

Catholic Healthcare Investment Management Company
(“CHIMCO”)

101 S. Hanley Road, Suite 200

Clayton, MO 63105

314-733-8000

September 2012

This Brochure provides information about the qualifications and business practices of Catholic Healthcare Investment Management Company (“CHIMCO”). If you have any questions about the contents of this Brochure, please contact Amanda White at (314) 733-8419 or by email at Amanda.White@ascensionhealth.org or Alyssa Richey at (314) 733-8373 or by e-mail at Alyssa.richey@ascensionhealth.org. The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state securities authority.

CHIMCO is a Registered Investment Adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications we provide are for you to determine whether to hire or retain CHIMCO as your adviser.

Additional information about CHIMCO also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Brochure dated September 2012 is an update to our initial disclosure Brochure prepared according to the SEC’s requirements and rules. This Item 2 summarizes only material changes that have been made to our initial disclosure Brochure, dated February 2012. These changes are as follows:

Item 1 – Cover Page

This item has been updated to reflect our new address, effective October 1, 2012. Our new address is 101 S. Hanley Road, Suite 200, Clayton MO 63105.

Item 5 – Fees and Compensation

We have updated Item 5 to reflect that our compensation is now based primarily on a percentage of a client’s assets under management, rather than reimbursement of expenses. This Item has also been updated to reflect that

Item 6 – Performance Based Fees and Side by Side Management and

Item 10 – Other Financial Industry Activities and Affiliations

Items 6 and 10 have been updated to reflect CHIMCO’s affiliation with Ascension Health Ventures III, LLC, a Delaware limited liability company (“AHV III”), which is the general partner of CHV III, L.P., a Delaware limited partnership (“CHV III”) and venture capital fund. CHV III is a venture capital fund in which both Alliance and third-party investors are limited partners. AHV III provides investment advice to CHV III, and may advise other venture capital funds, directly or through affiliates, in the future.

Items 6 and 10 also have been updated to reflect that AHV II, a Missouri limited liability company, and AHV III are subsidiaries of AHV Holding Company, LLC, an exempt reporting adviser.

Item 15 – Custody

This Item had been updated to reflect that as the manager of a private fund, we are deemed to have custody of the fund’s assets. Investors in the fund will receive annual audited financial statements within 180 days of the fund’s fiscal year end.

We will provide a complete copy of our Brochure at any time, without charge upon your request. To request a copy of our Brochure, please contact Amanda White at (314) 733-8419 or by email at Amanda.White@ascensionhealth.org or Alyssa Richey at (314) 733-8373 or by e-mail at Alyssa.richey@ascensionhealth.org. Additional information about CHIMCO is also available via the SEC’s website www.adviserinfo.sec.gov free of charge.

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Item 4 – Advisory Business

Firm Description

Catholic Healthcare Investment Management Company (“CHIMCO”) was organized in January 2011 as a wholly owned subsidiary of Ascension Health, one of the world’s largest health systems, which engages in a wide range of health care and related activities through numerous subsidiaries, health ministries and other organizations. In December 2011, CHIMCO and Ascension Health became a wholly owned subsidiaries of a newly-created holding company, Ascension Health Alliance (“Alliance”), a nonprofit corporation organized exclusively for charitable, religious, educational and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Before January 2011, employees of CHIMCO were employed by Ascension Health’s Treasury Services and Investment Group. The rationale for creating CHIMCO was to:

- 1) Capture in-house expertise for the investment management of Ascension Health’s assets rather than relying solely on external asset consultants; and
- 2) Offer our in-house expertise and access to independent money managers to selected institutional investors.

CHIMCO is managed by its executive officers, who are subject to oversight by a board comprised of the Chief Financial Officer, Chief Operating Officer and a delegate appointed by the President of Ascension Health Alliance.

Principal Owner

CHIMCO is a wholly-owned subsidiary of Alliance.

Types of Advisory Services

CHIMCO provides investment advice and consulting to institutional investors through a commingled investment vehicle as well as through the use of separate accounts. Adviser serves as manager and primary investment adviser to a private fund organized as a Delaware limited liability company (the "Fund"). In its capacity as manager of the Fund, Adviser initiates new investments in the Fund and manages the affairs and investments of the Fund. Individuals and entities that are accredited investors may be solicited on a private basis to invest in the Fund according to the terms of the Fund's confidential private placement memorandum.

CHIMCO has three primary areas of focus:

- 1) ***Investment advisory services***, which can be utilized by the client as follows:
 - a. CHIMCO accepts full discretion with authority to make investment decisions on behalf of the client, including asset allocation, due diligence and selection of investment managers and private funds, and rebalances to established risk and return targets;
 - b. CHIMCO accepts limited discretion to manage client assets within long-term asset allocation guidelines and ranges established by the client;
 - c. The client retains full discretion over all asset allocation and investment manager decisions, and CHIMCO provides economies of scale and access to investment managers at a lower cost than are available to the client individually; or

- d. CHIMCO accepts limited discretion to manage assets within certain asset classes selected by the client. For example, a foundation that desires to invest in hedge funds may elect to invest in a portfolio of hedge funds selected by CHIMCO, which avoids the duplicative costs and low transparency of a typical fund of hedge funds.
- 2) **Administration**, which can be helpful to an institutional client's finance staff as follows:
- a. Monthly reports of investment transactions;
 - b. Interpretation and preparation of accounting disclosures;
 - c. Managing cash flows and rebalancing (for example, using transition managers or derivative instruments to hedge or maintain exposure during a transition);
 - d. Investment manager administration and liaison;
 - e. Custodian bank administration and liaison; and
 - f. Investment performance reporting.
- 3) **Socially Responsible Investing (SRI):** CHIMCO manages clients' assets by selecting investments that conform to SRI guidelines that CHIMCO believes promote Catholic values. CHIMCO typically applies SRI guidelines to investments through its ability to establish separate accounts with independent managers who agree to invest subject to the SRI guidelines, through its ability to "opt out" of private investments that do not meet the SRI guidelines on a case-by-case basis, or through its ability to engage managers who are willing to create new SRI share classes of private funds for CHIMCO clients. CHIMCO has the resources and the commitment to monitor and follow the managers' adherence to its SRI guidelines on an ongoing basis using CHIMCO's internal staff. The universe of acceptable investments for investors who follow SRI guidelines may be reduced as a result of investments that are excluded because they do not meet the SRI guidelines.

SRI screening criteria generally apply at the time of investment, and clients' portfolios are monitored periodically on an ongoing basis. CHIMCO may permit a manager to continue to hold securities that no longer meet its SRI criteria if CHIMCO believes that the issuer is attempting to address its non-compliance, or to allow the investment manager adequate time to sell the security in a commercially reasonable manner at an attractive price. In addition, a commingled investment vehicle in which CHIMCO clients and outside third parties invest may hold up to 10% of its portfolio in securities that do not meet its SRI guidelines.

Assets Under Management

As of June 30, 2012, CHIMCO manages \$18,675,100,000.00 in assets on a discretionary basis and \$3,945,600,000 in assets on a non-discretionary basis.

Item 5 – Fees and Compensation

The specific manner in which fees are assessed will be established in the Investment Advisory Agreement with each client.

Fee Schedule

Asset-Based Fees

CHIMCO may negotiate an asset-based management fee for its services. There is no minimum fee. The maximum fee charged to new clients may be 1% of assets under management, although fees are negotiable depending on the sophistication of the investment strategy and the amount of CHIMCO's

professional time involved. This asset-based fee is in addition to the fees and expenses incurred by clients as described below. CHIMCO's fees may be waived in certain circumstances.

Fixed Fees

CHIMCO may negotiate a fixed fee for its services. There is no minimum fee. The fixed fee is in addition to fees and expenses incurred by clients as described below.

Reimbursement of Fees and Expenses

In addition to CHIMCO's advisory fees, advisory clients may incur other fees and expenses, including but not limited to investment, trading, legal, auditing, operational, custodial, and administrative expenses. Under the terms of the client's advisory Agreement with CHIMCO, CHIMCO typically will be entitled to reimbursement of such fees and expenses incurred by CHIMCO on behalf of the client.

Advisory Fees for Fund Members

With respect to the Fund, Adviser typically negotiates an advisory fee with each member of the Fund. Adviser may negotiate higher or lower management fees with different Fund members. Adviser also is entitled to be reimbursed by the Fund for certain expenses incurred on behalf of the Fund, including, without limitation, accounting, audit, legal, operational, administrative, custody expenses, administrative fees and blue sky filing fees.

Fee Billing

Clients typically authorize CHIMCO to directly debit fees from their accounts, however in some instances, clients may elect to be billed and pay CHIMCO directly. Asset-based fees charged by CHIMCO typically will be charged quarterly in advance.

Other Fees

In addition to management and performance fees, clients typically incur brokerage commissions, transaction fees, and other investment-related costs and expenses that are charged separately by broker-dealers and custodians. Clients may also incur certain other charges imposed by custodians, brokers, third party investment managers and other third parties, including managerial fees, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Managers of separate accounts, mutual funds and private investment funds in which clients may invest charge their own management and performance fees and operating expenses. Travel costs for CHIMCO personnel to attend meetings of an institutional client's board or its finance or investment committees at the request of the board or committee may be charged to the client.

Termination of the Management Agreement

Under a client's Investment Advisory Agreement with CHIMCO, either party typically may terminate the Agreement upon at least 90 days' advance written notice, except that alternative investments, private investment funds, and other illiquid investments in which the client has invested may require a longer termination period. Clients will continue to pay all fees and expenses related to alternative investments, private investment funds, and other illiquid investments, including management fees to CHIMCO, during the termination process until the assets are returned to the client. If the Investment Management Agreement is terminated, expenses and any management fees will be pro-rated. Any unearned fees paid in advance will be promptly refunded and any unpaid fees will be due and payable.

Item 6 – Performance-Based Fees and Side-By-Side Management

CHIMCO does not charge any performance-based fees. CHIMCO invests clients' funds with separate account managers who may charge performance fees, and also invests clients' assets in private hedge funds, and venture capital, private equity, private real estate and other commingled investment funds that may charge performance fees.

CHIMCO is affiliated with Ascension Health Ventures II, LLC, a Missouri limited liability company ("AHV II") and Ascension Health Ventures III, LLC, a Delaware limited liability company ("AHV III"). AHV II became a wholly-owned subsidiary of AHV Holding Company, LLC, a wholly owned subsidiary of Alliance, in May 2012. AHV II is the general partner of CHV II, L.P., a Delaware limited partnership ("CHV II"). CHV II is a venture capital fund in which both Alliance and third-party investors are limited partners. AHV II provides investment advice to CHV II, and may advise other venture capital funds, directly or through affiliates, in the future. AHV III was formed in January 2012 as a wholly owned subsidiary of AHV Holding Company, LLC. AHV III is the general partner of CHV III, L.P., a Delaware limited partnership ("CHV III"). CHV III is a venture capital fund in which both Alliance and third-party investors are limited partners. AHV III provides investment advice to CHV III, and may advise other venture capital funds, directly or through affiliates, in the future. CHIMCO will not charge a separate asset-based fee for investing clients' assets in any venture capital fund managed by an affiliate of CHIMCO.

Item 7 – Types of Clients

CHIMCO provides portfolio management services exclusively to institutions, primarily charitable organizations, pension and profit-sharing plans, foundations, endowments, corporations, and other institutional accounts, either directly or through its management of a private commingled investment pool in which these institutions invest.

CHIMCO has established a minimum account size of \$1 million, although it may waive this minimum in its discretion. Many alternative investment managers and private investment funds recommended by CHIMCO establish minimum investment amounts, typically \$5 million to \$25 million.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

CHIMCO analyzes and recommends investments based on the following:

- 1) Diversification across asset classes may either produce a desired rate of return at a lower level of risk or a higher return for a given level of risk. In order to achieve this diversification, all asset classes should be considered, including alternative investments.
- 2) Investments should not be separated into asset class names, but by how they behave in different economic environments. CHIMCO classifies its investments by three categories: growth, inflation and deflation. CHIMCO believes that these classifications are key, in order to avoid the illusion of diversification when it does not exist. For example, a "diversified" portfolio of stocks, high yield bonds and REITs may not be truly diversified, because they are actually highly correlated. CHIMCO attempts to build portfolios that are truly diversified across all three economic scenarios.
- 3) CHIMCO views financial markets as moving along an economic cycle (peak to trough), and economic cycles exhibit similar characteristics from previous ones. Investors who are forward-looking can capitalize on movements along the cycle by utilizing tactical asset allocation shifts in

their portfolio. This view has caused CHIMCO to develop a strategy of hedging during good times and buying assets when times are tough.

- 4) Investors generally are compensated for taking illiquidity risk by investing in non-traditional asset classes. CHIMCO does not shy away from alternative strategies or derivative transactions, but instead strives to fully understand the strategies and their impacts on clients' portfolios.
- 5) Investors must choose between two types of portfolios: those that outperform in positive stock markets, but underperform in down markets, or those that attempt to preserve capital in down markets, but underperform in up markets. CHIMCO's bias is to build portfolios that seek to preserve capital in negative markets even if it means underperforming on a relative basis in very positive markets (i.e., generating positive returns but typically lagging the public markets). It has been our experience that saving in negative markets is more meaningful for nonprofit organizations, foundations and other institutional clients that have annual commitments and programs.
- 6) Active managers should be used only when a true advantage or skill has been demonstrated. If no skill is shown, then the market will be accessed through passive strategies. We constantly review managers and select those that we believe have a true skill or advantage and remain passively invested if none are available.
- 7) Relationships with investment managers matter. It is very important for both the client and manager to develop a dialogue directly in order to perform adequate due diligence and to access managers that are best in class.

CHIMCO's method of analysis is primarily fundamental, and based upon sources of information we generally consider reliable, however we cannot guarantee, nor have we verified, the accuracy of such independent market information. The data that we review is sometimes subjective in nature and open to interpretation. Even if our data and interpretation of the data is correct, there may be other factors that determine an investment manager's performance other than those we considered. We select investment managers that we believe have experience and a reasonable performance record, employ a qualified management team, embrace a highly disciplined investment philosophy, and provide adequate information.

Investment Strategies

The following asset classes are currently recommended by CHIMCO. Other asset classes or investment strategies are available upon request or may be added in the future:

<i>Growth Strategies</i>	U.S. Equity	International Equity
	Emerging Market Equity	Directional Hedge Funds
	Global Equity	Private Equity
	High Yield	Private Credit
<i>Inflation Strategies</i>	Inflation-Linked Bonds	Liquid Real Assets
	Commodity-Related	Private Real Assets
<i>Deflation/Recession Strategies</i>	Core Fixed Income	Absolute Return Hedge Funds
	Cash Plus	Cash (Treasuries only)

Risk Management

CHIMCO focuses on risk management. CHIMCO's Director of Risk Management oversees the risk and return targets, asset allocation, liquidity needs, and exposures for each investment strategy. It is CHIMCO's philosophy that each investment strategy should not only be tracked by dollar weights, which is very common, but also by "beta" weights and factor exposures. The investment managers' holdings typically are evaluated to understand:

- 1) **Beta exposure:** Beta is the measure of volatility of an investment relative to an underlying index or the market as a whole. CHIMCO measures the betas of a manager's portfolio and segments of the portfolio to determine the volatility and correlation of the investments to its benchmarks. For example, a collection of low risk equity managers may have a beta of 0.8, meaning that if the equity market increases by 10%, it is expected that the managers' performance will increase by 8%. If CHIMCO has a positive view on the markets, then a collection of low beta managers is possibly an unintended position that should be corrected. This is important information to understand how a portfolio is positioned currently and on a going forward basis.
- 2) **Factor exposure:** CHIMCO also measures the overall exposure to certain factors such as interest rates, foreign currencies, inflation, etc. We then compare these exposures to relevant benchmarks to determine if there are any unintended positions in the portfolio that are not desired.

Manager Due Diligence

CHIMCO conducts extensive due diligence on each investment manager that it recommends to clients. CHIMCO may conduct phone interviews, personal interviews and office visits with managers. CHIMCO also may review style attribution in addition to manager performance analysis and universe comparisons. CHIMCO records its due diligence notes and completes SRI and pre-investment checklists for new managers, as well as SRI and pre-investment checklists. CHIMCO's Director of Risk Management reviews each manager for its impact on liquidity of an investment strategy and also reviews the manager's risk management and operational process. Investment management agreements and private funds' legal documents are reviewed by outside legal counsel. CHIMCO reviews and seeks out new investment managers on a regular basis. When CHIMCO identifies investment managers that it believes are superior, existing manager selections may change.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. CHIMCO cannot guarantee that it will achieve a client's investment objective. Clients' returns will fluctuate, and you may lose money. Below are some of the principal risks of investing in the types of securities recommended by CHIMCO:

- **Market Risk.** Prices of securities in which clients invest may decline in response to certain events taking place around the world, including: those directly involving the companies whose securities are owned by client; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate, and commodity price fluctuations. Investors should have a long-term perspective and be able to tolerate potentially sharp declines in market value.
- **Management Risk.** CHIMCO's investment approach may fail to produce the intended results. If our perception of the performance of a specific asset class or underlying fund is not realized in the expected time frame, the overall performance of client's portfolio may suffer. CHIMCO

recommends independent money managers over which it has no control, and any independent manager could engage in mismanagement or fraud or fail to produce positive investment returns.

- **Equity Risk.** Equity securities tend to be more volatile than other asset classes. The value of an individual security can be more volatile than the market as a whole. This volatility affects the value of the client's overall portfolio. Small- and mid-cap companies are subject to additional risks. Smaller companies may experience greater volatility, higher failure rates, more limited markets, product lines or financial resources, and less management experience than larger companies. Smaller companies may also have a lower trading volume, which may disproportionately affect their market price, tending to make them fall more in response to selling pressure than is the case with larger companies.
- **Fixed Income Risk.** The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security will decline because investors will demand a higher rate of return. As nominal interest rates rise, the value of fixed income securities is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate. Inflation-indexed securities, including Treasury Inflation-Protected Securities (TIPS), decline in value when real interest rates rise. In certain interest rate environments, such as when real interest rates are rising faster than nominal interest rates, inflation-indexed securities may experience greater losses than other fixed income securities with similar duration. Not all U.S. government securities are backed by the full faith and credit of the U.S. government. It is possible that the U.S. government would not provide financial support to certain of its agencies or instrumentalities if it is not required to do so by law. Clients that hold government securities may experience a loss of purchasing power during periods where inflation outpaces the return on such securities.
- **High Yield (Junk) Bond Risk.** Investments in high yield, high risk securities and unrated securities of similar credit quality (commonly known as "junk bonds"), as well as derivatives of such securities, are subject to greater levels of interest rate, credit and liquidity risk than investments in other types of securities. These securities are considered predominately speculative with respect to the issuer's continuing ability to make principal and interest payments. An economic downturn or period of rising interest rates could adversely affect the market for these securities and reduce the client's ability to sell these securities (liquidity risk). If the issuer of a security is in default with respect to interest or principal payments, a client may lose its entire investment in such securities.
- **Real Estate Risk.** Real estate investments and real estate investment trusts ("REITs") are subject to risks generally, such as possible declines in the value of real estate, adverse general and local economic conditions, possible lack of availability of mortgage funds, changes in interest rates, and environmental problems. In addition, REITs are subject to certain other risks related specifically to their structure and focus such as: dependency upon management skills; limited diversification; the risks of locating and managing financing for projects; heavy cash flow dependency; possible default by borrowers; the costs and potential losses of self-liquidation of one or more holdings; the possibility of failing to maintain exemptions from securities registration; and, in many cases, relatively small market capitalization, which may result in price volatility and limited market liquidity.
- **Foreign Securities Risk.** Foreign securities are subject to additional risks not typically associated with investments in domestic securities. These risks may include, among others, currency risk, country risks (political, diplomatic, regional conflicts, terrorism, war, social and economic instability, currency devaluations and policies that have the effect of limiting or restricting foreign investment or the movement of assets), different trading practices, less government supervision, less publicly available information, limited trading markets and greater

volatility. To the extent that underlying funds or managers invest in issuers located in emerging markets, the risk may be heightened by political changes, changes in taxation, or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.

- **Commodities Risk.** Exchange-traded funds that hold commodities, as well as oil royalty trusts, publicly traded master limited partnerships and other investment companies that invest in commodities, are subject to volatility because commodities prices and stock prices for companies in the commodities markets can fluctuate widely. These investments also depend upon specialized management skills and typically lack or have limited operating histories. These entities' success also will vary depending on their underlying portfolios. For example, if the entities invest in oil and gas companies, their returns will be very dependent on highly volatile oil and gas prices. Unlike ownership of common stock of a corporation, investors in these entities typically would have limited voting rights and no ability to elect directors of these entities annually.
- **Custody Risk.** CHIMCO is deemed to have custody of clients' assets and securities held in the private fund for which CHIMCO serves as manager and principal adviser. CHIMCO maintains a record-keeping system for the fund that accounts for all interests owned by, and transactions on behalf of, individual clients. CHIMCO engages an independent accountant to audit its private fund on an annual basis.
- **Alternatives Risk.** Hedge funds, as well as private equity, venture capital, private real estate and other private funds in which clients may invest typically engage in highly speculative trading strategies. These funds' assets may be illiquid and their performance results can be extremely volatile. The managers of these alternative funds typically provide CHIMCO with estimated, unaudited fund values at least quarterly. As a result, the value of these investments are calculated based on estimates, which may not be accurate at the time a client receives an account statement, due to material changes in the markets and/or the value of the funds' assets since the date of the last estimate. Alternative funds may use fair valuation techniques, which are subjective, and there is no guarantee that the client would realize proceeds equal to fair value upon the sale of a security. Investments in alternative funds are illiquid, and the assets of the funds also may be illiquid.
- **Leverage and Borrowing Risk.** Borrowing to invest magnifies the potential for gain or loss and, therefore increases the possibility of fluctuation in value of client's investments. This is the speculative factor known as leverage. Derivative instruments have leverage inherent in their terms. Although leverage presents the opportunity for increasing investment return, it has the effect of potentially increasing losses as well. Any event that adversely affects the value of an investment, either directly or indirectly, will be magnified to the extent that leverage is employed. The cumulative effect of the use of leverage in a market that moves adversely to the investments of the entity employing the leverage could result in a loss that would be greater than if leverage were not employed. To the extent that alternative managers or funds borrow to make investments, the rates at which they borrow will affect their performance results and, in the event of a precipitous drop in the value of pledged securities, the borrower might not be able to liquidate assets quickly enough to pay off the margin debt and this could result in mandatory liquidation of positions in a declining market at relatively low prices. Because investments will fluctuate in value, while the interest on borrowed amounts may be fixed, the value of a client's investments may tend to increase more as the value of its investments increases, or to decrease more as the value of its investments decreases, during times of borrowing. Unless profits on investments acquired with borrowed funds exceed the costs of borrowing, the use of borrowing may decrease investment performance.
- **Illiquidity Risk.** CHIMCO recommends alternative investments and investment strategies which typically are illiquid. This means that an investor may not be able to readily dispose of such investments when it desires to do so or to realize what it perceives to be the fair

value of such interests. If a client is unable to sell its illiquid securities when deemed desirable, it may incur losses and may be restricted in its ability to take advantage of other market opportunities. If market quotations for illiquid securities, such as interests in a private investment fund, are not readily available, or are deemed unreliable, the security will be valued at a fair value determined in good faith by private fund's manager. The private fund manager's judgment as to the fair value of the fund may be wrong, and there is no guarantee that a client will realize the entire fair value assigned to the private fund interest upon a sale.

- **Counterparty Risk.** Counterparty risk is the risk that the institution on the other side of a client's trade will default. In addition, the recent credit crisis and resulting market disruptions have led to increased governmental, as well as self-regulatory, scrutiny of the markets in general. It is impossible to predict what, if any, changes in regulations will result from these developments, but any regulations which restrict the ability of CHIMCO and the managers to employ, or broker-dealers and other counterparties to extend, credit in their trading (as well as other regulatory changes which result) could have a material adverse impact on the profit potential of clients.
- **Derivatives Risk.** Derivative instruments (for example, swaps, options, futures and index-based instruments) may be used for hedging or investment purposes, such as to gain exposure to particular securities or markets, in connection with hedging transactions or currencies, or to increase total return. The use of derivative instruments involves the risk that those instruments may not work as intended due to unanticipated developments in market conditions or other causes. Derivatives may be illiquid and the market for derivatives is largely unregulated. The use of derivatives may not always be a successful strategy and using them could lower investment returns. A small investment in derivatives could have a potentially large impact on performance; certain gains or losses could be amplified, thus increasing volatility.

Item 9 – Disciplinary Information

Investment advisers are required to disclose all material legal or disciplinary events relevant to your evaluation of our firm or the integrity of our management. CHIMCO has no information to disclose applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

CHIMCO was formed as a wholly-owned subsidiary of Ascension Health, a Missouri nonprofit corporation. Effective December 2011, CHIMCO and Ascension Health each became a wholly-owned subsidiary of Ascension Health Alliance, a Missouri nonprofit corporation ("Alliance"). As such, CHIMCO is affiliated with Ascension Health, one of the world's largest health systems. Ascension Health engages in a wide range of health care and related activities through numerous subsidiaries, health ministries and other organizations. Ascension Health and its affiliates, from time to time, partner with private equity sponsors in order to purchase and/or invest in health care facilities.

CHIMCO is affiliated with Ascension Health Ventures, LLC, a Missouri limited liability company ("AHV I"). AHV I became a wholly-owned subsidiary of Alliance in December 2011. AHV I provides certain investment advisory services solely to Alliance affiliates in connection with a legacy portfolio of venture capital investments. AHV I does not hold itself out to the public as an investment adviser or provide investment advice to any other person.

CHIMCO also is affiliated with Ascension Health Ventures II, LLC, a Missouri limited liability company ("AHV II") and Ascension Health Ventures III, LLC, a Delaware limited liability company ("AHV III"). AHV II became a wholly-owned subsidiary of AHV Holding Company, LLC, a wholly owned subsidiary of Alliance and exempt reporting adviser, in May 2012. AHV II is the general partner of CHV II, L.P., a

Delaware limited partnership (“CHV II”). CHV II is a venture capital fund in which both Alliance and third-party investors are limited partners. AHV II provides investment advice to CHV II, and may advise other venture capital funds, directly or through affiliates, in the future. AHV III was formed in January 2012 as a wholly owned subsidiary of AHV Holding Company, LLC. AHV III is the general partner of CHV III, L.P., a Delaware limited partnership (“CHV III”). CHV III is a venture capital fund in which both Alliance and third-party investors are limited partners. AHV III provides investment advice to CHV III, and may advise other venture capital funds, directly or through affiliates, in the future. CHIMCO will not charge a separate asset-based fee for investing clients’ assets in any venture capital fund managed by an affiliate of CHIMCO.

Venture capital funds managed by AHV I, AHV II and AHV III may invest in health care companies or health care-related companies that provide services to Alliance. Alliance and its affiliates invest in these venture capital funds, and Alliance also may be a customer of, or have other business relationships with, certain health care-related companies in which these funds invest.

CHIMCO is affiliated with AHV I, AHV II and AHV III (collectively, “AHV”) because they are under the common control of the same parent company. However, each of CHIMCO and AHV has its own executive officers and management team, as well as a separate board.

Item 11 – Code of Ethics

Code of Ethics

CHIMCO has adopted a Code of Ethics for all supervised persons pursuant to Section 204A-1 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”). The Code of Ethics includes personal securities trading procedures, among other items. Under the Code of Ethics, supervised persons must report certain of their personal securities transactions quarterly and also must review and acknowledge the terms of the Code of Ethics at least annually. You may obtain a copy of our Code of Ethics, free of charge, by contacting Amanda White at (314) 733-8419 or Alyssa Richey at (314) 733-8373.

Participation or Interest in Client Transactions

CHIMCO may recommend investments to clients in which affiliates of CHIMCO have a financial interest.

CHIMCO may recommend that its clients invest in venture capital funds sponsored by its affiliate, Ascension Health Ventures (“AHV”). AHV and its affiliated entities will receive management fees and performance fees (typically referred to as a “carried interest”) for managing the funds. CHIMCO will waive its asset-based management fee with respect to clients that invest in the AHV venture capital funds.

Personal Trading

CHIMCO’s employees and persons associated with us are subject to our Code of Ethics and must report their personal securities transactions to our Chief Compliance Officer for periodic review to the extent required under the Advisers Act. Supervised persons may trade securities in their own accounts which are recommended to and/or purchased for clients, provided that such securities are purchased on the same day in a single transaction (referred to as a “block trade”). Participants in a block trade typically receive their pro rata, average price per share allocation of the trade. To the extent that a trade is not completely filled, CHIMCO will allocate investments in a manner it deems fair and reasonable. CHIMCO’s Code of Ethics requires pre-clearance for certain transactions, including prior approval for an employee investing

in any private company or IPO. CHIMCO has also adopted an Insider Trading Policy that prohibits supervised persons from trading on material non-public information.

Item 12 – Brokerage Practices

Brokerage Recommendations

CHIMCO does not recommend brokers to clients and does not permit clients to direct brokerage to a particular broker-dealer.

Best Execution

As a fiduciary, CHIMCO has an obligation to obtain best execution of advisory clients' transactions under the circumstances of the particular transaction. "Best execution" does not always mean the best price, and a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where CHIMCO determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness.

CHIMCO seeks to execute client transactions in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances. However, transactions will not always be executed at the lowest possible commission rate. Clients may obtain lower rates from so-called discount brokers, although they would not have the benefit of CHIMCO's advice.

To the extent that CHIMCO has delegated its discretionary authority over clients' assets to an independent manager, the independent manager will be responsible for seeking to obtain best execution of advisory clients' transactions under the circumstances of the particular transaction and/or based upon the provision of research services by executing broker-dealers. These managers or private investment funds may have substantial conflicts of interest. For example, such persons may be affiliated with a broker-dealer through which a portion of the transactions are conducted, and such person may receive a portion of the brokerage commissions resulting from such transactions.

Directed Brokerage

To the extent agreed upon by CHIMCO, a client may direct CHIMCO to execute all securities transactions in the client's account through a particular broker-dealer. In this event, CHIMCO will place all orders pursuant to its investment determinations on behalf of client's portfolio through the broker-dealer selected by the client, even though CHIMCO may be able to obtain a more favorable net price and execution from another broker-dealer in particular transactions. A client who designates the use of a particular broker-dealer should understand that it may lose (i) the possible advantage that CHIMCO's other clients derive from aggregation of orders for several clients as a single transaction for the purchase or sale of a particular security and (ii) the ability of CHIMCO to effectively negotiate the commission rate, obtain volume discounts and best execution may not be achieved. In addition, under these circumstances a disparity in commission rates may exist between commissions charged to other clients. Such a client's trades may also be placed after the trades of clients which have not designated a particular broker-dealer.

Soft Dollars

CHIMCO does not enter into “soft dollar arrangements,” where CHIMCO directs client commissions to a broker-dealer that provides research and brokerage services to CHIMCO. Investment managers selected by CHIMCO typically direct brokerage on the basis of best execution and/or the provision of research services by executing broker-dealers. These investment managers may enter into soft dollar arrangements that allow the manager to use research services provided by an executing broker for the benefit of all of the manager’s clients, not just the clients who generated the commissions. Research services obtained by the use of commissions arising from such a manager’s portfolio transactions may be used by the manager in its other investment activities. Private fund managers may cause a fund to pay for services other than research which are included in the commission rate. These other services may include, without limitation, introductions to potential new investors, office space, facilities and equipment; administrative and accounting support; investment personnel; supplies and stationery; telephone lines, usage and equipment and other items which might otherwise be treated as an expense of the manager. This use of commissions in effect constitutes additional compensation to the managers.

Item 13 – Review of Accounts

Reviews

Reviews may be initiated either by CHIMCO’s staff or a client. Several situations could prompt a review of a client’s strategic asset allocation: adding new exposures to our set of investable asset classes, changes in the long-term return outlook or risk assessment for any given assets, realized performance or risk that is inconsistent with a client’s long-term objectives, changes in a client’s circumstances, or any other reasons determined during periodic reviews of the client’s portfolio and investment policy. CHIMCO’s Chief Investment Officer and its Director of Risk Management, with their operations staff, typically review clients’ asset allocation compared to their objectives, targets and ranges, and compare risk measurements for clients’ accounts at least quarterly.

Reports

Clients typically will receive monthly performance and activity reports from CHIMCO. Activity reports typically set forth account balances, transactions by the client during the quarter and net investment income and gains (losses) after deducting fees and expenses attributable to the client. Performance reports detail performance returns compared to a broad-based securities index, and actual and target asset allocations. On a quarterly basis, CHIMCO may provide more detailed reports of performance, asset allocation, and manager information. Face-to-face meetings are available upon client request. More frequent reporting is available and special reports are available upon client request for which we may charge an additional fee.

Item 14 – Client Referrals and Other Compensation

CHIMCO does not currently, but may in the future, compensate people or firms for providing client referrals.

Item 15 – Custody

Adviser does not maintain physical custody of client assets, which are held by the client’s independent qualified custodian. Under the Advisers Act, an adviser has custody if it acts in any capacity that gives the adviser legal ownership of, or access to, the client funds or securities. One common instance is an adviser automatically deducts advisory fees from clients’ accounts. Clients typically authorize CHIMCO to deduct its advisory fees automatically. Clients will receive regular statements from their custodian that

show the amounts of all fees deducted. Clients should review their account statements carefully. Clients are encouraged to compare the account statements received from their qualified custodian with any reports received from Adviser. Pursuant to Rule 206(4)-2 under the Advisers Act (known as the “Custody Rule”), as the manager of a private fund, Adviser is deemed to have constructive custody of the assets of the Fund. Each investor in the Fund will be provided with a copy of the Fund’s annual audited financial statements no later than 180 days after the end of its fiscal year.

Item 16 – Investment Discretion

Pursuant to the terms of their Investment Advisory Agreement with CHIMCO, clients typically grant CHIMCO discretionary authority to allocate client’s assets, to select and terminate investment managers, to negotiate investments in private funds, and to negotiate custodial and transactions costs on their behalf, where possible. CHIMCO has no obligation to supervise or direct investments held in client accounts that were not recommended, or that are not subject to review, by CHIMCO for a fee. When allocating assets and selecting investment managers, CHIMCO observes SRI guidelines and the client’s written investment policies, limitations and restrictions as the parties may agree upon. Any investment restrictions that a client wishes to impose on our management of its account must be provided to us in writing.

Item 17 – Voting Client Securities

CHIMCO has engaged an independent third party, Institutional Shareholder Services, Inc. (“ISS”), to vote proxies relating to securities held in certain clients’ accounts, although a client may direct CHIMCO to vote otherwise. Pursuant to proxy voting policies adopted by us, proxies will be voted in a manner consistent with SRI guidelines that we believe follow Catholic social teaching and current standards of ethical practice. While retaining its rights to vote any particular proxy, CHIMCO currently retains an outside service to vote its proxies, which does so based upon the U.S. Conference of Catholic Bishops’ guidance. A client may obtain a copy of our complete proxy voting policies and procedures, free of charge, upon request. A client also may obtain information from CHIMCO about how we voted any proxies on behalf of the client’s accounts during the prior twelve months, free of charge upon request.

Item 18 – Financial Information

CHIMCO is not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual obligations to clients.

Item 19 – Requirements for State-Registered Advisers

Because CHIMCO is a federally registered investment adviser, this item is not applicable.