<b><u>Type of Product</u></b>	<b><u>Standard Investment Advisory Fee</u></b>
Small/Mid Cap Value Strategy Separate Accounts	1.00% on first \$25 million of AUM 0.70% on the next \$25 million of AUM 0.60% on the next \$50 million of AUM 0.40% thereafter
CRM Small/Mid Cap Value Fund	0.75% on the first \$1 billion AUM 0.70% on the next \$1 billion AUM 0.65% thereafter
All Cap Value Strategy Separate Accounts	1.00% on the first \$25 million AUM 0.75% thereafter
CRM All Cap Value Fund	0.95% on the first \$1 billion AUM 0.90% on the next \$1 billion AUM 0.85% over \$2 billion AUM
Small Cap Value Strategy Separate Accounts	1.00% of AUM
CRM Small Cap Value Fund	0.75% on the first \$1 billion AUM 0.70% on the next \$1 billion AUM 0.65% thereafter
Mid Cap Value Strategy Separate Accounts	1.00% on the first \$10 million of AUM 0.75% on the next \$15 million of AUM 0.65% on the next \$25 million of AUM 0.55% on the next \$50 million of AUM 0.50% thereafter
CRM Mid Cap Value Fund	0.75% on the first \$1 billion AUM 0.70% on the next \$1 billion AUM 0.65% thereafter
Large Cap Opportunity Strategy Separate Accounts	0.75% on the first \$25 million of AUM 0.65% on the next \$25 million of AUM 0.55% on the next \$50 million of AUM 0.50% thereafter
CRM Large Cap Opportunity Fund	0.75% on the first \$1 billion AUM 0.70% on the next \$1 billion AUM 0.65% thereafter
CRM Global Opportunity Fund	0.90% on the first \$2 billion AUM 0.85% over \$2 billion AUM
CRM International Opportunity Fund	0.90% on the first \$2 billion AUM 0.85% over \$2 billion AUM

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Cramer Rosenthal McGlynn UCITS, plc		
Class A and Class B		1.2% of AUM
Class S		1.6% of AUM
CRM Private Funds		1.00% of AUM plus 20% of the funds' return
Private Equity Fund-of-Funds		
CRM Private Funds		1.00% of AUM (or committed capital) plus a 5% carried interest for fund-of-fund investments (investors also bear a pro rata share of the management fees and other expenses of the underlying funds in which the CRM Private Fund invests) plus a 20% carried interest for direct investments
Family Wealth Program		0.60% of AUM
Balanced Products		
Separate Accounts		0.75% of AUM
Fixed Income Products		
Separate Accounts		0.40% of AUM

CRM generally bills clients for its services. However, separate account clients may elect to have their fees deducted automatically from their account by the custodian that maintains their account. In that case, CRM will submit a bill for investment advisory services directly to the client's custodian, with a copy to the client. CRM will conduct these activities in a manner consistent with Rule 206(4)-2 of the Advisers Act. Separate account clients generally pay investment advisory fees to CRM quarterly in arrears. CRM Mutual Funds generally pay investment advisory fees monthly in arrears based on the average daily net assets during the month (please refer to CRM Mutual Fund Trust prospectus and SAI for specific details). CRM Private Funds generally pay investment advisory fees to CRM quarterly in arrears.

Separate account clients may bear other fees and expenses, including custodian fees, transaction costs, and third-party consultant fees, in addition to the investment advisory fees noted above. Separate account clients will also incur brokerage costs associated with transactions conducted for their accounts (please review Item 12 "Brokerage Practices" for further information.) CRM Mutual Funds and CRM Private Funds also bear other expenses, such as administrative fees, transfer agent fees, legal fees, shareholder servicing or placement fees, custodian fees, and transaction costs. Potential investors in the CRM Mutual Funds should carefully review the Prospectus of the applicable CRM Mutual Fund for information about the Fund's overall expense ratio and other charges the investor may bear. Eligible investors in the CRM Private Funds should carefully review the Private Placement Memorandum or Offering Circular of the applicable CRM Private Fund for information about other charges the CRM Private Fund or its investors may bear. Clients of Family Wealth Program are billed by the sponsor of the Program under a fee structure covering investment management services, brokerage services, custodial services, and record-keeping and reporting services. Clients of the Family Wealth Program should consult the sponsor of the Program for more information about the fees that they may bear.

From time to time and at the sole discretion of CRM, separate account clients may negotiate payment of investment advisory fees to CRM quarterly in advance or pursuant to a semi-annual payment schedule. Upon termination of CRM's services, fees are pro-rated if services are provided for less than the full

month or quarter, as applicable. If a client pays fees to CRM in advance, the client will be entitled to a refund to the extent the client has paid for services for periods after CRM's services are terminated.

## Item 6 Performance-Based Fees and Side-by-Side Management

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CRM and its supervised persons provide investment management services to a diverse group of clients and various types of investment products. The investment products include performance-based fee accounts where CRM may agree to provide investment advisory services for a performance-based fee in which CRM charges a fixed fee per annum and is paid a percentage of the appreciation on the account over and above a pre-determined index or indices.

Performance fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. CRM has adopted procedures reasonably designed to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients such as automated allocation of investments. CRM's portfolio managers and traders receive annual training regarding these procedures. The performance-based fee accounts and other client accounts are monitored and tested for fair and equitable portfolio management and trading allocation on a regular basis.

The investment strategies offered by CRM have similar investment objectives and are managed in a similar manner, and therefore it is possible that CRM could engage in transactions in the same types of securities and instruments for various accounts, and that such transactions could affect the prices and availability of the securities and instruments in which an account invests, and could have an adverse impact on the account's performance. In certain circumstances, CRM may take a position on behalf of one account that may be contrary to a position taken on behalf of another account.

We provide each client with the investment products or services to which the client is entitled and do not improperly favor one client over another. This does not mean we make the same investments for all clients or offer the same products or terms to all clients. However, we otherwise treat our clients on an equal footing, except in those cases where the client agrees or understands that there will be a different approach. CRM does not favor the interests of larger or more lucrative clients over the interests of other clients. CRM has adopted specific trade allocation procedures which are reasonably designed to ensure all eligible CRM accounts participate in appropriate investment opportunities in an equitable fashion. One way CRM manages this potential conflict is through our trade allocation policy and procedures. Generally, trades are allocated pro rata according to order size (see Item 12 – Brokerage Practices).

## Item 7 Types of Clients

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CRM manages separate accounts for corporate and public pension plans, endowments, foundations, hospitals, community and religious organizations, Taft-Hartley and multi-employer funds, as well as individual and family trusts, estates, and high net worth individuals. CRM serves as adviser of the CRM Small Cap Value Fund, the CRM Small/Mid Cap Value Fund, the CRM Mid Cap Value Fund, the CRM Large Cap Opportunity Fund, the CRM All Cap Value Fund, the CRM Global Opportunity Fund and the CRM International Opportunity Fund and as adviser or sub-adviser to other registered investment companies. CRM also serves as adviser to two Dublin-based UCITS, the CRM US Equity Opportunities and CRM Global Opportunities which are funds of Cramer Rosenthal McGlynn UCITS plc. We also manage several hedge funds, private equity funds, and fund-of-funds. In addition, CRM serves as portfolio manager for the Wells Fargo Family Wealth Program, a sub-advisory program sponsored by

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Wells Fargo Bank, N.A. (the “Family Wealth Program”), as well as portfolio manager for Unified Managed Accounts (“UMAs”), including Morgan Stanley Smith Barney and Oppenheimer Asset Management Inc.

An institutional investor looking to invest in CRM’s small cap value securities, small/ mid cap value securities, mid cap value securities, large cap value securities, or an “all cap” strategy may open a separately managed account with the Adviser with a minimum of \$10 million in assets under management. An individual investor looking to invest in CRM’s small cap value securities, small/ mid cap value securities, mid cap value securities, large cap value securities, or an “all cap” strategy may generally open a separately managed account with the Adviser with a minimum of \$5 million in assets under management. For CRM’s international opportunity and global opportunity strategies, both institutional and individual investors may open a separately managed account with a minimum of \$25 million in assets under management.

The CRM Small Cap Value Fund, the CRM Small/Mid Cap Value Fund, the CRM Mid Cap Value Fund, the CRM Large Cap Opportunity Fund, the CRM All Cap Value Fund, the CRM Global Opportunity Fund and the CRM International Opportunity Fund each have a minimum investment of \$2,500 for investment in the Investor class of shares (\$2,000 for IRAs or automatic investment plans), and a minimum of \$1,000,000 for investment in the Institutional class of shares. Please review the Prospectus of the applicable Fund for more information.

The CRM Private Funds have established minimum capital commitments that vary depending upon the nature of the Fund. Eligible investors may review the Private Placement Memorandum or Offering Circular of the applicable Fund for more information.

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

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CRM views investment prospects on a long-term basis. CRM’s relative value oriented investment philosophy seeks to outperform the broad market and pertinent indices over a full market cycle by participating in good market periods and limiting declines in poor periods. CRM believes that successful investing is a result of recognizing dynamic change that is material to the operations of business enterprises. This change often creates misunderstanding and neglect that may result in the securities of a business becoming undervalued relative to its new focus, future prospects and peer group.

### **Identify change**

CRM seeks to identify change at an early stage that is material to the operations of a publicly traded company, capitalizing on the opportunity to invest while others wait for certainty. Based on the experience of our research team, we focus on “connecting the dots” that is, we identify many situations where positive change in one company leads to a broader set of investment opportunities. A divestiture in one industry, for example, may lead to a new opportunity in another industry. Or a supplier of a company turns out to be an attractive investment in its own right.

### **Appraise the business**

Once positive change is identified, we appraise the business by producing a financial model based principally upon projected cash flow. We evaluate the business in the context of what the market is willing to pay for comparable companies, and also what a strategic buyer would pay for the entire company. CRM further measures institutional ownership and tracks the degree of recognition by investors and sell-side analysts.



### **Conduct research**

We visit companies on site and cross reference management claims about future profitability through an extensive network of research contacts built over decades. We amass information from multiple sources, looking for evidence of a catalyst or critical variable that will bring a stock out of the shadows into the mainstream of investor enthusiasm. Our goal at this stage of the investment process is to build a compelling investment case (“Investment Case”), ensuring that future buy and sell decisions are driven by clear milestones as opposed to human emotion.

### **Valuation process**

Inasmuch as most companies in which we invest have taken some type of restructuring charge or have other non-cash charges, such as goodwill, or have adopted a particular accounting standard, we have found that the most effective way to normalize and understand the financial results is to rely principally on cash flow analysis. Accordingly, the historic financial results of most companies, as reported under GAAP, in our opinion do not reflect the true value of these companies. Our trailing 12 months P/E multiple is distorted by these charges when on a prospective basis our investments trade at low multiples of both cash flow and earnings. Some companies, however, due to the nature of their business and capital structure, such as cable systems operators, can only be evaluated on a cash flow basis because there will be no reported GAAP earnings.

### **Equity/Stock Selection**

#### U.S. domestic equity/stock selection

We are looking for companies with accelerating free cash flow. Those companies that are burning cash and looking more like public venture capital would be removed or reduced from the universe. From there, we discard companies where we cannot fully understand or gain comfort with the business strategy. This list of companies is broken down by sector and screened for change, neglect and valuations, where we believe the prospects of the company are greater than what is reflected in today’s stock price. U.S. domestic ideas that are being actively worked on every week are on our “Work-in-Process” (WIP) list, which typically consists of 40 names. These names are reviewed at the start of each week in the sector team meetings and stocks are added or eliminated to focus the team’s research efforts. Stocks on the WIP list can be there for varying lengths of time, depending on the sector and the elements of change, neglect and valuation. The WIP list focuses our efforts on a weekly basis, stressing more timely potential investments. A minority of the stocks on the WIP list become investments in one of our strategies.

#### International equity/stock selection

We are typically looking for companies that are trading at a discount to their peers, have competent management, low sell-side coverage, and accelerating free cash flow. We initially screen the 20,000 non-U.S. stock universe for companies with what we believe constitute acceptable ranges in the following categories: a minimum return on invested capital; earnings per share growth; market capitalization at the initial time of purchase; and daily turnover. From there we screen the 500 remaining companies with additional quality screens and recognize that quality in the past does not necessarily equate to quality in the future. The resulting 200 companies is the main focus of our international investment research team. Ideas that are being actively monitored and worked-on are added to our “Alerts” list, which typically consists of 200 names.

The length of time to complete the research on an idea varies depending on our prior institutional knowledge of the stock, sensitivity of timing and price dislocation in the stock.

### **Buy Discipline**

We look to buy a security when we have identified an element of change or neglect resulting in low valuation. Once we have completed our due diligence on a possible investment, spoken with top management and understand the risks involved, we create our own financial model for the company and

establish our price objective. All of this is incorporated into an Investment Case which clearly outlines our investment thesis with the identified change, neglect, valuation and risks involved. The Investment Case is presented by an analyst to the portfolio managers and a group of senior analysts. If the Investment Case is deemed to be compelling, then an initial position in the stock may be taken by the Portfolio Managers if they are in agreement. It is very rare that once an idea reaches the stage of an Investment Case that the stock does not get purchased in one or more CRM strategies.

### **Sell Discipline**

CRM's entire process is focused not only on building the Investment Case but also on understanding how the case might deteriorate. On the day we identify a new idea, we start thinking about our exit strategy. The Firm's sell discipline is ultimately dependent upon the written Investment Case for the stock. A position will be sold when one or more of the following occurs: established target price is attained, stock reaches our fair valuation; company experiences loss of pricing power and erosion of margin returns; and management complacency evolves and fundamentals of the Investment Case deteriorate. After a decision to sell is made, the investment is replaced by a higher conviction stock or one with a greater risk/reward profile. An important function of the Adviser's investment process is to set a price target at which the security will be sold, provided that there has been no fundamental change in the investment case. The Adviser monitors each security held in a client portfolio or fund to determine if the security continues to act in accordance with the Adviser's initial assessment. Ordinarily, once the Adviser believes that an investment case has realized its anticipated prospects, the security will be sold. Additionally, the security would typically be sold if the identified change does not have the expected impact on earnings and cash flow of the company, the company's fundamentals deteriorate, or due to other market conditions that would cause the Adviser to believe a sale would be advisable.

### **Risk Control**

We have three formal levels of investment risk control starting at the initial investment level of the sector teams. The nine sector teams are each led by a portfolio manager with relevant experience and have 3 or more total members. The sector teams offer our base level of risk control by monitoring our portfolios on a stock-by-stock basis. The next layer of risk control consists of the individual portfolio managers of our various strategies. Most of our strategies are team managed and the portfolio managers need to reach agreement before positions can be bought or sold. Finally, there is the Risk Management Committee, which is comprised of senior portfolio managers. The Committee is responsible for overall investment risk management of the CRM long-only strategies. They attend all formal portfolio management meetings and review the investment portfolios of all long-only products to evaluate and monitor sector and stock weightings.

We have four types of research meetings throughout the week, which sets the stage for constant communication and measured risk control. Meetings take place on an informal basis every day, as there are numerous collaborative discussions within and amongst our sector teams and analysts. Listed below are the formal research meetings:

**Sector Teams** – The nine sector teams have a meeting once a week to review all sector specific holdings within the various CRM strategies. This includes a review of all price targets, Investment Cases and ongoing due diligence. In addition to the current names, WIP list is established for the week ahead and priorities are established and discussed. If an Investment Case is to be initially presented or reviewed for one or more strategies, the strategy portfolio managers are invited to the meeting.

**Sector Portfolio Managers (sector leads)** – The eight sector portfolio managers have a formal meeting once a week to review all sector exposures and discuss sector themes within the various CRM strategies and how they may or may not interact.

**Strategy Portfolio Managers** – The strategy portfolio managers meet formally on an approximately daily basis in order to review all CRM strategies. Overall portfolio themes are discussed to ensure the leveraging of investment ideas across all strategies, where appropriate. The strategy “risk buckets” are reviewed and revised, if need be. The holding’s weightings and price targets are also reviewed in this meeting and in some instances Investment Cases are formally reviewed with the appropriate sector leads.

**CRM Research Team** – The entire long only research team meets formally once a week to discuss any macro themes and promote quality control for our overall research process. Each meeting is topical in nature and promotes interaction between all CRM analysts, regardless of sector team.

Across all long-only portfolios, risk is controlled by adhering to our price targets that are set at time of purchase. Price targets are monitored and measured on a stock by stock basis. The price target is based upon an internally generated valuation. As relative value investors, we believe we are buying well below what the company is worth. We find the most effective way to control risk, as the value gap contracts, is to honor the target price. This ability to preserve capital in down markets has been borne out statistically over the long-term history of the Firm. We believe our meaningful downside protection is the product of stock specific risk control. As a bottom-up manager we are more concerned with specific stock selection than residual deviation from a benchmark. A similar approach is taken with regards to the Firm’s long/short portfolios.

## **CRM STRATEGIES**

### **Small Cap Strategy**

Under normal circumstances, CRM’s small cap strategy will invest in equity and equity related securities of U.S. and non-U.S. companies of small cap companies that are publicly traded on a U.S. securities market.

### **Small/Mid Cap Strategy**

Under normal circumstances, CRM’s small/cap strategy will invest in equity and equity related securities of U.S. and non-U.S. companies of small/mid cap companies that are publicly traded on a U.S. securities market.

### **Mid Cap Strategy**

Under normal circumstances, CRM’s mid cap strategy will invest in equity and equity related securities of U.S. and non-U.S. companies mid cap companies that are publicly traded on a U.S. securities market.

### **Large Cap Opportunity Strategy**

Under normal circumstances, CRM’s large cap opportunity strategy will invest in equity and equity related securities of U.S. and non-U.S. companies large cap companies that are publicly traded on a U.S. securities market.

### **All Cap Strategy**

Under normal circumstances, CRM’s all cap strategy will invest in equity and equity related securities of U.S. and non-U.S. companies that are publicly traded on a U.S. securities market.

### **Global Opportunity Strategy**

Under normal circumstances, CRM's global opportunity strategy will invest in equity and equity related securities of U.S. and foreign companies.

### **International Opportunity Strategy**

Under normal circumstances, CRM's international opportunity strategy will invest in equity and equity related securities of foreign companies.

### **CRM UCITS**

#### CRM Global Opportunities

Under normal circumstances, CRM's global opportunities UCITS strategy looks to achieve long-term capital appreciation primarily through investments in global equities throughout the capitalization range.

#### CRM US Equity Opportunities

Under normal circumstances, CRM's US opportunities UCITS strategy looks to achieve long-term capital appreciation primarily through investments in US equity and equity related securities throughout the market capitalization range.

### **CRM Hedge Funds**

#### CRM Windridge Funds

The CRM Windridge hedge funds' strategy ("Windridge") under normal circumstances looks to generate returns on both the long and short sides of the securities market with flexible investing and fundamental research throughout the market capitalization range. Generally, Windridge will actively monitor 25 industries with a focus on the real estate, real estate-related and consumer sectors.

#### CRM Global Opportunities and CRM Partners Hedge Funds

The CRM Global Opportunities and CRM Partners hedge funds' (the "Hedge Funds") strategy is a fundamental value long/short equity strategy which focuses on stocks across all regions and capitalizations. Under normal circumstances, the Hedge Funds look to outperform the equity markets with less volatility by maintaining a low net exposure to allow stock selection to drive performance. The strategy does not use leverage and is diversified across all sectors and market capitalizations.

Please note that these Hedge Funds are only available to certain qualified investors. Please contact CRM's Marketing department at 212-326-5300 for more information.

### **Other CRM Private Funds**

Aside from the above Hedge Funds, CRM advises other private funds that generally invest in investment funds and securities of private companies, privately placed securities of publicly traded companies, investment companies and other similar investments. These funds are not accepting new investors.

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These methods, strategies, and investments involve risk of loss to clients and clients must be prepared to bear the loss of their entire investment. There is no guarantee the stock market or the stocks that are bought will increase in value. The following is a summary of certain risks of investing in securities.

## **PRINCIPAL INVESTMENT RISKS**

### **Market Risk**

Stock markets are volatile and can decline significantly in response to adverse issuer, regulatory, market or economic developments. Different parts of the U.S. market and different markets around the world can react differently to these developments. When market prices fall, the value of your investment will go down. The recent global financial crisis has caused a significant decline in the value and liquidity of many securities. If you invest with us, you may experience a substantial or complete loss on any individual security within your portfolio or investment product. In addition, legislation recently enacted in the U.S. calls for changes in many aspects of financial regulation. The impact of the legislation on the markets, and the practical implications for market participants, may not be known for some time.

### **Company Risk**

The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the market as a whole. This may result from a wide variety of factors that affect particular companies or industries, including changes in market demand for particular goods and services, increases in costs of supply, changes in management, increased competition and changes in regulatory environment.

### **Value Investing Risk**

Value stocks can perform differently from the market as a whole and other types of stocks and can continue to be undervalued by the market for long periods of time. CRM may be incorrect when it decides that a stock is undervalued by the market.

### **Portfolio Selection Risk**

The value of your investment may decrease if CRM's judgment about the attractiveness, value of, or market trends affecting a particular security, industry or sector, country or region, or about market movements, is incorrect.

### **Risks of Foreign Investments**

Investing in foreign securities involves special risks that can increase the potential for losses. These risks may include nationalization or expropriation of assets, illiquid foreign securities markets, confiscatory taxation, foreign withholding taxes, imposition of currency controls or restrictions, and political, economic or social instability. Because many foreign markets are smaller, less liquid and more volatile, CRM may not be able to sell securities at times, in amounts and at prices it considers reasonable. In some foreign countries, less information is available about issuers and markets. Foreign markets may offer less protection to investors. Foreign stocks can fluctuate more widely in price than comparable U.S. stocks, and they may also be less liquid. Currency fluctuations could erase investment gains or add to investment losses. In addition, risk may be greater for foreign investments in emerging markets.

## **Focus Risk**

To the extent that CRM invests in a smaller number of issuers or emphasizes investments in particular industries or market sectors, client accounts will be subject to a greater degree to any market price movements, regulatory or technological change, economic conditions or other developments affecting those issuers or companies in those industries or market sectors.

## **STRATEGY SPECIFIC RISKS**

### **Risks of Small Cap Companies**

Compared to strategies that focus exclusively on large capitalization companies, CRM's small cap strategy may be more volatile because it invests in small capitalization companies. Small capitalization companies are more likely to have more limited product lines, fewer capital resources and less depth of management than larger companies. Securities of smaller companies may have limited liquidity and may be difficult to value or to sell at an advantageous time or without a substantial drop in price.

### **Risks of Small and Mid Cap Companies**

Compared to strategies that focus exclusively on large capitalization companies, CRM's small/mid cap strategy may be more volatile because it invests in small and/or mid capitalization companies. Small and mid capitalization companies are more likely to have more limited product lines, fewer capital resources and less depth of management than larger companies. Securities of smaller companies may have limited liquidity and may be difficult to value or to sell at an advantageous time or without a substantial drop in price.

### **Risks of Mid Cap Companies**

Compared to strategies that focus exclusively on large capitalization companies, CRM's mid cap strategy may be more volatile because it invests in mid capitalization companies. Mid capitalization companies are more likely to have more limited product lines, fewer capital resources and less depth of management than larger companies.

### **Risks of Large Cap Companies**

Although large cap companies do not have the same risks as small cap or mid cap companies such as fewer capital reserves or the difficulty of being valued, there are inherent risks in all investments. Large cap companies may be subject to the same principal investment risks as described above.

## **Currency Risk**

CRM's global and international strategies generally invest in securities denominated in foreign currencies, and could experience gains or losses solely on changes in the exchange rate between foreign currencies and the U.S. dollar.

## **Risks of Pooled Investments**

Hedge funds are speculative investments and are designed only for sophisticated investors who are able to bear the economic risk of the loss of their investment in the hedge fund. Risks associated with investing in CRM's hedge funds include market risks, short sales which involve the sale of securities the funds do not own as well as option and leverage transaction risks. Investors in CRM's hedge funds should

carefully review the appropriate private placement memorandum for a detailed description of the associated risks.

For more information relating to investment strategies and risks associated with registered and unregistered funds please refer to the relevant prospectus or Statement of Additional information for the CRM Mutual Fund Trust, the prospectus or supplement for the Cramer Rosenthal McGlynn UCITS, plc. Qualified investors should refer to the Private Placement Memorandum or Offering Circular of the relevant Hedge Fund or Other CRM Private Fund.

## Item 9 Disciplinary Information

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There have not been any legal or disciplinary events relating to CRM that are material to a client's or prospective client's evaluation of CRM's advisory business or the integrity of CRM's management.

## Item 10 Other Financial Industry Activities and Affiliations

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Certain of CRM's management persons are registered representatives of ALPS Distributors, Inc., the distributor for CRM Mutual Funds.

CRM has entered into a cross-selling agreement with its bank affiliate, M&T Bank Corporation ("MTB"). MTB may serve as custodian, directed trustee, or discretionary trustee for its clients. Under the cross-selling agreement, MTB may refer its custodian or directed trustee clients to CRM for investment advisory services. Similarly, CRM may refer clients to MTB for custody or directed trustee services. CRM will charge its standard advisory fees to clients referred by MTB, but will pay to MTB a referral fee calculated as a percentage of the referred client's management fee. MTB will charge its standard custody or trustee fees to clients referred by CRM, but will pay a referral fee to CRM calculated as a percentage of the referred client's custody or trustee fees. Where MTB has discretionary investment responsibility as trustee, MTB may employ CRM as a sub-adviser for the management of value securities and pay CRM's advisory fee out of the fees it receives as trustee. CRM may also engage MTB as a sub-adviser for the management of fixed income or core equity components for CRM's client portfolios and pay MTB's fees out of the investment advisory fees it receives. CRM and MTB generally do not pay referral fees to each other for any sub-advisory business referred, but each of them has agreed to discount its sub-advisory fees for sub-advisory business referred by the other. Although, we do not believe the arrangement with MTB creates a material conflict of interest with our clients, if a conflict did arise we would resolve the issue in favor of our clients unless they have clearly agreed to a different approach. This principle is based on our fiduciary duty to our clients, which requires us to consider their best interests in everything we do.

CRM also serves as investment adviser, and it or its affiliate CRM Alternatives, Inc., serve as general partner or managing member, of the following CRM Private Funds: CRM Partners, L.P., CRM 1997 Enterprise Fund, LLC, CRM 1998 Enterprise Fund, LLC, CRM 1998 Enterprise Fund II, LLC, CRM 1999 Enterprise Fund, LLC, CRM 1999 Enterprise Fund II, LLC, CRM 2000 Enterprise Fund, IV LLC, CRM Global Opportunities, L.P., CRM Collins Holdings, LLC, CRM Windridge Partners, L.P., CRM Windridge Fund, Ltd. and CRM Windridge Partners II, L.P. (collectively, the "CRM Private Funds"). The CRM Private Funds are privately placed to qualified investors. This practice creates a conflict of interest because the Adviser may have an incentive to favor performance-based fee accounts over other client accounts. CRM has adopted policies and procedures reasonably designed to ensure all clients are treated fairly and equally (see Item 6 – Performance Based Fees and Side-by-Side Management).

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

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CRM has a Code of Ethics which sets forth standards of business conduct the Advisor requires of all its supervised persons. Our Code is reasonably designed to (a) minimize conflicts of interest, and even the appearance of conflicts of interest, between the personnel of CRM and its clients in the securities markets; (b) assist CRM personnel such that their personal securities transactions are made in compliance with applicable securities laws; (c) prevent violations of the federal securities laws; and (d) effect the principles of conduct set forth by CRM. Under the Code, supervised persons are required to obtain pre-clearance of personal securities transactions and to disclose their securities transactions on a quarterly basis and holdings initially and on an annual basis. A copy of CRM's Code of Ethics may be obtained by contacting our Legal and Compliance department, by mail at 520 Madison Avenue, 20<sup>th</sup> Floor, New York, NY 10022 or by telephone at 212-326-5300 or info@crmlc.com.

From time to time, CRM may recommend to clients that they buy or sell securities or other instruments in which CRM, CRM employees or their families or affiliates have or may later acquire some financial interest. Such personal investing is subject to personal trading policies and procedures that are designed to address actual or potential conflicts of interest (or appearances of conflicts) with CRM clients (the "Policies").

CRM imposes pre-clearance requirements on securities transactions in brokerage accounts in which any employee has a direct or indirect beneficial ownership. Transactions in certain financial products, including open-end mutual fund shares, U.S. government securities, investment grade debt securities, certain money market instruments and non discretionary accounts may be excluded from such pre-clearance requirements.

CRM also restricts employees from engaging in certain types of securities transactions. Trading securities and other instruments during a prescribed blackout period after a trade on behalf of a client in the same security or instrument is generally restricted, subject to certain exceptions such as "bunching" with a client order. Likewise, profiting from short-term personal trades is also generally restricted. In addition, CRM employees are required to hold their positions in securities with market capitalization of \$500 million or less until CRM client account(s), including separate accounts, mutual funds and hedge funds, are fully divested of their corresponding position in the securities.

More specifically, CRM employees are not permitted to purchase or sell, directly or indirectly, any covered security in which the employee has, or by reason of such transaction acquires, any direct or indirect beneficial ownership:

- which he or she knows or should have known at the time of such purchase or sale is or has been considered for purchase or sale by any client accounts, within the most recent seven (7) calendar days, or
- which is or has been purchased or sold by any Client Accounts within the most recent seven (7) calendar days.

An order to purchase or sell a covered security for an employee account may be exempt from this prohibition and may be aggregated (or "bunched"), as stated above, with an order(s) for a client account(s) that is being handled by CRM's trading desk where the market capitalization of the issuer of the security is at least \$750 million.



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Where an order for an employee account is handled in accordance with the above paragraph, orders for client accounts shall be executed prior to, or concurrently with, any order for an employee account. This proviso applies to the specific order or orders for client accounts to which the employee account is aggregated. It does not apply to other orders for client accounts which may be entered by investment personnel later on the same day. In limited circumstances, a client account where the Client directs the order to be executed by a specific brokerage firm (so-called "hold" account), such clients' execution may occur after execution of the order(s) for which the employee order is being aggregated, resulting in such client's execution possibly occurring after the employee order is executed. In these cases, the execution price received by a client account may not always be superior to the execution price received by an order for an Employee account

To assist in monitoring compliance with the Policies, CRM requires all employees, with personal securities trading accounts, to move such accounts to Morgan Stanley Smith Barney or Charles Schwab, or to establish a custodial account with a bank, which is compatible to CRM's trading reconciliation system. This allows CRM's Compliance department to monitor employees' personal securities trading accounts on a real-time basis.

CRM and its employees may not trade for clients or themselves or recommend trading in the securities of a company while in possession of material, non-public information concerning such company, or disclose such information to any person not entitled to receive it. Potential sources of inside information include the receipt, whether directly or indirectly, of information related to the offering of private investments in public offerings, and information from other third-parties including but not limited to counsel, independent registered public accounting firms, investors, financial printers and trading partners of a material nature. In such circumstances, CRM will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that CRM possesses such information), or not using such information for the client's benefit, as a result of following CRM's policies and procedures designed to provide reasonable assurances that it is complying with applicable law. Accordingly, each employee is required to inform CRM's General Counsel whenever such employee believes that he or she may have obtained material, non-public information regarding a public company.

CRM management, officers and employees may from time to time serve on the board of directors of an issuer of securities that are held in client accounts. As a result of such service or if a CRM executive, officer or employee receives material non-public information through his or service on the board of directors of an issuer or otherwise, CRM may be prevented from engaging in transactions in that security on behalf of client accounts or may be required to conduct such transactions only during specified time periods.

CRM may recommend that clients invest in mutual funds, hedge funds, limited partnerships, and other investment vehicles that CRM or its affiliates advise or manage (the "Affiliated Funds"). CRM receives investment advisory fees for managing these investment vehicles (see Item 5 - Fees and Compensation). CRM also will benefit from increased amounts of assets under management. Differences in compensation paid by different investment vehicles managed by CRM may create a financial incentive on the part of CRM to recommend one investment vehicle over another or to effect transactions differently for one vehicle or account as compared to other vehicles or products. Certain employees of CRM serve as portfolio managers to Affiliated Funds. In that capacity, the portfolio managers receive a portion of the performance-based allocation made to the management company of the fund. In addition, the management companies and certain portfolio managers have personal investments in the Affiliated Funds. Certain affiliates and employees of CRM also have invested as limited partners of the Affiliated Funds. CRM's policies prohibit the favoring of Affiliated Funds or any accounts over other accounts.

Some portfolio managers of the Affiliated Funds also serve as portfolio managers to other client accounts that trade in the same securities as the Affiliated Funds. The Affiliated Funds, however, may use investment techniques such as leverage and short sales transactions that are not utilized on behalf of other clients.

## Item 12 Brokerage Practices

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CRM has established policies with respect to the selection of brokers and determination of commissions which are designed to seek best execution for our clients. CRM's Director of Trading coordinates brokerage selection activities for CRM. CRM's Director of Trading meets formally with CRM's traders and research analysts on a regular basis, and informally as necessary to discuss the selection of brokers to execute trades for client accounts. More extensive formal reviews of broker performance are conducted on a regular basis.

In evaluating the services provided by a particular broker, CRM considers, among other things:

- Trade efficiency – The ability to minimize total trading costs including maintaining adequate capital, responding during volatile market periods, and minimizing incomplete trades.
- Level of trading expertise – The ability to obtain liquidity, trade completion, unique trading strategies, quick trade execution, ability to maintain the anonymity of an investment manager, execution and settlement of difficult trades, satisfaction of trading needs, ability to maximize opportunities for price improvement, methods of tracking and correcting trade errors and engaging in after-hours and cross-border trading.
- Infrastructure – Commitment to technology and a quality trading system.
- Other characteristics – Suggestions that improve the quality of trade execution, proprietary or third-party research, access to research analysts, broker staff and company insiders, reputation with respect to legal compliance and sound financial conditions and practices.
- Special transaction services – Step-outs, custody services, directed brokerage and soft dollar arrangements, and access to IPO shares

CRM seeks to maintain an extensive list of brokers with which CRM conducts business, including a number of regional firms, as CRM believes many smaller and regional brokers can help it identify emerging value stocks that may not be followed by larger brokerage firms. By maintaining a large broker list, CRM believes that it enhances the trading department's ability to achieve best execution on all transactions. The trading department can provide and investigate trading relationships and opportunities for execution that a small list might exclude, and, therefore limit the ability to achieve best execution. CRM utilizes an unaffiliated outside firm that provides extensive data and information to measure and evaluate trading. This information is used by CRM in evaluating and meeting its best execution obligations.

CRM may enter into arrangements by which certain brokers will provide research, research products and services, and execution services to CRM in exchange for CRM executing client brokerage transactions through that particular broker at a higher overall cost than if the broker provided solely execution services. These practices are referred to as soft dollar arrangements. Clients should consider that these arrangements may create a potential conflict of interest between CRM and its clients, because CRM's

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decision to use a particular broker may in part be based on the broker's ability and/or willingness to provide certain products and services, and not merely on the broker's ability to provide the best trade execution for the best price which may result in commissions higher than those charged by other broker-dealers. CRM may also receive a benefit from the use of client brokerage commissions to obtain research or other products or services since we do not have to produce or pay for the research, product or services. CRM's research and trading departments evaluate, in relevant part, the value of the propriety research including such factors as access to management provided in relation to commission rates paid to brokers and the ultimate benefit to our clients.

On average, CRM may pay nominally higher brokerage commissions as a result of using brokers who provide research, research products and services, and execution services to CRM under soft dollar arrangements. This practice may cause clients to pay higher commissions than those charged by other broker-dealers. The exact incremental increase in commissions is hard to quantify. Soft dollar products and services are, as noted above, one of many factors considered in selecting brokers to execute client transactions.

On occasion, a broker provides research useful in making investment decisions regarding client accounts and administrative or other assistance to CRM not entirely related to research or execution services. Under such circumstances, CRM's Soft Dollar Committee will make a reasonable good faith allocation as follows: the portion of such a service or specific component which provides assistance to CRM's investment decision-making responsibilities is obtained from such broker with commissions paid on client portfolio transactions, while that portion of such service or specific component which provides non-research assistance is paid for by CRM with its own resources. CRM reviews such mixed use allocations from time to time to verify that the allocation ratio reflects the actual use of the product or service.

CRM uses research obtained through soft dollars to benefit all of its clients, not just the clients for whom the order is being executed. Also, in instances where trading activity in a client's account has generated soft dollars, CRM may not use all of the research obtained exclusively for that particular client.

The types of products and services CRM receives may include among other things: research which contains statistical and background information on the U.S. and foreign economies, industry groups and individual companies; forecasts and interpretations with respect to the U.S. and foreign economies, securities, markets, specific industry groups and individual companies; information on federal, state, local and foreign political developments; portfolio management strategies; performance information on securities, indexes and investment accounts; and information concerning prices of securities. Research or brokerage services may also include the providing of electronic communications of trade information, the providing of custody services, as well as the providing of equipment used to communicate research information and the providing of specialized consultations with an investment adviser's personnel with respect to computerized systems and data furnished to the investment adviser as a component of other research services, the arranging of meetings with management of companies, and the providing of access to consultants who supply research information. The outside research assistance is useful to an adviser since the broker-dealers used by the advisers tend to follow a broad universe of securities and the research provided by such broker-dealers may provide an adviser with a diverse perspective on financial markets. Research services provided to an adviser by broker-dealers are available for the benefit of all accounts managed or advised by such investment adviser or by its affiliates. An investment adviser cannot readily determine the extent to which spreads or commission rates or net prices charged by brokers or dealers reflect the value of their research, analysis, advice and similar services.

CRM has established a Soft Dollar Committee which meets periodically to review existing and potential soft dollar arrangements. The Committee establishes CRM's annual soft dollar budget which generally sets forth the cost of soft dollar products and services obtained by CRM, the percent of that cost to be paid

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by soft dollars, and the amount of brokerage that is expected to be directed to soft dollar brokers in return for research products and services and execution services. In consultation with CRM's legal department, the Soft Dollar Committee reviews CRM's soft dollar arrangements for purposes of compliance with applicable law and guidance from the staff of the Securities and Exchange Commission.

From time to time, certain clients may instruct CRM to direct brokerage transactions for their accounts to broker-dealers selected by the client. This practice is sometimes referred to as "directed brokerage." A client may seek to direct brokerage, for example, when the client is participating in a commission recapture program where the client receives certain benefits from a broker if the client directs a minimum percentage of the client's securities transactions to that particular broker. Where a client directs CRM to use particular broker-dealers, through a commission recapture program or otherwise, the client generally negotiates commission rates on transactions executed through such broker-dealers, and CRM does not evaluate the brokerage services provided to the client or the commission rates paid by the client. As a result of such direction, a client may lose possible advantages, such as the ability to aggregate orders, and therefore may receive a less favorable execution.

For clients who participate in the Family Wealth Program, clients should recognize that brokerage commissions for the execution of transactions in the client's account are generally not negotiated by CRM but by the sponsor of the Family Wealth Program. Accordingly, the client may wish to evaluate whether the Family Wealth Program sponsor can arrange for adequate price and execution on most or all securities transactions. The client should also consider whether, depending upon the level of fees charged by the program sponsor, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the Family Wealth Program, and other factors, the program fee may or may not exceed the aggregate cost of such services if they were to be provided separately and if CRM were free to negotiate commissions and seek best price and execution of securities transactions for the client's account.

CRM has an obligation to seek the best execution of all trades for all its accounts, and it believes that at times it may obtain the best possible execution for its client accounts by aggregating or "bunching" client orders. When CRM determines that more than one client is purchasing or selling the same security, CRM generally seeks to aggregate individual orders by executing these orders as a block or in several blocks through its brokers. By aggregating purchase or sale orders for clients, CRM may be able to obtain lower commission costs because larger orders may provide economies of scale that may lead to lower brokerage costs. Each account that participates in an aggregated order will participate at the average price for all of CRM's transactions in that security with respect to the particular block of orders for that security on a given business day, with transaction costs shared pro rata based on each account's participation in the transaction. Prior to executing an aggregated order, the applicable portfolio manager and/or assistant portfolio manager will communicate to CRM's trading desk which accounts are participating in the transaction and how CRM intends to allocate the order among those accounts. If orders for a security cannot be completely filled, the orders generally are allocated pro rata among the participating accounts based upon order size, unless there are limit orders. If limit orders cannot be executed, all market orders are filled, with the securities being allocated pro rata among the accounts submitting market orders, based upon order size. If orders for a security cannot be completely filled, CRM may allocate securities on a basis other than pro rata, if, under the circumstances, such other method of allocation is reasonable and does not result in an improper disadvantage to a particular account. In certain other circumstances it may be appropriate to deviate from the initial allocation statement submitted by a portfolio manager if the variation from the allocation statement does not result in an unfair advantage to a particular account, and the portfolio manager or equity trader specifies in writing the reason for the different allocation.

CRM uses special procedures for allocating initial public offerings (IPOs) among client accounts, which are eligible to participate in such offerings. CRM purchases shares in IPOs for CRM Mutual Funds and

certain CRM Private Funds. IPOs may also be allocated to a product group of managed accounts (i.e., to managed accounts comprising the small cap value product) where CRM determines that such accounts are willing to accept the increased risk associated with IPOs and that such investment is appropriate for such accounts. Further, IPOs may be allocated to other managed accounts upon client request subject to certain conditions. These accounts have been identified by CRM as willing to accept the increased risk associated with an investment in IPOs. CRM generally does not purchase shares in IPOs for any other separate account or Family Wealth Program clients. IPOs are generally allocated to those accounts eligible to receive them pro rata based on the size of the account. For those accounts in which CRM receives a performance fee, CRM does not consider short-term (i.e., realized in less than 30 days) gains realized from IPO transactions in calculating its performance fee. CRM will be subject to a number of conflicts of interest in the allocation of IPOs to accounts which pay performance fees to CRM or in which CRM employees participate (see Item 6 – Performance-Based Fees and Side-by-Side Management).

### Item 13      Review of Accounts

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At least one CRM professional is specifically assigned to each account and it is their responsibility to see that the portfolio is invested in a manner consistent with the particular client's needs. The portfolio managers, or as applicable, analysts, assigned to the CRM Mutual Funds are expected to review the securities held by the CRM Mutual Funds, at least daily, with regard to each Fund's adherence to the model portfolio, subject to the investment guidelines of the Fund. The portfolio managers assigned to CRM's separate accounts and CRM Private Funds are expected to review these accounts, at least monthly, with regard to the account's adherence to the model portfolio, subject to the investment objectives of the account. In many cases, the portfolio managers assigned to the CRM Private Funds review these accounts on a more frequent basis.

Clients with separately managed accounts generally receive formal, written reports at least quarterly. Generally, the reports contain a statement of portfolio securities at cost and market and total cash balance. The contents of these reports may be tailored to meet client requirements. Clients may also receive quarterly performance results, and may request performance results from CRM at any time. These reports are in addition to statements clients will receive from their custodian.

Shareholders of the CRM Mutual Funds receive a quarterly statement from the Funds' shareholder servicing agent or administrator. In addition, CRM Mutual Funds issue annual and semi-annual reports to their shareholders. Annual reports include financial statements audited by the CRM Mutual Funds' independent accountants.

Holders of interests in the CRM Private Funds receive written quarterly statements and annual reports.

### Item 14      Client Referrals and Other Compensation

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From time to time, CRM may enter into solicitation agreements under which it pays fees for client referrals as permitted by Rule 206(4)-3 of the Advisers Act.

CRM may enter into solicitation agreements with solicitors that are not affiliated with CRM, and these solicitation agreements require that the solicitor perform its duties in accordance with the Advisers Act and appropriate state regulations. In addition, unaffiliated solicitors are required to provide each client with CRM's written disclosure document (Part 2A, Form ADV) and the solicitor's written disclosure document providing (1) the name of the solicitor and CRM; (2) the nature of the relationship between the

solicitor and CRM; (3) a statement that the solicitor will be compensated for its solicitation services by CRM; and (4) the terms of the compensation arrangement.

Third-party solicitors generally receive a percentage of the management fee and in some cases any performance fee, received by CRM or its affiliates from the clients they solicit so long as those clients maintain an account with CRM. Third-party solicitors may also from time to time receive fixed fees for the solicitation of client accounts. Clients of solicitors will not be charged an amount in addition to CRM's advisory and performance fee, nor will they be charged a higher advisory fee than other clients, to cover the cost of the solicitation of their accounts. CRM has an active agreement with one solicitor who solicits in the Australian and New Zealand institutional market on behalf of CRM. CRM continues to make solicitation payments to six other solicitors pursuant to agreements that while no longer active, clients retained CRM while the solicitation agreement was in effect. From time to time, CRM may engage additional third-party solicitors.

As adviser to the CRM Mutual Fund Trust, CRM may make payments to dealers, financial intermediaries or service providers out of its own resources, including revenue from the advisory fees received from the Funds in connection with the sale and distribution of shares of the Funds and/or shareholder service. These payments may be made to compensate the recipient for marketing support services and/or shareholder service activities, finders or referral fees for directing investors to the Funds; marketing support fees for providing assistance in promoting the sale of the Funds' shares; and payments for the sale of shares and/or the maintenance of share balances.

In addition, CRM has cross-selling arrangements with certain affiliated companies as noted in Item 10.

## Item 15 Custody

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CRM does not as a general matter act as a custodian for client funds or securities; it does not hold client monies and/or securities. Clients' funds and securities are held by a qualified custodian which is chosen by the client. Further, as a general matter, CRM does not deduct advisory fees or other expenses directly from a client's account.

CRM Alternatives, Inc. ("Alternatives"), an affiliate of CRM, serves as general partner or managing member to several hedge funds, private equity funds, and fund-of-funds ("Private Funds"). These activities in certain limited instances may cause CRM to be deemed to be acting as a custodian for purposes of Rule 206(4)-2.

Managed account clients receive account statements from the qualified custodian of the account. Clients should carefully review those statements. To the extent CRM sends statements directly to a client in addition to those sent by the qualified custodian, the client should compare the statements received from the custodian with the statements received from CRM.

Holders of interests in the CRM Private Funds receive written quarterly statements and annual reports.

## Item 16 Investment Discretion

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In most cases, CRM has full discretionary authority to manage accounts for its clients, including the decisions as to which securities are bought and sold as well as the amount and price of those securities. Many of our clients have specific account restrictions. CRM's procedures are designed to assist in

observing the investment policies and restrictions that govern client accounts. Customarily a client will provide investment guidelines which may limit the types of securities in which CRM may invest, the amount of cash reserves held in their account, the amount that may be invested in a particular company or industry sector, limit investments in firms that engage in certain businesses or other activities as well as direct proxy votes with respect to a particular issue. Investment restrictions may also be imposed by applicable law and regulations or in the case of mutual funds, hedge funds and other collective investment vehicles managed by CRM, by the terms of the offering documents.

In order to assume discretionary authority over a client account, CRM requires the client to complete an investment advisory agreement (“IAA”) which is reviewed by CRM’s legal department. The IAA which outlines the terms of the agreement as well as CRM’s fiduciary duty to the client must be signed before CRM opens an account and assumes such authority.

## Item 17      Voting Client Securities

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In most instances, CRM clients have delegated to CRM the authority to vote proxies on their behalf for equity securities held in their account(s). In exercising such voting authority, CRM has policies and procedures in place so that proxies are voted in the best interest of clients. Specifically, CRM seeks to monitor corporate actions, analyze proxy solicitation materials, and vote proxies for stocks held in client accounts (and for which CRM has voting authority) as of the record date in a timely and appropriate manner.

CRM receives analysis and voting recommendations based on empirical research measuring the impact of proxy issues on shareholder value through an independent third party, Institutional Shareholder Services, Inc. (“ISS”). These recommendations cover several categories, including recommendations on social and environmental shareholder proposals; recommendations for “Taft-Hartley” accounts that are in the best long-term economic interest of plan participants and beneficiaries conforming to AFL-CIO voting guidelines, and recommendations intended to generally maximize shareholder value. ISS also provides analysis and recommendations, and the voting platform and recordkeeping function, for the CRM Mutual Funds.

In determining how to vote on a proxy issue, CRM will consider ISS analyses and recommendations, as well as the portfolio manager’s own knowledge of the company (including its management, operations, industry and the particular proxy issue) in rendering a decision, with the exception of Taft-Hartley and accounts where the client specifically directs CRM to vote in a “socially responsible” manner (in which case CRM would generally follow the particular ISS recommendations for that category).

CRM recognizes that there may be conflicts of interest or potential conflicts of interest between itself and its clients with respect to the voting of proxies of certain companies. An example of such a conflict may include instances where CRM is voting the proxy for an issuer that is also a client. It is CRM’s policy that such conflicts and potential conflicts shall not affect the manner in how it votes client proxies. When a conflict or potential conflict is identified, CRM will vote as recommended by ISS, subject to a review by CRM’s Compliance Committee to review that voting is in the best interests of clients.

Most proxy votes cast by CRM are done so electronically through an independent vendor. Some client proxies may be voted manually.

CRM retains records of proxy statements, records of votes cast, and certain other records relevant to the voting process. Clients may obtain a proxy report from CRM detailing how securities were voted for their

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specific account. ISS retains such records for the CRM Mutual Funds. A copy of CRM's Proxy Voting Policies and Procedures is available upon request.

## Item 18 Financial Information

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CRM does not require or solicit pre-payment of fees from its clients.