



Channing Capital Management <sup>LLC</sup>

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# **CHANNING CAPITAL MANAGEMENT, LLC FORM ADV-PART 2A BROCHURE**

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**March 19, 2024**

This Form ADV-Part 2A Brochure provides information about the qualifications and business practices of Channing Capital Management, LLC ("Channing"). If you have any questions about this Brochure, please email us at [clientservice@Channingcapital.com](mailto:clientservice@Channingcapital.com) or call us at 312.223.0211. The information in this Brochure has not been approved or verified by the U.S. Securities & Exchange Commission ("SEC") or by any state securities authority.

We are a registered investment adviser with the U.S. Securities & Exchange Commission ("SEC"). Registration of an investment adviser does not imply any level of skill or training.

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

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

An SEC registrant must amend its Form ADV each year by filing an annual updating amendment ("AUA"). Further, an SEC registrant must submit a summary of material changes required by Form ADV Item 2 of Part 2A when information becomes materially inaccurate.

Since the filing of our last annual updating amendment, dated March 22, 2023 we have no material changes to report.

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## Item 4 Advisory Business

### Description of Firm

Channing Capital Management, LLC ("Channing," the "Firm" or we/us/ours), a Delaware limited liability company, is an investment adviser registered with the SEC. The Firm is based in Chicago, IL and, has provided investment advisory services since 2003. Channing is led by Rodney Herenton and Wendell Mackey, the Firm's co-founders.

### Investment Management Services

Channing provides investment management services to investment companies, charitable organizations, Pension and profit sharing plans (but not the plan participants or government pension plans), state or municipal government entities (including government pension plans), institutional investors, other investment advisers, separately management accounts, insurance companies, and pooled investment vehicles. Channing specializes in value investing and offers the institutional marketplace small-cap value, small-mid cap value, large-cap value, and all-cap value U.S. domestic equity investment portfolio strategies.

Channing participates in wrap fee programs and provides continuous portfolio management and advisory services to model-based unified managed account platforms and programs.

Advisory services are described in investment management agreements ("IMA") negotiated with clients prior to provision of advisory services.

All information contained in this brochure is based on the advisory services that Channing offers. No disclosure or other statement contained in this brochure serves as a substitute or shall supersede any of the terms and conditions in the IMAs. To the extent any of the statements herein conflict with the IMAs, such IMAs shall govern, and Channing and its clients will be bound by the terms, fees, conditions, risks and other relevant information contained in the IMAs.

### Assets Under Management

As of 12/31/2023, discretionary \$3,501,657,154 and non-discretionary \$18,070,361.

## Item 5 Fees and Compensation

### Investment Management Agreements, Advisory Contracts and Fees

Channing's fees are described generally below and detailed in each institutional client's investment management agreement ("IMA"), advisory agreement and/or applicable account documents as well as, with respect to the private fund, in the private fund's governing documents. Fees for services may be negotiated with each client on an individual or customized basis depending on institutional client mandate requirements and restrictions. Channing may group multiple accounts of a client (or group of related clients) together for fee calculation or billing purposes.

Fees may change over time and, as discussed below, different fee schedules may apply to different types of clients, strategies and advisory arrangements. Under certain circumstances, fees may be negotiated on a basis different from Channing's stated fee schedules. In such cases, Channing reserves the right to waive or reduce the fees charged to a particular client in its sole and absolute discretion. Fees paid by private funds are described to investors, in detail, in the private fund's governing documents. Private fund fees may vary depending on the nature of the services provided and the investment strategies utilized but generally include management fees based on a percentage of assets under management.

Fees for Channing's services are generally based upon a percentage of assets under management, and our general annual fee schedules are as follows:

**Small-Cap Value:** Fees are generally as set forth below, subject to negotiation and related factors as noted below.

FEE SCHEDULE	SMALL-CAP VALUE
\$0 to \$25M	100 bps
Next \$25M	90 bps
Over \$50M to \$100M	85 bps
Above \$100M	80 bps

**SMID-Cap Value:** Fees are generally as set forth below, subject to negotiation and related factors as noted below.

FEE SCHEDULE	SMID-CAP VALUE
\$0 to \$10M	95 bps
Above \$10M to \$25M	85 bps
Above \$25M to \$50M	80 bps
Above \$50M to \$100M	75 bps
Above \$100M	70 bps

**Large-Cap Value:** Fees are generally as set forth below, subject to negotiation and related factors as noted below.

FEE SCHEDULE	LARGE-CAP VALUE
\$0 to \$25M	60 bps
Above \$25M to \$50M	55 bps
Above \$50M to \$100M	50 bps
Above \$100M	45 bps

**All-Cap Value:** Fees are generally as set forth below, subject to negotiation and related factors as noted below.

FEE SCHEDULE	ALL-CAP VALUE
\$0 to \$10M	70 bps
Above \$10M - \$25M	65 bps
Above \$25M - \$50M	60 bps
Above \$50M - \$100M	55 bps
Above \$100M	50 bps

**Private Fund Fees**

The Private Fund charges the management fees and expenses as set forth in the governing PPM for such Private Fund. The Private Fund is not subject to performance fees, and the Investment Manager will not charge a performance-based profit or incentive allocation/fee. The Investment Manager is entitled to a management fee equal to a percentage of the assets under management, payable quarterly in arrears, but does not charge a performance-based profit or incentive fee. The Private Fund may also enter into side letter agreements from time to time with certain institutional investors as described in the fund's PPM.

**Collective Investment Trust ("CIT") Fees**

Channing's fee for serving as investment manager to the Channing SMID-Cap Intrinsic Value Equity CIT will generally range from approximately 50 bps – 100 bps annually based on the share class, as disclosed in the offering documents for CIT-Fund.

**Wrap & UMA Program Fees**

For Wrap and UMA program services, the client will pay the manager for its services and for the services of Channing on a quarterly or monthly basis in advance or arrears according to a negotiated fee schedule. Our fees for such asset management services are generally negotiated with the wrap managers or UMA sponsors, and such advisory fees are not negotiable by the account owner or end-client. Generally, the minimum account size for such programs is not disclosed to Channing, and account minimums along with billing arrangements may vary and are generally determined by the wrap manager or UMA sponsor.

**General Information****Wrap/UMA Program Additional Fees:**

Wrap and/or UMA program accounts may be charged various program fees in addition to the advisory fee received by our firm. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of a wrap fee or UMA arrangement. In a wrap fee or UMA arrangement, accounts generally pay a single fee for advisory, brokerage and custodial services. Portfolio transactions may be executed without a commission charge in a wrap fee or UMA arrangement. In evaluating such an arrangement, one should also consider that, depending upon the level of the wrap or UMA fee charged by the broker-dealer, the amount of portfolio activity in the account, and other factors, the wrap or UMA fee may or may not exceed the aggregate cost of such services if they were to be provided separately. Those end-clients evaluating whether to participate in such arrangements should carefully consider these items.

**Additional Fees and Expenses:** In addition to our advisory fees, clients (other than clients in certain wrap fee or UMA programs) are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including, but not limited to, any transaction charges imposed by a broker-dealer with which an independent investment manager effects transactions for the institutional client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this ADV Part 2 Brochure for additional information.

**Grandfathering of Minimum Account Requirements:** Pre-existing advisory clients are subject to Channing's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among institutional clients.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees. However, in certain circumstances, our investment management fees may be negotiable based upon

funding mandate size and/or the ability to expand the relationship over time. Also the above-described fees are applicable only to long-only institutional or pension client separate accounts, and not hedge accounts or hedge funds which Channing does not manage.

Generally, fees are payable quarterly on assets under management at the end of each calendar quarter. Fees are billed immediately following the close of each calendar quarter and are due upon receipt. Fees are pro-rated for asset additions or withdrawals prior to the end of the calendar quarter based on the number of days under management during the period. Fees are collected in arrears and not billed in advance; accordingly, Channing does not contemplate a situation where it will be necessary to issue a refund of advanced fees to a client. However, in the unlikely event a client is entitled to a refund of fees billed, the request for refund should be made in writing and directed to:

Rodney B. Herenton  
c/o Channing Accountant  
Channing Capital Management, LLC  
10 S. LaSalle Street, Suite 2401  
Chicago, IL 60603  
Attn: Request for Refund

Clients with fixed term agreements may generally terminate their investment advisory agreement in accordance with the specific terms outlined in their agreement. Client agreements that are not for a fixed term generally may be terminated at any time by either party by giving to the other at least 30-60 days prior written notice of such intent of termination.

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

Channing does not generally charge any performance-based fees and is generally compensated based on a percentage of AUM. However, on a limited basis pursuant to client request and subject to negotiation, we will consider entering into an institutional investment management agreement containing performance-based fees relating solely to management of traditional or long-only client AUM.

Channing will structure any performance-based fee arrangement subject to Section 205(a)(1) of the Advisers Act and in accordance with SEC Rule 205-3 and its related exemptions. Performance-based fee arrangements may create incentives for investment managers to recommend investments which may be riskier or more speculative than those which would be recommended under a traditional AUM or different fee arrangement.

Such fee arrangements may also create an incentive to favor higher-fee paying accounts over other accounts in the allocation of investment opportunities. However, Channing views such potential risks as limited or non-existent since each institutional long-only strategy is managed in a substantially similar manner subject to each institutional client's investment guidelines and restrictions. Also, Channing has implemented procedures reasonably designed to ensure that all clients are treated fairly and equally, and to prevent this potential conflict from influencing the allocation of investment opportunities among its institutional clients.

## **Item 7 Types of Clients**

Channing generally makes its investment management services available to and serves a variety of institutional clients only, including:

- Corporate and Other Retirement Plans
- Endowments and Foundations
- Hospitals and Healthcare Institutions
- Public Retirement and Pension Funds
- Institutional Managers-of-Managers
- Mutual Fund
- Sub-Advised Mutual Funds
- Religious Organizations
- Taft-Hartley Organizations
- Units of Government
- Trusts
- Wrap Fee Programs/Platforms
- Model-based Unified Managed Account (UMA) Platforms/Programs
- Private Fund (3(c)(7) pooled investment vehicle)
- Collective Investment Trust (CIT pooled/commingled investment vehicle)
- Individuals (employee-only or related/affiliated person proprietary accounts)

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

### **Method of Analysis**

Channing's investment and portfolio management teams utilize a fundamental, bottom-up value investment philosophy that focuses on undervalued domestic (United States) equity stocks across small, mid and large capitalization ranges. With this approach, the Firm looks for publicly-traded companies that are trading at significant discounts to their intrinsic value. We seek to generate above-average returns for our clients through our investment process and discipline, and, as a result, Channing's relatively concentrated approach focuses on stock picking rather than market timing or sector allocation.

Institutional client portfolios are constructed on a stock-by-stock basis with emphasis given to the return potential of individual equity securities. Channing relies primarily on stock selection to seek to earn above-average returns as opposed to forecasts which emphasize sector weightings relative to a portfolio benchmark. However, sector and industry diversification is also employed as a risk management tool.

As part of Channing's research process, the investment team compiles information from multiple industry sources for insights including:

- Management quality
- Product and/or service quality
- Business cycle(s) for the company's key products or services
- New product or service offerings in the pipeline that could enhance future growth
- Industry characteristics.

Channing also uses proprietary in-house research developed by reviewing financial statements and records, interviewing company senior management, interviewing company customers, and monitoring consumer attitudes about company products or services. Such research may also in certain instances include company visits and/or third-party investment research and reports.



In limited isolated instances when deemed necessary, Channing may use Exchange Traded Funds (ETFs) to facilitate the transition of client funding requirements regarding inflows and outflows. The ETFs are not intended to be a permanent holding in the investment portfolio but are used to allow for the orderly construction and maintenance of client portfolios. Strategic use of ETFs also allows Channing to manage investment portfolios in the best interest of our clients.

### **Risk of Loss**

Investing in or holding securities involves risk of loss that all clients should be prepared to bear and past performance is not a guarantee of future investment results. Investment portfolios may be adversely affected by changes in the economy and market conditions such as fluctuations in interest rates, inflation rates, regulatory changes, or shifts in the domestic or geopolitical environment. These factors may affect the level and volatility of security pricing and the liquidity of an investment. Trading in the portfolios may affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

## **Item 9 Disciplinary Information**

On November 22, 2019, Channing entered into a voluntary consent settlement with the SEC, without admitting or denying any SEC findings, for the purpose of voluntarily resolving claims that it had failed to appropriately implement its trade aggregation and allocation compliance policy/procedure regarding a certain portion of its block trades in violation of Section 206(4) and SEC Rule 206(4)-7 under the Investment Advisers Act of 1940. Specifically from January 2014 to January 2018, Channing's written trade aggregation and allocation policies and procedures required it to allocate the transaction costs associated with block trades on a pro rata basis amongst all clients participating in the same block trade. A separate written compliance policy/procedure (as per SEC standards governing investment portfolio and trading compliance) required Channing to follow the requirements and restrictions set forth in each client's investment management agreement, including client trading-brokerage guidelines and restrictions or limitations placed on trading commissions or commission rates. Two of Channing's then 35-45 institutional clients placed restriction limitations or caps on the amount they were willing to pay in commission rates for execution of their brokerage trades. In adhering to such clients' restrictions, Channing routinely conveyed those 2 clients' commission cap restrictions to executing brokers and requested that such brokers also observe lower commission rates of a half-cent to 1 cent per share for those 2 clients while permitting them to participate in certain block trades with Channing's other institutional clients. This practice resulted in 2 clients with a total of 4 client accounts participating in a certain portion of the same block trades while paying differential commission rates of a half-cent to 1 cent per share.

This block trading practice was voluntarily ended and ceased as of mid-January 2018 (approximately 2 years ago), as Channing voluntarily changed its internal block trading practices to avoid and eliminate block trades being executed with differential commission rates. In reaching this settlement resolution, the SEC also took into account this voluntary corrective action along with the Firm's other voluntary remedial steps promptly undertaken regarding this matter and the voluntary cooperation afforded to the SEC staff by the Firm. The key terms of the voluntary settlement resolution required the Firm to pay a civil penalty fine of \$50,000 and to cease from committing or causing any future violations. The Firm paid the agreed upon fine promptly after the settlement was approved and finalized by the SEC Commission in Washington, D.C.

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

Channing is an independently owned and managed institutional asset management firm. Also, in the 2nd half of 2017, Channing launched a wholly-owned, affiliated institutional asset management firm, Channing Global Advisors, which is headquartered in Miami, Florida and focuses on international and emerging markets stocks and related investment portfolio strategies.

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

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with Channing. Our goal is to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing. All persons associated with our Firm are expected to adhere strictly to these guidelines. Persons associated with our Firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about investor and Firm proprietary information.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting our Firm's Client Service team at 312.223.0211 or [clientservice@Channingcapital.com](mailto:clientservice@Channingcapital.com).

### **Participation or Interest in Client Transactions**

Neither our Firm nor any persons associated with our Firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

## **Item 12 Brokerage Practices**

Channing as a matter of policy on brokerage practices seeks the best available price and most favorable execution, through responsible broker-dealers, in all trades. The best net price, giving effect to brokerage commissions, if any, and other transaction costs, is normally an important factor in this decision, but a number of other judgmental factors may also enter into the decision. These include:

- Quality of overall execution services provided by the broker-dealer;
- Promptness of execution;
- Creditworthiness and business reputation of the broker-dealer
- Research (if any) provided by the broker-dealer;
- Promptness and accuracy of oral, hard copy or electronic reports of execution;
- The broker-dealer's facilities;
- The market where the security trades;
- Any expertise the broker-dealer may have in executing trades for the particular type of security;
- Size of the transaction;
- Reliability of the broker-dealer
- The desired timing of the trade;
- The activity existing and expected in the market for the particular security;
- Confidentiality; and
- The execution, clearance and settlement capabilities of the broker/dealer selected.

Recognizing the value of these factors, the Adviser may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction. The Head Trader along with Compliance periodically reviews these governing policies and Compliance makes amendments or updates as necessary.

A list of approved broker/dealers which, in the Adviser's judgment, are generally able to provide best price and execution is updated on a periodic annual basis. The Trading Dept. is allowed to use only broker/dealers on the approved list.

### **Principal Trades**

- Channing does not engage in or permit principal trading.

### **Cross Trades**

Channing may effect "cross" trades between client accounts through an unaffiliated broker/dealer at the prevailing market price. We effect such transactions only when it deems the transaction to be in the best interests of both client accounts. The manner of calculating the cross price is documented within policies and procedures adopted by Channing, as amended from time to time. The custodian may charge a service fee for crossing the trade. Channing does not receive any transactional compensation in regard to cross trades. In addition, Channing executes buys and sells in the same security in different client accounts based on liquidity needs.

Risks associated with cross trades.

- Cross trades advantage one client over another.
- Cross trades are done at a price other than the current market price but generally at the closing price.
- Cross trades are not in compliance with DOL regulations for ERISA accounts.
- Channing engages in a series of trades through a broker that creates a cross trade.

### **Research & Other Soft Dollar Benefits**

Channing will not always place brokerage transactions on the basis of the lowest commission rate available for a particular transaction. That is, Channing uses certain brokers who give Channing products and services that are useful to Channing's research process and causes clients to pay commissions higher than those charged by other brokers in return for those products and services. Channing makes a good faith determination that the commissions paid are reasonable in relation to the value of the brokerage and other services provided. The payment of such services with brokerage commissions is commonly referred to as "soft dollar arrangements." Channing only enters into soft dollar arrangements that are covered by the safe harbor provided under Section 28(e) of the Exchange Act.

Brokers furnish, for example, proprietary or third-party research reports, supplemental performance reports, statistical analyses, software, and computer programs used for research and portfolio analysis, and other valuable research information to Channing. Channing generally seeks, at the beginning of the year, to direct client transactions to brokers that provide proprietary and third-party research in order to ensure payment of its budgeted research commissions and soft dollars. Channing uses soft dollar benefits to service all of its clients' accounts, not only those that paid for soft dollar services through their brokerage commissions. The brokerage commission rates paid to brokers for proprietary and third-party research are typically higher than commissions paid to obtain execution only. However, clients prohibiting Channing from generating soft dollar credits generally do not receive better brokerage commission rates than clients that do generate soft dollar credits for Channing. Channing does not seek to allocate soft dollar benefits to clients' accounts proportionately to the soft dollar credits the accounts generate. As a result of client-directed brokerage arrangements, some soft dollar services benefit clients who do not execute transactions through soft dollar brokers. Further, Channing

uses some soft dollar services for certain clients that are paid for by clients who do not require such services. Additionally, Channing receives certain research reports from brokers that are not used in investment decision making. However, Channing receives other services from brokers that are used in the investment decision making process, such as access to management and invitations to analyst conferences.

Channing receives certain brokerage and research products and services that provide both research and non-research ("mixed-use") benefits. In these instances, Channing uses client brokerage commissions to pay for the research portion and pays the non-research portion out of its own resources. Although the allocations between research and non-research portions will be made in accordance with Channing's overall fiduciary responsibilities, clients should be aware of the potential conflicts of interest created by the use and allocations of soft dollar arrangements.

By entering into soft dollar arrangements, Channing receives a benefit because it is relieved from producing or paying for research products or services. In addition, soft dollar arrangements give Channing an incentive to select a broker, trade frequently, or trade actively in certain accounts to obtain research used primarily by other, less frequently traded accounts. That is, Channing would have an incentive to select a broker based on its interests in receiving research rather than in its clients' interests in receiving most favorable execution. This is not Channing's practice, however, and Channing's disciplined investment strategy, utilized for all its clients, and its long-term holding approach, mitigate these potential conflicts. Channing also attempts to address these potential conflicts through oversight of soft dollar usage by the Committee and by requiring an initial and annual approval of all soft dollar services by Channing's Chief Compliance Officer.

#### **Directed Brokerage and Other Brokerage Constraints**

Certain clients direct Channing to use particular brokers for executing transactions in their accounts. For example, certain institutional clients direct Channing to place all or a portion of their brokerage with minority-owned and/or local brokers, or brokers who provide the client with certain services, such as performance monitoring and commission recapture. Channing does not use brokerage from another client account to pay for a product or service purchased under these client-directed brokerage arrangements. Also, though not a directed brokerage arrangement, some client accounts have trading constraints that may cause Channing to use a single broker to execute trades for such clients. Channing's trading department will at times place orders for such clients behind orders for clients that do not direct brokerage and have no other trading constraints.

Directing brokerage may cost clients more money. For example, clients who direct Channing (through affirmative direction or other constraint) to use particular brokers may pay higher commissions, obtain greater spreads, or obtain less favorable net prices than might be the case for those clients who do not because Channing will be unable to negotiate commissions, aggregate client orders and seek the most favorable execution of transactions as efficiently as possible and at the best price.

To the extent that Channing cannot obtain soft dollars in directed brokerage arrangements, clients who give Channing brokerage discretion will pay for a disproportionate share of Channing's soft dollar arrangements.

#### **Trade Aggregation & Trade Sequencing**

Channing may follow the practice of aggregating or the blocking of orders of various clients for execution to get the benefit of lower prices or commission rates. However, from time to time, portfolio transactions for client accounts are also completed independently from the "blocked" trade, in order to accommodate additions to, or a withdrawal from, a client account or to re-balance a portfolio to bring it in line with the correlated strategy's representative client account. In certain cases where the

aggregate order may be executed in a series of transactions at various prices, the transactions are allocated on a pro-rata basis, so that each receives generally, to the extent practicable, the average price of such transactions.

To minimize execution conflict/competition within the marketplace, Channing has established the following practice of sequencing trades between full-trade discretion (i.e., non-directed), limited-discretion, and directed-brokerage accounts. Generally, as matter of practice, when the Lead Product-PM submits a trade order to the Trading Dept., client accounts that has provided Channing with full investment and trading discretion will be blocked (bunched), placed with selected broker-dealer for execution and completion, first. This represents the vast majority of accounts that Channing manages. Instances when non-directed/institutional client has imposed limited trading discretion, MWBE brokerage requirements, or soft-dollar restrictions, the Trading Dept. may be required to remove the client account(s) from the block trade and place the trade, once the full-trade discretion/institutional client accounts have been executed. Next, client accounts that have provided Channing with full investment discretion but has directed Channing to utilize a specific broker (generally wrap-fee accounts) will be placed with the directed-broker(s) and executed.

Channing provides non-discretionary investment advisory services through model portfolio delivery (i.e., UMA) sponsored programs. The UMA sponsor, and not Channing, is responsible for trading or the implementation recommended model changes. Upon completion of trades in discretionary and directed-brokerage accounts, the Trading Dept. will typically disseminate model portfolio changes on a periodic basis, up to and including weekly, to the UMA sponsors.

Performance returns for limited-discretion, directed-brokerage, and model delivery accounts can differ from the composite portfolio performance results delivered by Channing due to an array of reasons, including but not limited to, quality of execution, trade dates, average account size, and the difference in fee structure.

Instances where Channing's proprietary and/or personal related investment accounts are included in the trade order, those accounts will be always submitted with the designated broker-dealer once the non-directed and directed client accounts trade(s) have been completed.

## **Item 13 Review of Accounts**

**A. Account Reviews.** Periodically, each account's investment guidelines are reviewed by the portfolio manager, Trading Operations and Compliance. The portfolio manager has the final decision on all investments.

**B. Client Reporting.** Channing provides each institutional client with information based upon their specific requirements as required by the governing client investment management agreement. Clients are generally furnished periodic monthly, quarterly and/or annual reports as per their request, which outline each securities costs basis, market value and estimated annual income. Performance reviews and capital gain and loss schedules are provided to clients on an annual basis generally or as requested.

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

### **Additional Compensation**

From time to time, Channing may enter into arrangements with brokerage firms which provide research and other goods or services in exchange for executing brokerage transactions with their firm. The goods and/or services provided are generally used to manage and maintain our various institutional

client portfolios. Channing may engage in "soft dollar arrangements" or client commission arrangements (as governed under SEC regulations and rules as amended and updated from time to time). Please refer to Item 12 above for additional information.

### **Participation or Interest in Client Transactions**

Channing may serve as sub-advisor for certain mutual funds. Channing Staff are generally permitted to invest in these mutual funds that Channing sub-advises as well as other mutual funds not sub-advised by Channing. Where Channing's Staff invest in or engage in any trading of any Channing sub-advised fund, such Channing staff are required under our Code of Ethics to report such investments or trading as part of their periodic personal trading and pre-clearance reports. Such investing or trading activity will be reviewed as part of the periodic firm reviews of personal trading activity.

Also, Channing does not solicit or sell such sub-advised mutual funds in the normal course of its business. From time to time, Channing Staff may be asked by prospects, clients, business associates, friends and family for information on how to purchase the mutual funds. Those inquiries are responded to in very general terms by providing the ticker symbol of the mutual funds and recommending to the person making the inquiry that they contact a registered representative of one of the many publicly recognized brokerage firms for professional advice as to the suitability of any of the funds as an investment. With respect to the funds, Channing as well as its employees, do not make investment referrals and do not receive any referral or marketing fees. Channing Staff are prohibited by company and compliance policy, including Channing's Code of Ethics and Insider Trading Policies, from sharing non-public information about the funds' investments or acting in a manner that might have any appearance of self-dealing with a client.

### **Third-Party Referral Arrangements**

To the extent Channing may enter into third-party referral or promoter/solicitor arrangements from time to time, such arrangements will adhere to the SEC's Advertising Rule (SEC Rule 206(4)-1).

## **Item 15 Custody**

Channing has no actual custody of its institutional-only clients' assets or accounts. Institutional clients customarily select and engage their own independent custodians independent of Channing.

Channing and Channing Investor Series Fund, LLC are deemed to have custody of the private fund's assets under the Advisers Act Rule 206(4)-2. Channing and Channing Investor Series Fund, LLC observe the Adviser Act Custody Rules by providing investors of the private fund with audited financial statements in accordance with United States generally accepted accounting principles, within 120 days of the fiscal year end of the fund.

## **Item 16 Investment Discretion**

Channing generally receives and accepts discretionary authority from its institutional clients at the outset of an advisory relationship pursuant to a governing investment management agreement to manage such clients' assets. In all cases, however, such investment discretion is to be exercised in a manner consistent with the stated investment objectives, guidelines, and restrictions for such institutional or pension client account.

When selecting and trading securities and determining amounts to be bought and sold, Channing adheres to the investment policies, limitations and restrictions of the institutional clients for which it manages assets. Investment guidelines and restrictions must be provided to Channing by our clients in writing including any subsequent updates or changes. For additional related information, please refer to Item 12 above.

## **Item 17 Voting Client Securities**

### **Proxy Handling & Voting Summary**

Channing has a fiduciary obligation to, at all times, weigh and serve the best interest of its advisory clients as the sole consideration when voting proxies of portfolio companies. As part of its investment management services provided to clients and pursuant to SEC rule, Channing has adopted a proxy voting policy and related procedures. The Proxy Voting Policy and Procedures are designed to ensure that Channing votes client proxies in the best interest of its clients and outline how any proxies received on behalf of its clients will be handled.

Channing has retained third-party proxy firm Institutional Shareholders Services, Inc. ("ISS") for proxy advisory and voting support services. Regardless of material conflict (if any), Channing through its reliance on independent third-party ISS will, at all times, vote in the best interest of its client. ISS will generally analyze the voting issues and make a proxy vote recommendation. Channing customarily follows such recommendation, subject to certain limited exceptions (requiring a documented rationale), and the proxy is voted in accordance with ISS's guidelines, which are periodically reviewed by Channing's Proxy Review Team. Proxy issues receive consideration based on all relevant facts and circumstances. Some accounts for which Channing is investment manager may wish to retain responsibility for proxy voting or to assign that responsibility to a different investment manager. Such accounts must either provide Channing with a plan document that expressly precludes Channing from voting proxies or include in the investment manager contract that Channing will not vote their proxies. In the absence of such documentation, Channing undertakes the obligation to vote on behalf of the accounts it manages, and will do so supported by ISS's services. It is also Channing's policy to fully comply with ERISA requirements regarding proxy voting.

Copies of Channing's proxy voting policy and procedures and information regarding proxy votes are available to clients upon request. To obtain a copy, please direct any written or electronic client requests as follows:

Channing Capital Management, LLC  
c/o Channing Client Service Team  
10 South LaSalle St., Suite 2401  
Chicago IL 60603 Attn: Proxy Administrator  
[clientservice@Channingcapital.com](mailto:clientservice@Channingcapital.com)

## **Item 18 Financial Information**

Registered investment advisers are required in this section to provide you with certain financial information or disclosures about the Adviser's financial condition. The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

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

**We are a federally registered investment adviser; therefore, we are not required to respond to this item.**