

# **CITY NATIONAL ASSET MANAGEMENT, INC.**

The registered investment advisory subsidiary of City National Bank



March 30, 2012

This Brochure provides information about the qualifications and business practices of City National Asset Management, Inc. ("CNAM, Inc."). If you have any questions about the contents of this Brochure, please contact us at (310) 888-6363. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

City National Asset Management, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about City National Asset Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

The following are the material changes that have occurred since CNAM, Inc.'s last annual update which occurred on March 31, 2011.

- Previously CNAM, Inc. provided investment advisory / liquidity management services for one client. As of January 31, 2012 CNAM, Inc. does not have any clients that require liquidity management services.

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#### **Item 4 – Advisory Business**

CNAM, Inc. is incorporated in the State of California and registered with the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940, as amended. CNAM, Inc. has been providing investment advisory services since May, 2001.

CNAM, Inc. is a wholly owned subsidiary of City National Bank ("CNB"), a federally chartered commercial bank founded in the early 1950s. CNB is itself a wholly owned subsidiary of City National Corporation, a New York Stock Exchange listed company ("CNC"). CNB has provided trust and fiduciary services, including investment management services, to individuals and businesses for over 50 years. As of December 31, 2011, CNB and its affiliates had approximately \$54.5 billion in assets under administration, which includes \$31.3 billion in assets under management. As of February 29, 2012, CNAM, Inc. had discretionary assets under management of approximately \$6.1 billion.

#### **Mutual Fund Management**

CNAM, Inc. provides investment advisory services to the CNI Charter Funds, a Delaware statutory trust (the "Trust") registered under the Investment Company Act of 1940, as amended, as an open-end investment management company currently offering a series of 14 investment funds, (the "Funds"). CNAM, Inc. provides a continuous investment program including general investment and economic advice regarding investment strategies, manages the Funds' investment portfolios and provides other services necessary to the operation of the Trust.

CNAM, Inc. provides the Funds with investment management services in accordance with the investment objectives as set forth in the funds' prospectuses and Statement of Additional Information (SAI). Subject to the oversight of the Trust's Board of Trustees, CNAM, Inc. has complete discretion as to the purchase and sale of investments for the Funds it directly manages, consistent with each such Fund's investment objective, policies and restrictions.

CNAM, Inc. is responsible for the evaluation and monitoring of the sub-advisers of the Full Maturity Fund, High Yield Bond Fund, Diversified Equity Fund and the Socially Responsible Equity Fund (collectively, the "Sub-advised Funds"). CNAM, Inc. evaluates sub-advisers based on a variety of factors, including investment style, performance record and the characteristics of each sub-adviser's typical investments. The assets of the Full Maturity Fund and the Diversified Equity Fund are divided into various sleeves and CNAM, Inc. is responsible for allocating the assets among the sub-advisers in accordance with their specific investment styles. Subject to the oversight of CNAM, Inc. and the Trust's Board of Trustees, the sub-advisers have complete discretion as to the purchase and sale of investments for these Funds consistent with each Fund's investment objective, policies and restrictions.

## **Asset Allocation and Consulting Services**

Healthcare organizations, non-profit organizations, and corporations or other businesses or institutional clients (other than investment companies) may also obtain CNAM, Inc.'s assistance in formulating investment objectives and considering investment alternatives. CNAM, Inc. will advise clients on broad investment objectives, the selection of an investment adviser or investment program, asset allocation consulting services and monitoring the client's portfolio investment performance.

After CNAM, Inc. determines the most suitable investment program for the Program's participants, an investment program that allocates the client's assets among different Funds offered by the Trust may be recommended. CNAM, Inc. may also recommend other affiliated or non-affiliated funds or separate account managers.

## **Item 5 – Fees and Compensation**

### **Mutual Fund Fees and Compensation**

CNAM, Inc. is entitled to receive from the Funds an annual fee, payable monthly in arrears, as a percentage of the Funds' average daily net assets out of which CNAM, Inc. pays sub-advisers who provide day-to-day investment advisory services to certain Funds.

The fees that CNAM, Inc. is entitled to receive for the investment advisory services provided are disclosed in each Fund's prospectus and the Trust's SAI and range from 0.25% to 0.85% of assets under management. The fees are subject to negotiation with the Trust's Board of Trustees and may be terminated by CNAM, Inc. or by the Trust's Board of Trustees upon sixty (60) days' prior written notice.

### **Other Mutual Fund Fees**

CNB may receive additional indirect compensation for investment advisory fees paid to affiliated advisers for managing assets in the Funds. This could benefit CNAM, Inc. as a subsidiary of CNB. In addition, CNB and City National Securities, Inc. ("CNS"), an affiliated dual registered investment adviser and broker-dealer, each receives shareholder servicing and 12b-1 fees paid by certain share classes of the Funds. These and other fees are described in greater detail in the Funds' prospectuses.

### **Asset Allocation and Consulting Services Fees**

Fees for consulting services to institutions are negotiated on a case-by-case basis taking into account the value of the assets, number of meetings expected each year and scope of the services to be provided. Clients may receive these services by maintaining a specified level of assets invested in the Funds.

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

CNAM, Inc. does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

CNAM, Inc. provides portfolio management services to registered investment companies and institutions, as described more fully in Item 4, “Advisory Business.”

For consulting clients, CNAM, Inc. generally requires a minimum of \$1,000,000 in consulting assets. When a separately managed account is recommended for the client’s assets, the minimum investment amount may vary, depending upon the requirements of the sub-adviser to the account and other considerations.

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

### **Proprietary Quantitative Research**

In addition to fundamental analysis performed on individual securities, CNAM, Inc. has created and utilizes several proprietary, quantitatively oriented research systems in order to make its investment determinations. These tools use screening techniques based on financial and economic data to help determine which assets/securities are the most attractive for purchase/retention and/or sale at any given point in time. These techniques are used in conjunction with the fundamental research performed within CNAM, Inc.

### **Sub-Adviser Selection**

For consulting clients, CNAM, Inc. recommends suitable investment options, including other mutual funds that may be managed by one or more sub-advisers, which can meet the long-term investment objectives and needs of each client based upon the mutual fund’s track record and suitability. CNAM, Inc. closely monitors the performance of each sub-adviser providing services to the mutual funds it recommends to its clients as well as the investment sub-advisers to the CNI Charter Funds.

### **Sources of Information**

To help develop its strategies and recommendations, CNAM, Inc. uses proprietary quantitatively oriented research systems. These systems contain pertinent financial information on individual securities as well as broad domestic and international macroeconomic data. In addition, CNAM, Inc. uses commercially available services, financial publications and information services dealing with investment research, pensions, securities law, and taxation. CNAM, Inc. may also use private placement memoranda and other private placement due diligence materials. Such information may be obtained in print or via electronic media. Company prepared materials (particularly prospectuses) and research releases prepared by others are also utilized.

Despite CNAM, Inc.'s best efforts and sources of information, these do not guarantee that performance returns will be positive. All investing involves risk of loss that clients should be prepared to bear.

Following is a brief description of the investment strategies, and the risks of the strategies, employed by CNAM, Inc. in the management of the CNI Charter Funds. For a more detailed explanation of these risks, please refer to the prospectuses for the Funds available at [www.cnicharterfunds.com](http://www.cnicharterfunds.com)

The **Money Market Funds** seek to provide current income consistent with the maturity and quality standards described in the prospectus, and to preserve capital. The Money Market Funds generally invest in liquid, high quality, short-term debt securities that in CNAM, Inc.'s opinion represent minimal credit risk. An investment in the Money Market Funds may expose an investor to the following risks, which are described in greater detail in the prospectuses:

1. **Credit Quality** – Some issuers or other obligors may be unable to make the required payments on securities held by the Fund. Debt securities also go up or down in value based on the perceived creditworthiness of issuers or other obligors rated by one or more nationally recognized statistical rating organizations.
2. **Government-Sponsored Entities** – Such investments may not be guaranteed or insured by the U.S. Government and may only be supported by the credit of the issuing agency.
3. **Redemptions** – The Fund may experience heavy redemptions, particularly during periods of declining or illiquid markets that could cause the Fund to liquidate its assets at inopportune times or at a loss or depressed value and that could affect the Fund's ability to maintain a stable \$1.00 share price.
4. **The Effect of Interest Rates** – When interest rates are very low, the Fund's expenses could absorb all or a significant portion of the Fund's income, and if the Fund's expenses exceed the Fund's income, the Fund may be unable to maintain its \$1.00 share price without a subsidy by CNAM, Inc. or its affiliates.
5. **Municipal Obligations** – The payment of principal and interest by U.S. state and local governments may be adversely affected by a variety of factors at the state or local level. Actual or perceived erosion of the creditworthiness of municipal issuers may also reduce the value of a Fund's holdings.

The **Bond Funds** seek to provide current income consistent with the maturity and quality standards described in the prospectus, and preservation of capital. The Bond Funds offer investment options ranging from short-term instruments, such as money market funds (which usually offer greater stability of principal), longer-term bond funds (which generally offer higher yields), and investments in public works and service projects that are exempt from regular federal and California income taxes.

Investments in the Bond Funds may expose an investor to the following risks, which are described in greater detail in the prospectuses:

1. **Interest Rate** – Rising interest rates can cause a decline in price in the value of held securities. In general, longer-dated securities are subject to greater price changes for a given change in interest rates.
2. **Government-Sponsored Entities** – Such investments may not be guaranteed or insured by the U.S. Government and may only be supported by the credit of the issuing agency.
3. **Issuers** – The Funds may be adversely affected if the issuers of the securities that the Fund holds do not make their principal or interest payments on time.
4. **Prepayments on Pass-Through Securities** – Generally, prepayments of the principal of the loans underlying pass-through securities increase during a period of falling interest rates and decrease during a period of rising interest rates. In periods of declining interest rates, as a result of prepayments the Fund may be required to reinvest its assets in securities with lower interest rates. In period of rising interest rates, slowing prepayments may lengthen the maturity of pass-through securities in the Fund and increase its price sensitivity.
5. **Rating Agencies** – Debt securities also go up or down in value based on the perceived creditworthiness of issuers or other obligors rated by one or more nationally recognized statistical rating organizations. If a rating agency revises downward or withdraws its rating of a security in which the Fund invests, that security may become less liquid or may lose value.
6. **Foreign Securities** – Foreign investments tend to be more volatile than domestic securities, and are subject to risks that are not typically associated with domestic securities.
7. **High Yield** (“Junk” Bonds) – High yield bonds involve greater risks of default, downgrade, or price declines and are more volatile than investment grade securities.

The **Multi-Asset Fund** is a “fund of funds” and seeks to provide current income and capital preservation in a manner consistent with the quality standards described in the prospectus. The Multi-Asset Fund invests all or a substantial portion of its assets in other mutual funds or other types of funds like exchange-traded funds (“underlying funds”). These underlying funds may include other funds in the CNI Charter Funds family, like the Corporate Bond Fund, the Government Bond Fund and the High Yield Bond Fund, which are also managed by CNAM, Inc.

Investments in the Multi-Asset Fund may expose an investor to the following risks, which are described in greater detail in the prospectus:



1. **Allocation** – The Fund’s performance depends on CNAM, Inc.’s ability to anticipate correctly the relative potential returns and risks of the asset classes in which the Fund directly or indirectly invests.
2. **Government-Sponsored Entities** – Such investments may not be guaranteed or insured by the U.S. Government and may only be supported by the credit of the issuing agency.
3. **High Yield** (“Junk” Bonds) – High yield bonds involve greater risks of default, downgrade, or price declines and are more volatile than investment grade securities.
4. **Rating Agencies** – Debt securities also go up or down in value based on the perceived creditworthiness of issuers or other obligors rated by one or more nationally recognized statistical rating organizations. If a rating agency revises downward or withdraws its rating of a security in which the Fund invests, that security may become less liquid or may lose value.
5. **Underlying Funds** – The ability of the Fund to achieve its investment goal depends in part upon the ability of the underlying funds to achieve their investment goals. The underlying funds may not achieve their investment goals.

The **Equity Funds** seek to provide capital appreciation with current income as a secondary consideration in a manner consistent with the quality standards described in the prospectus. The Equity Funds provide investment options ranging from equity securities of large U.S. corporations, U.S. dollar denominated American Depositary Receipts of large foreign corporations, and the common stock of U.S. issuers that meet certain socially responsible criteria.

Investments in the Equity Funds may expose an investor to the following risks, which are described in greater detail in the prospectuses:

1. **Foreign Investments (American Depositary Receipts)** – Foreign investments tend to be more volatile than domestic securities, and are subject to risks that are not typically associated with their domestic counterparts. Certain Funds invest in U.S. dollar denominated American Depositary Receipts of foreign companies (“ADRs”) which are sponsored by the foreign issuers. ADRs are subject to the risks of changes in currency or exchange rates (which affect the value of the issuer even though ADRs are denominated in U.S. dollars) and the risks of investing in foreign securities.
2. **Medium Capitalization (Mid-Cap) Companies** – Investments in mid-cap companies may involve greater risks than investments in larger, more established companies, such as limited product lines, markets and financial or managerial resources. In addition, the securities of mid-cap companies may have greater price volatility and less liquidity than the securities of larger capitalized companies.
3. **Focus** – Consistent with its diversification requirements, a Fund may hold a relatively small number of securities. Losses incurred in such securities could have a material

adverse effect on the Fund's overall financial condition and cause it to underperform its relevant benchmarks.

4. **Small Capitalization (Small-Cap) Companies** – Investments in small-cap companies may involve greater risks than investments in larger, more established companies, such as limited product lines, markets and financial or managerial resources. The securities of smaller capitalized companies may have greater price volatility and less liquidity than the securities of larger capitalized companies. The Fund may hold a significant percentage of a company's outstanding shares and may have to sell them at a discount from quoted prices.

### **Principal Investment Strategy of the Consulting and Asset Allocation Services**

The investment strategy for each consulting and asset allocation client is determined based on the needs of the client. CNAM, Inc. will determine an appropriate risk-return model based on the current assets, cash flow needs, time horizon and other variables. This model is then presented to the client for approval or modification.

### **Principal Risks Applicable to Consulting Clients**

**Management** – The client's performance depends on the portfolio managers' skill in making appropriate investments. As a result, the client may underperform the equity market or similar funds.

**Sub-Adviser Allocation** - The client's performance is affected by CNAM, Inc.'s recommendations concerning how much of the portfolio to allocate to each asset category, fund and/or ETF.

### **Item 9 – Disciplinary Information**

CNAM, Inc. has not been the subject of any disciplinary action applicable to this Item.

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

#### **Other Business Activities**

All CNAM, Inc. employees are dual employees of CNB. As of January 1, 2012, CNC had a majority ownership interest in seven registered investment advisors and a minority interest in two. CNB offers a full complement of banking, trust and investment services in California, Georgia, Nevada, New York and Tennessee.

#### **Other Financial Industry Activities or Affiliations**

Certain employees of CNAM, Inc. are dually registered with an affiliated broker-dealer, CNS for purposes of selling the Funds. CNAM, Inc. employees are not compensated for sales of shares

of the Funds or any other securities. Clients may elect to open brokerage accounts with CNS. Additional information can be found in Item 15, “Custody.”

CNAM, Inc. may contract with one or more affiliated or unaffiliated investment advisers to provide sub-advisory investment services to the Trust. CNAM, Inc. has contracted with the following sub-advisers for day-to-day investment advisory services to certain Funds:

<b>CNAM, Inc. Sub-Adviser</b>	<b>Fund</b>
Robert W. Baird & Co. Incorporated	Portion of Full Maturity Fixed Income
Boyd Watterson Asset Management, LLC	Portion of Full Maturity Fixed Income
Guggenheim Investment Management, Inc.	High Yield Bond
SKBA Capital Management, LLC (“SKBA”)	Portion of Diversified Equity
	Socially Responsible Equity
Turner Investments L.P.	Portion of Diversified Equity

### **Additional Compensation**

City National Corporation (“CNC”), the indirect owner of CNAM, Inc., has an indirect majority interest in AMBS and SKBA. As a result of these affiliations, CNAM, Inc. is an indirect beneficiary of the advisory fees received by AMBS and SKBA for investment sub-advisory services rendered to the Trust. In addition, City National Bank (“CNB”), the direct owner of CNAM, Inc., receives shareholder servicing fees with respect to the Institutional Class and Class N shares and receives 12b-1 fees with respect to Class N shares of the Trust.

CNAM, Inc. currently receives some economic benefit from CNB in the form of soft dollar arrangements under which CNAM, Inc. trades commission dollars for research services, please refer to the discussion under Item 12 below: “Brokerage Practices.”

### **Item 11 – Code of Ethics**

CNAM, Inc.'s Code of Ethics (the “Code”) generally sets the standard of business that CNAM, Inc. requires of its employees, requires employees to comply with applicable federal securities laws, and sets forth provisions regarding personal securities transactions by employees. Additionally, the Code sets forth CNAM, Inc.'s policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary duties that CNAM, Inc. and each of its employees has to its clients. The Code is circulated annually and when amended to all employees, and each employee must certify in writing that he or she has

received and followed the Code and any amendments thereto. CNAM, Inc. will provide a copy of its Code to any client or potential client upon request.

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

CNAM, Inc. or a related person may, from time to time, have a portion of, or an interest in, a security that is purchased or sold on behalf of an advisory client. CNAM, Inc. has adopted policies to avoid conflicts of interest when personnel of CNAM, Inc., or a related person of CNAM, Inc. owns, buys, or sells securities also owned by, or bought or sold for a client. CNAM, Inc. permits its employees to engage in personal securities transactions.

CNAM, Inc. may recommend, buy or sell securities of issuers on behalf of its clients in which CNAM, Inc.'s employees or related persons ("Access Persons") may also purchase, hold or sell securities. In order to monitor compliance with its personal trading policy, CNAM, Inc. has adopted a personal trading policy for all of its employees. For purposes of the policy, an employee's "personal account" generally includes any account (a) in the name of the Access Person, his/her spouse, his/her children under the age of 21 whether or not residing in the same household or other dependents residing in the same household, b) for which the employee is a trustee or executor, or c) which the employee controls and in which the employee or a member of his/her household has a direct or indirect beneficial interest.

## **Item 12 – Brokerage Practices**

### **General**

CNAM, Inc. will seek to execute transactions in the best interest of its clients, taking into account such factors as, but not limited to, the broker's financial stability, execution capability, and quality of investment research.

Brokerage services include the ability to most effectively execute orders consistent with the portfolio's investment strategy. In its effort to maximize the value of the buy/sell decision to the portfolio's overall investment strategy while minimizing the transaction implementation costs, CNAM, Inc. also considers, with respect to equity security trades, the ability of the broker-dealers to execute packaged trades. Packaged trading is a coordinated trading strategy involving the purchase or sale of a "basket" or group of stocks.

Fixed income securities are generally purchased from the issuer or a primary market maker acting as principal on a net basis without a stated commission. Fixed income securities may also be purchased in the secondary market or from underwriters at prices that include underwriting fees.

In exercising investment discretion for its clients, CNAM, Inc. will determine 1) which securities are to be bought and sold, 2) the amount of the securities to be bought and sold, 3) the broker or dealer who will execute the transaction, and 4) the commission rate to be paid.

Investment services provided to clients (other than an investment company) are subject to the terms and conditions of the client's contract with CNAM, Inc., which may include the client's pre-established relationship with a broker. If a client directs CNAM, Inc. to use a specific broker and CNAM, Inc. has not negotiated the terms and conditions (including, but not limited to, commission rates or rebates) related to the services provided by such broker, CNAM, Inc. may not be able to obtain best execution and the client may not obtain rates as low as they might otherwise obtain if CNAM, Inc. had discretion to select broker-dealers other than those chosen by the client.

### **Brokerage Selection**

CNAM, Inc. maintains an internal review process to identify those broker-dealers that it believes provide the best overall services for the benefit of its clients. The process for selecting executing broker-dealers generally is conducted jointly by the portfolio managers and the Trading Desk, and is subject to approval by CNAM, Inc.'s Investment Committee. CNAM, Inc. may from time to time execute transactions with a broker-dealer not previously approved by its Investment Committee. Under these circumstances, such broker-dealer must meet the selection criteria previously approved by the Investment Committee and the rationale and circumstances surrounding the use of the non-approved broker-dealer are documented and reported to the Investment Committee at its next regularly occurring meeting. No consideration is given to sales of CNI Charter Funds shares in considering broker-dealers.

CNAM, Inc. maintains a disciplined selection process when evaluating fixed income securities for the Trust. The goal is to best match capital market opportunities with the client's stated investment objectives. CNAM, Inc. may achieve economies of scale through aggregating trading positions and thus benefit from price/volume discounts, or may negotiate on smaller issues to provide the best value to the portfolio. CNAM, Inc. utilizes a multi-level bid/offer process that evaluates daily offerings from a variety of sources. Yields/prices on issues of like-quality and maturity are closely scrutinized to attempt to achieve best execution.

### **Research and Other Brokerage Services**

CNAM, Inc. will generally seek "best execution" in light of circumstances involved in transactions. Transactions are not always executed at the lowest available commission. CNAM, Inc. may select a broker-dealer that furnishes investment research services or products, or brokerage services relating to the execution of securities transactions, resulting in clients paying a higher commission to such broker-dealer than that which another broker-dealer might have charged for effecting the same transaction, in recognition of the value of research or brokerage services provided. In addition to execution quality, CNAM, Inc. may consider the value of various research services or products, beyond execution, that a broker-dealer provides to CNAM, Inc. or its client. Selecting a broker-dealer in recognition of such other services or products is known as paying for those services or products with "soft dollars." In some cases, research is provided directly by an executing broker-dealer and in other cases, research may be provided by third party research providers, provided that the executing broker shall be solely obligated for compensation to such provider.

Research services furnished by direct research providers or third party research providers generally may be used by CNAM, Inc. for its clients, as well as by CNB for any or all of its clients. CNAM, Inc. and CNB and their clients share research services and products paid for in this manner. In addition, research services generally may be used in connection with accounts other than those whose commissions were used to pay for such research services.

Each of CNAM, Inc. and CNB maintains an internal allocation procedure to identify those direct research providers who provide research services to it and each endeavor to place sufficient transactions with any such broker-dealers to ensure the continued receipt of research services it believes are useful. The selection of broker-dealers for the execution of trades is generally made using a process involving portfolio managers and the Trading Desk, and is periodically reviewed separately by CNB's Trust Investment Committee and CNAM, Inc.'s Investment Committee. Brokerage and research services and products purchased with commissions paid by the CNI Charter Funds are reported to the Investment Committee quarterly and subject to the oversight of the CNI Charter Funds' board of trustees.

Research services include fundamental equity analytics, fundamental economic analyses, asset allocation analytics, and stock selection modeling. With respect to fixed income securities, research services include real-time alerts/analytics on ratings actions, and reviews of issuer credit and liquidity factors, among other things. Research services also include various trading and quotation services and advice from broker-dealers as to the value of securities, availability of securities, availability of buyers, and availability of sellers.

The research services CNAM, Inc. receives may influence its judgment in allocating brokerage business between firms that provide research services and firms that do not. CNAM, Inc. may pay a brokerage commission in excess of what another broker-dealer might charge for effecting the same transaction. In such a case, CNAM, Inc. will determine in good faith that such a commission is reasonable in relation to the value of brokerage, research and other services and soft dollar relationships provided by such broker-dealer, viewed in terms of either the specific transaction or CNAM, Inc.'s overall responsibilities to its clients.

### **Investment Allocations**

As dual employees of CNAM, Inc. and CNB, CNAM, Inc.'s investment personnel may recommend to, buy or sell securities of issuers on behalf of CNAM, Inc.'s clients and CNB accounts. Investment decisions for CNAM, Inc. and CNB accounts are reached independently. However, CNAM, Inc. personnel acting in their CNB capacity may engage in transactions for a CNB account at the same time and in the same security as a transaction for CNAM, Inc. clients. All trades are executed through an unaffiliated broker-dealer to a segregated account for each of CNAM, Inc. and CNB.

With respect to fixed income securities, when investment personnel make investment decisions at the same time and in the same securities as investment decisions made for CNB clients, CNAM, Inc.'s fixed income portfolio managers may execute trades as part of concurrent authorizations to purchase or sell the same security for numerous accounts. Although such

concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they will be effected only when CNAM, Inc. portfolio managers believe that to do so will be in the best interests of the affected accounts. When such concurrent authorizations occur, the executions are generally allocated, including any cost or proceeds, among CNAM, Inc.'s clients and CNB clients, on a pro rata basis using separate accounts for each. In all other cases, transactions will be placed on a first in, first placed basis.

## **Item 13 – Review of Accounts**

### **CNI Charter Funds**

The CNI Charter Funds are monitored on an on-going basis. CNAM, Inc.'s portfolio managers perform daily compliance checks for the Funds for which they make investment decisions. Compliance reviews test against limitations specific to the Fund's investment strategy as well as restrictions and limitations set forth in the fund's prospectus and Statement of Additional Information. All compliance reports are certified quarterly and reviewed by the Trust's Chief Compliance Officer, and any exceptions are reported to the Trust's board of trustees. Any violations require a written explanation of: 1) the date of the violation, 2) an explanation of the circumstances causing the violation, 3) actions taken to resolve the violations and date of resolution, including any gain or loss to the fund as a result of the violation, and 4) measures taken to ensure that future violations do not occur. Reviews are conducted monthly by the Investment Committee whose members include Directors of Fixed Income Investments and Equity Investments. Other reviewers include the Trust's Chief Compliance Officer as well as unaffiliated compliance personnel of the Trust's administrator.

### **Sub-Advised Funds and Consulting Clients**

CNAM, Inc. monitors the performance of each sub-adviser that it has recommended to its clients, including, but not limited to, periodic account reviews, conference calls with the sub-advisors, on-site visits and ad-hoc inquiries.

Formal client account reviews for consulting clients are conducted quarterly. CNAM, Inc. provides quarterly reports with information about performance and asset allocation. Reports are customized with additional information for each client. Informal reviews are performed more frequently as may be warranted by market conditions and client needs.

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

CNAM, Inc. currently receives some economic benefit from CNB in the form of soft dollar arrangements under which CNAM, Inc. trades commission dollars for research services, please refer to the discussion under Item 12, "Brokerage Practices."

## **Item 15 – Custody**

CNAM, Inc. does not have custody of the funds of the CNI Charter Funds. Liquidity Management clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. CNAM, Inc. urges clients to carefully review such statements and compare such official custodial records to the account statements that CNAM, Inc. may provide to the client. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

An affiliated broker-dealer, CNS, serves as introducing broker for accounts of some consulting clients. Neither CNAM, Inc. nor CNS takes possession of any client funds or securities and does have custody of any client assets.

## **Item 16 – Investment Discretion**

CNAM, Inc. receives discretionary authority from the Trust at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Consulting clients maintain discretion over their assets, but CNAM, Inc. may assist them in implementing asset allocation changes, raising cash or investing new funds.

When selecting securities and determining amounts, CNAM, Inc. observes the investment policies, limitations and restrictions of the clients it advises. For the Trust, CNAM, Inc.'s authority to trade securities may also be limited by certain laws and regulations. Investment guidelines and restrictions must be provided to CNAM, Inc. in writing.

## **Item 17 – Voting *Client* Securities**

CNAM, Inc. has adopted proxy voting policies and procedures (the "Policies"). The Policies require CNAM, Inc. to vote proxies received in a manner consistent with the best interests of its clients.

The Policies also require CNAM, Inc. to vote proxies in a prudent and diligent manner intended to enhance the economic value of client assets. CNAM, Inc. has hired a proxy voting service (the "Proxy Servicer Provider") to vote proxies on its behalf with respect to equity securities for which CNAM, Inc. serves as investment adviser. CNAM, Inc. has adopted the Proxy Service Provider's voting guidelines and has instructed it to vote proxies on CNAM, Inc.'s behalf in accordance with these guidelines and to vote: (i) any issue or proposal designated in the guidelines to be voted on a "case by case basis" and (ii) any issue or proposal not listed in the guidelines according to its recommendation. In addition, CNAM, Inc. has instructed it to vote



shares of affiliated and unaffiliated funds held by the Multi-Asset Fund in the same percentage as the shares voted by the other shareholders of such funds.

However, the Policies permit CNAM, Inc. to withdraw any proxy item(s) from the vendor and to vote the proxy item(s) on its own if CNAM, Inc. determines that no material conflict of interest exists. For these purposes, a conflict of interest is deemed to occur when CNAM, Inc. or an affiliated person has a financial interest in a matter presented by proxy to be voted on behalf of the fund, other than the obligation CNAM, Inc. incurs as investment adviser to the Trust, which may compromise CNAM, Inc.'s independence of judgment and action in voting the proxy. All proxies are reviewed by the portfolio managers to assess potential conflicts of interest.

When a proxy proposal raises a material conflict of interest between CNAM, Inc.'s interests and those of the Trust, CNAM, Inc. will seek to resolve the conflict in accordance with its adopted procedures.

CNAM, Inc. will upon request, provide a copy of the complete Policies and information on how CNAM, Inc. voted shares on behalf of the Trust.

#### **Item 18 – Financial Information**

**Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about CNAM, Inc.'s financial condition. CNAM, Inc. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.**