



## **COLUMBUS CIRCLE INVESTORS**

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**MARCH 31, 2017**

This Brochure provides information about the qualifications and business practices of Columbus Circle Investors ("CCI"). If you have any questions about the contents of this Brochure, please contact us at 203.353.6000. 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.

CCI is a registered SEC investment adviser. Registration as an investment adviser does not imply any level of skill or training. CCI's oral and written communications provide you with information about CCI to assist you in your determination as to whether to hire CCI or retain CCI's services.

Additional information about CCI is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using CCI's unique identifying CRD number: 111878.

## Item 2 – Material Changes

Columbus Circle Investors reports the following Material Changes to this Form ADV since its most recent filing (March 30, 2016):

As of April 2016, CCI is 100% owned by Principal Global Investors (**PGI**), a member of the Principal Financial Group (NYSE Symbol: PFG). Prior to April 2016, PGI owned approximately 97.5% of Columbus Circle Investors.

In 2016, the names of certain CCI private funds were changed. The new fund names are reflected in this Form ADV filing. Further, at the end of 2016, CCI closed certain private funds and ceased providing its International Europe strategy.

Clients may obtain a copy of this Brochure at any time, free of charge, by contacting CCI's Compliance Director, Mary Frances Emerson at 203-353-6053 or [MFS@columbus.com](mailto:MFS@columbus.com).

### Item 3 -Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes.....	ii
Item 3 –Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	6
Item 7 – Types of Clients .....	6
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	7
Item 9 – Disciplinary Information .....	10
Item 10 – Other Financial Industry Activities and Affiliations .....	10
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	11
Item 12 – Brokerage Practices .....	12
Item 13 – Review of Accounts .....	16
Item 14 – Client Referrals and Other Compensation .....	17
Item 15 – Custody.....	17
Item 16 – Investment Discretion.....	17
Item 17 – Voting Client Securities .....	17
Item 18 – Financial Information.....	18

#### **Item 4 – Advisory Business**

Columbus Circle Investors is a Delaware general partnership. CCI was established in 1975 and is based in Stamford, Connecticut. CCI focuses on providing Institutional Equity Management services. Columbus Circle Investors (**CCI**) is an affiliate of Principal Global Investors (**PGI**). PGI is an affiliate and member of the publicly traded entity, Principal Financial Group (NYSE Symbol: **PFG**).

As of December 31, 2016, CCI managed \$8,238,825,175.31 on a discretionary basis. CCI does not have any nondiscretionary assets under management.

#### Investment Management Services

CCI manages Large Cap, Mid Cap, SMID, Small Cap, Technology, Healthcare, and Custom Cap equity portfolios for clients. Through discussions with clients, CCI and the client will agree on the portfolio(s) in which clients will participate. CCI will manage each client's account on the basis of the client's financial situation and investment objectives, and any reasonable investment restrictions the client may impose.

As necessary or as requested by the client, CCI will meet with the client to review the portfolio, to determine whether there have been any changes in the client's investment objectives, and to ascertain whether the client wishes to impose investment restrictions or modify existing restrictions. Clients may impose reasonable investment restrictions on CCI's investment management authority by providing such instructions in writing. CCI remains at all times available to discuss with clients their accounts and individual circumstances.

CCI also acts as investment manager to the following affiliated private investment funds: CCI Healthcare Partners Diversified, L.P.; CCI Healthcare Partners Diversified II, L.P.; CCI Healthcare Partners Diversified, Ltd.; CCI Healthcare Diversified Master Fund, Ltd.; CCI Healthcare Partners Genesis, L.P.; CCI Technology Partners, L.P.; CCI Technology Partners II, LP; CCI Technology Partners II, Ltd. (collectively, the **CCI Private Funds**).

#### Services for Wrap Fee Programs & Other Similar Mandates

In conjunction with Principal Global Investors, CCI provides investment portfolio services to wrap fee programs and other similar mandates. Pursuant to a contractual arrangement with Principal Global Investors, CCI provides model portfolio recommendations to Principal Global Investors for Principal Global Investors' management of wrap fee client accounts. Principal Global Investors manages wrap fee accounts in programs sponsored by numerous independent third party sponsors. CCI does not manage individual wrap fee

client accounts or administer wrap fee portfolios. CCI's services are limited to the delivery of model portfolio recommendations to Principal Global Investors. CCI does not provide individualized advice to wrap fee program investors. CCI receives a portion of the wrap fee for its services.

Similarly, CCI also delivers model portfolios to other clients. In such cases, the clients control implementation. The delivery of changes in model portfolio recommendations typically occurs after similar changes have been implemented, or may be in the process of implementation, across accounts managed by CCI with similar mandates. It should be expected therefore that accounts receiving recommendations that are implemented following CCI managed accounts will have different performance than the accounts managed by CCI because of market changes during the ensuing period.

#### **Item 5 – Fees and Compensation**

CCI charges annual fees to clients based on a percentage of assets under management according to the following schedules.

Large Cap Portfolios (consisting primarily of common stocks within the market capitalization range of the Russell 1000 Growth Index)

<u>Annual Fee</u>	<u>Assets Under Management</u>
0.750%	first \$10,000,000
0.600%	\$10,000,000 - \$25,000,000
0.500%	above \$25,000,000

Mid-Cap Portfolios (consisting primarily of common stocks within the market capitalization range of the Russell Mid Cap Growth Index)

<u>Annual Fee</u>	<u>Assets Under Management</u>
0.750%	first \$100,000,000
0.500%	above \$100,000,000

SMID Portfolios (consisting primarily of common stock within the market capitalization range of the Russell 2500 Growth Index)

<u>Annual Fee</u>	<u>Assets Under Management</u>
0.850%	first \$50,000,000
0.750%	above \$50,000,000

Small Cap Portfolios (consisting primarily of common stock within the market capitalization range of the Russell 2000 Growth Index)

<u>Annual Fee</u>	<u>Assets Under Management</u>
0.850%	first \$50,000,000
0.750%	above \$50,000,000

### Custom Cap Portfolios

Custom Cap Portfolios consist of various allocations among different investment segments as agreed upon with the client. Fees will vary based upon the mix of investment segments to be included within a client's portfolio, reflecting proportionally the representation of similar fees for each of the above described portfolios.

### Healthcare and Technology Portfolios

Fees for Healthcare Portfolios and Technology Portfolios are individually negotiated based on client goals and objectives, and the nature and size of client accounts. The above fee schedules for CCI's various strategies are generally representative of CCI's fees, and CCI has not adopted a specific fee schedule for Healthcare Portfolios or Technology Portfolios.

### Sub-Advisory Mutual Fund Service

For its sub-advisory services to registered mutual funds, CCI is paid a fee that it negotiates with the primary adviser to the fund.

### Model Portfolios Delivered to Wrap Programs

CCI will be compensated a portion of the total wrap fee charged by the program sponsor (ranging up to 0.38%). Depending on the level of assets to which PGI applies CCI's model portfolios, CCI has contractual provisions with Principal Global Investors to apportion the total fee received by Principal Global Investors from each wrap fee program sponsor.

### Private Funds and Performance Fees

For private fund management or long/short strategies, CCI receives fees that include a percentage of assets under management and a performance fee. In such circumstances, CCI receives a fee, payable in advance, in an amount equal to a percentage (1% to 2% on an annualized basis) of the net assets of the fund at the start of the quarter. In the event of termination during a quarterly period, prorated adjustments in such fees are made.

CCI or its affiliated general partner of the CCI Private Funds receives a performance-based allocation of 15% to 25% of net realized and unrealized appreciation in an investor's interests in each of the Funds. Performance-based allocations are calculated and paid annually (or at the time of certain withdrawals or redemptions) and are subject to a high water mark such that a performance based allocation may only be made after recoupment of prior net realized and unrealized depreciation in an investor's interest in the fund.

In measuring clients' assets for the calculation of performance-based fees, CCI shall include realized and unrealized capital gains and losses.

In certain cases, the respective general partner of a Private Fund has waived or reduced all or a portion of the incentive and/or management fees with respect to certain “related investors,” (e.g., employees, family members, trusts or other similar related entities or accounts).

### **Additional Information**

All fee arrangements are subject to negotiation depending upon client relationships, size and servicing requirements, and in some cases exceptions are made to the above fee schedules.

#### Fee Payment Information

The specific manner in which fees are charged by CCI is established in a client’s written agreement with CCI. CCI will generally bill its fees on a quarterly basis. Clients may elect to be billed in advance or arrears each calendar quarter. Clients may also elect to be billed directly for fees or may authorize CCI to directly debit fees from client accounts.

Management fees are generally prorated for each capital contribution and withdrawal made during the applicable calendar quarter subject to specific contractual terms with clients. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee based on the number of days of account management. Any prepaid fees may be returned to a client if the client terminates before the end of a billing period subject to adequate notice provisions.

#### Termination Provisions

A client agreement may be canceled at any time, by either party, for any reason upon receipt of 60 days written notice, or any other period mutually agreed upon between the parties and specified in an advisory agreement. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

#### Additional Fee Arrangements

Based on its operational history since 1975, CCI may have additional fee arrangements with clients who initiated their relationship with CCI under fee schedules that have since been amended.



## Other Costs

CCI's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients incur certain charges imposed by custodians, brokers, third party investment and other third parties, such as fees charged by managers, 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. Mutual funds, including money market funds, and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to CCI's fee, and CCI shall not receive any portion of these commissions, fees, and costs. See Item 12 for a further discussion of CCI's selection of brokers for client securities transactions.

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

In some cases, CCI has entered into performance fee arrangements with qualified clients. Such fees are subject to individualized negotiation with each client. Performance fee arrangements create an incentive for CCI to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. CCI has procedures reasonably designed and implemented to treat all clients fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among clients. Clients receive pro-rata allocations of transactions according to the circumstances described in Item 12 of this Brochure.

## **Item 7 – Types of Clients**

CCI provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds, and other U.S. and international institutions.

CCI also acts as sub-investment manager to two different UCITS cells: Merrill Lynch Investment Solutions – CCI Healthcare Long-Short UCITS Fund and Trium-CCI Technology L/S UCITS Fund.

CCI also provides sub-advisory services to certain registered investment companies, including certain affiliated Principal Global Investors' Funds. CCI also sub-advises accounts of the Principal Global Investors Trust.

#### Conditions for Managing an Account

Generally, new accounts must have at least \$10,000,000. On occasion, exceptions to such minimum account sizes are made because of existing client relationships or for other reasons. Institutional consultants or other market service providers may negotiate lower minimums for groups of client accounts.

In addition, CCI's Healthcare Private Funds require minimum initial investments of \$500,000 and CCI's Technology Private Funds require minimum initial investments of \$5,000,000, subject to the acceptance of lesser amounts in the discretion of CCI Capital Partners (the U.S. affiliated private funds' general partner) or CCI. Management fees and performance-based allocations may be reduced, waived or calculated differently with respect to certain investors in the affiliated private funds.

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

CCI utilizes a growth oriented, investment philosophy of Positive Momentum & Positive Surprise, which strives to invest in good companies getting stronger and in companies whose fundamentals are exceeding investor expectations.

Columbus Circle Investors is a bottom-up, growth-oriented equity manager. CCI uses a four-step process. The first step is to identify 6-10 leading indicators for a specific company's business. The second step is to determine a consensus expectation for each of the leading indicators. (CCI does not believe that you can measure fundamental surprise without understanding what is expected.) The third step compares actual results to the expectations, with the objective of finding companies with positive surprise. Stocks whose collective businesses are experiencing momentum/surprise are considered attractive for purchase and companies falling short or in line with expectations are avoided or sold. The fourth step is to construct a diversified portfolio. CCI continuously monitors for changes in fundamentals and expectations.

**Investing in securities involves risk of loss that clients should be prepared to bear.**

Equity securities (common, convertible preferred stocks and other securities whose values are tied to the price of stocks, such as rights, warrants and convertible debt securities) could decline in value if the issuer's financial condition declines or in response to overall market and economic conditions. A market segment(s), such as large cap, mid cap or small cap stocks, or growth or value stocks, may underperform other market segments or the equity markets as a whole. Investments in smaller companies and mid-size companies may involve greater risk and price volatility than investments in larger, more mature companies. Market prices of growth stocks are often more sensitive than other securities to earnings expectations.

CCI may invest in securities of non-U.S. issuers, including through investments in American Depository Receipts. Such non-U.S. securities may subject the investment portfolios to certain additional risks, such as currency exchange rate fluctuations, price volatility, liquidity volatility, changing local regulatory actions and governmental directives, prohibitions on certain transactions as well as certain economic, social, political and tax risks.

CCI typically manages equity portfolios on a long-only basis, with the exception of certain accounts including the CCI Private Funds, which are managed according to long/short strategies.

CCI's Healthcare and Technology long/short accounts utilize additional investment strategies including the trading of derivatives, foreign currency hedging, leverage and short sales. These strategies are managed with frequent trading, which can increase brokerage costs and other transaction costs and taxes. Such costs and taxes are costs of the strategies and impact the performance of such strategies. These strategies may also create additional counterparty risk depending on the amount of derivative and foreign currency hedging in which the accounts engage.

A "short sale" involves the sale of a security that the investment portfolios do not own in the expectation of purchasing the same security at a later date at a lower price. To make delivery to the buyer, an investor must borrow the security and is obligated to return the security to the lender (which is accomplished by a later purchase of the security). A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically experience an unlimited increase. Such a price increase would increase the cost of buying the securities to cover the short position. Further, there can be no guarantees that the securities necessary to cover a short position will be available for purchase at, or near, prices quoted in the market.

The CCI Healthcare and Technology strategies utilize various types of trading in options on securities and indices, including positions in customized baskets of securities. Customized

baskets allow the holding of a larger numbers of securities than would if invested in each security individually. Customized baskets derive their prices from the prices of the underlying securities and may be more volatile than single security investments. The prices of all derivative instruments, including options prices, may be highly volatile. These strategies may also create additional counterparty risk depending on the amount of derivative and foreign currency hedging in which the accounts engage. Payments made pursuant to swap agreements also may be highly volatile. Swaps and certain options and other custom instruments are subject to the risk of nonperformance by the swap counterparty, including risks relating to the financial soundness and creditworthiness of the swap counterparty.

In the CCI Healthcare and Technology strategies, CCI achieve some leverage through the use of options, short sales, synthetic short sales, swaps, currency forwards, futures or other financial derivatives. The use of leverage enables CCI to increase buying power and take advantage of a greater number of undervalued situations than would be the case if leverage were not used. Any such utilization of leverage could materially increase the risk of loss in the investment portfolios. While leverage presents the potential opportunity for increasing total return, it has the potential for increasing losses as well. Any event which adversely affects the value of an investment would be magnified to the extent leverage is employed.

CCI's Healthcare and Technology strategies do not have fixed diversification limits. Since the portfolios may be concentrated into securities of certain issuers, sectors, sub-sectors or countries, the investment portfolios face greater risks than if the investment portfolio were further diversified. Unfavorable performance in one or more of the strategies' relatively larger investments or poor overall performance within a sector or sub-sector could have a substantial adverse impact on aggregate returns. Further, the securities may be materially affected by conditions in the broader financial markets and overall global economies, generally (e.g., regulatory changes, interest rates, trade barriers, political circumstances, economic uncertainty, changes in tax laws). Any such factor could impair the prices of the securities as well as the overall liquidity of the investment portfolios.

CCI's Healthcare and Technology strategies invest in securities and other instruments of specific sectors which involve substantial risks. Certain companies within the investment portfolios may have limited operating histories, rapidly changing technologies and obsolescence of products, reform or changes in government policies and changes in investor sentiment which may adversely affect the price of the companies' securities. Changes in laws or interpretation of certain laws (e.g. patent laws) in the U.S. or in other countries may adversely affect a company's intellectual property rights and therefore materially affect the price of its securities.

Investors in the CCI Private Funds should review the offering memorandum of any fund for further information about the material risks involved.

## **Item 9 – Disciplinary Information**

CCI is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of CCI or the integrity of CCI's management. CCI has no information applicable to this Item.

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

### Affiliate Financial Companies

Principal Global Investors is a registered investment adviser. Additional companies affiliated with Principal Global Investors include Principal Life Insurance Company, Principal Financial Services, Inc., Princor Financial Services Corporation, and Principal Financial Group, Inc. As previously described in Item 7, CCI manages registered investment companies and group trusts, as retained by Principal Global Investors. CCI's internal investment and trade allocation procedures emphasize that all clients are treated on a fair and equitable basis.

Principal Global Investors is also a direct or indirect owner of other registered investment advisers and broker dealers. CCI does not share information or investment analysis with these indirectly affiliated firms, and does not arrange any client account transactions through affiliated broker dealers.

As described earlier, CCI co-advises accounts of certain model wrap fee and other investor programs with Principal Global Investors. CCI does not handle or manage individual accounts in such programs but rather delivers model portfolio recommendations that Principal Global Investors and other service providers utilize for individual account management.

### Participation in Private Funds

Investment advisory clients of CCI may be solicited to invest in the CCI Private Funds. Another company under common control, CCI Capital Partners, LLC (**Capital Partners**), a Delaware limited liability company, serves as general partner of the U.S. based CCI Private Funds. Capital Partners has entered into an agreement with CCI for sub-advisory services for the affiliated private funds. CCI and Capital Partners receive management fees and performance fees, respectively, in the U.S. based CCI Private Funds.

Certain employees of CCI serve as portfolio managers to the CCI Private Funds. In that capacity, the portfolio managers receive a portion of the performance-based allocation made to Capital Partners. In addition, Capital Partners and certain portfolio managers have investments in the Private Funds. Certain affiliates and employees of CCI also have invested as limited partners of the CCI Private Funds. CCI's policies prohibit the favoring of any accounts over other accounts.

The portfolio managers of the CCI Private Funds may also serve as portfolio managers to other client accounts that trade in the same securities as the Private Funds. CCI Private Funds and client accounts are monitored for fair and equitable portfolio management and trading allocations.

CCI does not permit managers of long/short strategies to initiate positions in the opposite investment direction from long strategies (and vice versa). For example, CCI's Healthcare and Technology managers may not short a security held long in a long-only strategy. This policy, however, does not restrict any transactions by CCI long/short portfolio managers based on positions held by other CCI long/short portfolio managers.

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

CCI has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, restrictions on political contributions and personal securities trading procedures, among other things. All supervised persons at CCI must acknowledge the terms of the Code of Ethics annually, or as materially amended.

CCI's employees and persons associated with CCI are required to follow CCI's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of CCI and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for CCI's clients.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of CCI will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interests of CCI's clients.

In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and is designed to prevent conflicts of interest between CCI and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with CCI's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. CCI will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis, and any exceptions will be explained on the order.

CCI's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting CCI's Compliance Director.

## **Item 12 – Brokerage Practices**

Except in those instances where a client wishes to retain discretion over broker selection and commission rates, CCI accepts discretionary authority to determine the brokers used and the commissions paid by clients for securities transactions.

In the absence of any client direction to utilize a particular broker or dealer for the execution of transactions in any client accounts, CCI's overriding objective in effecting portfolio transactions is to obtain the best combination of price and execution. CCI seeks to arrange each transaction at a price and commission that provides the most favorable total cost or proceeds reasonably attainable under the circumstances. CCI may consider various factors when selecting a broker or dealer, including, but not limited to, the nature of the portfolio transaction, the size of the transaction, the broker's reliability, the quality of the broker's execution services, the broker's financial condition, commission rates on agency

transactions, the execution quality, clearing and settlement capabilities of the broker or dealer; the desired timing of the transactions, confidentiality, and under appropriate circumstances the general brokerage (execution-related) and research services that are provided. Research and execution-related services may be provided in the form of written reports, telephonic communications, data feeds, software (including software providing securities analysis functions), analyst earnings revisions, etc., and may contain information concerning securities markets, the economy, individual companies, pricing information and services, performance studies and other information providing assistance in the performance of CCI's investment decision-making responsibilities.

CCI causes its clients to pay broker-dealers that provide brokerage and research services to CCI an amount of commission in excess of the commissions which another broker-dealer would have charged for effecting a transaction. Research and execution-related services provided by brokers may be proprietary products and services of the brokers, or third party products provided to CCI by the brokers. CCI participates in research and brokerage services agreements in which a broker dealer will retain a portion of commissions generated by CCI for the payment of research and execution-related services as directed by CCI. CCI also executes "step out" transactions in which it arranges execution of a single security through multiple brokers who may each receive a portion of the applicable commissions to recognize execution and research services provided by the respective brokers.

Although it is not possible to assign an exact dollar value to certain services, they may, if and to the extent used, tend to reduce the expenses of CCI. The fees paid to CCI by clients are not reduced because CCI receives such services. Research and execution-related services furnished by brokers and dealers with whom CCI arranges transactions may be beneficial to certain of the accounts advised by CCI. A particular account may be charged a commission paid to a broker dealer which supplies research or execution-related services not directly utilized by such account. However, CCI expects that all client accounts will benefit overall by these practices because of the overall benefits of research and execution-related services. On a semi-annual basis, CCI reviews its commission policies, rates and allocations. This review considers the contributions and value of research services received from broker-dealers.

Where a particular service or product that a broker or dealer is willing to provide has not only a research application, but is also utilized by CCI for non-research purposes, then CCI will allocate the cost of the product or service between "research and execution-related" and "non-research and execution-related" costs. CCI will allocate only the research and execution-related portion to payment by brokers.



If a client decides to direct where its brokerage is placed by CCI, the client should consider: (i) CCI's brokerage placement practices; (ii) that a client who directs CCI to use a specific broker may pay higher commissions on some transactions that might be attainable by CCI, or may receive less favorable execution of some transactions, or both; (iii) that a client who directs CCI may forego any benefit from savings on execution costs that CCI could obtain for its clients through negotiating volume discounts on batched transactions; (iv) that a client who directs CCI may not be able to participate in an allocation of shares of a new issue if those new issue shares are provided by another broker; (v) that a client who directs CCI may restrict CCI from receiving research-related products and services available from other brokers; (vi) CCI may not begin to execute client securities transactions with broker-dealers that have been directed by clients until non-directed brokerage orders are completed; and (vii) clients directing commissions may not generate returns equal to clients which do not direct commissions.

CCI aggregates purchases and sales orders of securities held in a client's account with the same orders made simultaneously for other accounts managed by CCI, because in CCI's reasonable judgment, such aggregation shall result in an overall economic benefit to client accounts taking into consideration the advantageous purchase or selling price, brokerage commission and other expenses. Participation in the aggregated trades and the subsequent allocation is based on such considerations as investment objectives, restrictions, duration, availability of cash balances, the amount of existing holding of similar securities, as well as other factors. With the exception of certain trades (such as program trades and directed brokerage trades), CCI aggregates all market orders in any particular security received by its trading department within 30 minutes of each other, and allocates such orders based on pro rata costs and pricing. Orders for the same security not received within 30 minutes of each other will not be aggregated, except for any remaining portion of the first order received that has not been executed when the second order is placed. Upon receiving a second order outside of 30 minutes from the first order, the Trading Department will allocate any previously executed portion of the initial order pursuant to the first order, and aggregate the remaining portion of the first order with the second order. Each successive order will be treated accordingly. Pre-market and post-market (before 9:30 a.m. and after 4:00 p.m., respectively) are treated as separate markets; transactions are aggregated with other transactions in the same securities within such respective markets, and allocated on a pro rata basis. Transactions during regular market hours (9:30 a.m. to 4:00 p.m.) are not aggregated with pre-market or post-market transactions. Likewise, pre-market and post-market transactions are not aggregated with each other. Program trades implemented to make cash adjustments across clients' accounts and non-market orders are not aggregated with other transactions in the same security. The aggregation of all client transactions in a particular security within regular market hours, the pre-market, and the post-market, respectively, may result in each client receiving a higher or lower price than if the

transaction had not been aggregated with other transactions in the same security. Managers of various strategies may arrange transactions in the same security at the same time, at different times during a day, or on different days. Allocations generally are made at the close of each trading day or earlier. Subsequent reallocations may be made in unusual circumstances due to recognition of specific account restrictions.

Securities of an Initial Public Offering (**IPO**) are generally allocated among CCI's client portfolios based on the market cap and nature of the security offering. Portfolio managers for each strategy will indicate expressions of interest for a particular IPO and such IPO securities are allocated among various participating strategies, as appropriate, based on the total asset size of participating accounts within a strategy. CCI Private Fund accounts that participate will receive an allocation based on the IPO-eligible assets of the each participating account. If each participating portfolio manager indicates a maximum number of shares then the allocation will be based on a pro rata amount of the maximum shares requested by each manager. IPOs are allocated to each account within the applicable investment strategy on a pro rata basis or rotational basis depending on the size of the available allocation. Accounts may be skipped in the rotational basis because of such factors as cash availability, size of investment opportunity or account restrictions. CCI's policy is to distribute IPOs equitably among its clients. CCI's Code of Ethics prohibits employees from receiving IPOs as personal investments. Model wrap accounts and similar program accounts will not receive any IPO allocations from CCI. CCI may update its model portfolio following the purchase of IPOs for its clients to include the newly offered security in which case the security may be purchased by Principal Global Investors for wrap accounts on the secondary market.

CCI also has additional client relationships in which the client receives portfolio recommendations from CCI and the client(s) implements investment decisions through the client's own trading desk and brokerage relationships. These clients, like directed brokerage clients, will not receive the benefits of aggregate trading and CCI's brokerage relationships, or allocations of IPOs.

CCI does not use the brokerage services of any affiliated companies.

Soft dollar benefits are not limited to those clients who may have generated a particular benefit, although certain soft dollar allocations are connected to particular clients or groups of clients.

CCI has placement arrangements for the sale of certain CCI Private Funds with one or more broker dealers with which CCI arranges clients' securities transactions. CCI selects broker dealers based on the criteria described above, and does not use commissions to compensate brokers for referrals or placement of investors. CCI regularly reviews its efforts to achieve based execution and does not consider referrals in the evaluation of brokers.

### **Item 13 – Review of Accounts**

The reviews of accounts are conducted on daily basis. All portfolios are updated daily and available for scrutiny on a real-time basis. Although CCI's portfolio managers make the final investment decisions, the investment process is organized as a team effort with different teams managing different asset classes. As of December 31, 2016, the members of the investment team include: 9 equity portfolio managers, all of whom are also involved in stock research, and 16 equity securities analysts. The team structure is designed to provide checks and balances through internal research to facilitate the firm's ability to identify and respond quickly to meaningful changes in the essential story elements that affect existing and potential holdings. The ultimate responsibility for individual stock selections within each portfolio lies in the hands of the portfolio managers. Each research analyst submits buy and sell recommendations to the portfolio managers who discuss each recommendation and make the final investment decision.

#### **Regular Reports**

CCI's discretionary clients with which it has direct relationships are provided with quarterly asset and transaction reports, quarterly performance summaries and a written commentary that includes a view of the business environment and outlook for markets. Incremental verbal or written contact with a client will be responsive to client requests and as necessary based on market activity. CCI provides certain clients with incremental reports as agreed upon at the outset of a client relationship, or as reasonably requested.

CCI Private Fund investors are provided with monthly performance statements, as well as quarterly written commentaries, and annual audited financial statements. Client relationships managed in conjunction with a third party do not receive reports directly from CCI.

Wrap fee investors and clients in other similar programs receive reports directly from program sponsors, not from CCI.

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

CCI has an arrangement in which it compensates a person a percentage of CCI's advisory fees for past client referrals. CCI also compensates third party broker dealers as finders or placement agents for the sale of the CCI Healthcare Private Funds.

## **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. CCI urges you to carefully review such statements and compare such official custodial records to the account statements that CCI provides to you. CCI's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

CCI Private Fund investors receive annual audited financial statements each year within 120 days of the end of each such fund's fiscal year.

## **Item 16 – Investment Discretion**

CCI usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. CCI assumes this authority based on the terms of its advisory agreement with a client. When selecting securities and determining amounts, CCI observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to CCI in writing. CCI receives discretionary authority from the investment partnerships of the affiliated private funds managed by CCI.

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

CCI generally exercises proxy voting authority for its clients. CCI has adopted standard voting parameters addressing the vast majority of proxy matters with which it is familiar, and outsources the function of voting clients' proxies in accordance with these parameters to ISS Proxy Exchange (**ISS**). CCI delegates certain authority to ISS to determine whether a proxy ballot presents extenuating circumstances which would require additional vote-specific analysis beyond the application of CCI's voting parameters. Further, CCI regularly reviews its proxy voting practice to determine whether any material conflicts of interest are present. CCI's clients include publicly traded companies in which clients' assets may be

invested. Proxies issued by these companies will be voted according to CCI's general parameters. In the event of a vote involving a conflict of interest that does not meet the specific voting parameters of CCI's proxy voting guidelines or requires additional company-specific decision-making, CCI will vote according to the voting recommendation of ISS. In the rare occurrence that ISS does not provide a recommendation, CCI may request client consent on the issue.

CCI also makes available ISS' proxy voting guidelines specifically designed for Taft-Hartley plans, and clients may request that proxies related to their accounts be voted according to such guidelines. Clients may also retain proxy voting authority.

CCI does not vote proxies for accounts within investment programs to which CCI provides model portfolio recommendations.

Clients may request a copy of CCI's complete proxy voting policy from CCI's Compliance Director. Clients may request voting records of how securities have been voted in their particular account and, if so requested, CCI will generate and compile such client records within a reasonable amount of time.

## **Item 18 – Financial Information**

Registered investment advisers are required to provide you with certain financial information or disclosures about their financial condition. CCI 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.