



## **COLUMBUS CIRCLE INVESTORS**

METRO CENTER, ONE STATION PLACE  
8TH FLOOR SOUTH  
STAMFORD CT 06902  
203.353.6000

[WWW.COLUMBUSCIRCLE.COM](http://WWW.COLUMBUSCIRCLE.COM)

**MARCH 28, 2013**

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 which you determine to hire or retain its 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 a unique identifying number known as a CRD number. The CRD number for CCI is 111878.

## **Item 2 – Material Changes**

The following is a Summary of the Material Changes to CCI's Form ADV Brochure from our Annual Updating Amendment dated March 30, 2012 to our Annual Updating Amendment dated March 28, 2013.

In amendments submitted in July 2012, CCI clarified its trade aggregation and allocation procedures to indicate that CCI does not aggregate non-market orders with market orders. CCI also clarified that when its portfolio managers each request maximum participation in an initial public offering that the allocation of received shares will be shared based on a pro rata amount of the shared requested by each.

On January 1, 2013, CCI added CCI Micro Healthcare Partners, L.P. and CCI Micro Healthcare, Ltd. as affiliated private funds to which CCI provides advisory services.

CCI also updated its regulatory assets under management.

We will further provide clients with a new Brochure at any time, without charge.

Currently, our Brochure may be requested by contacting Mary Frances Emerson, CCI's Compliance Manager, at 203.353.6053.

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#### **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. CCI is a partly-owned subsidiary of Principal Global Investors, LLC (“Principal Global Investors” or “PGI” as further referenced below), a member of the publicly traded Principal Financial Group, Inc. Managing employees of CCI maintain an ownership interest in the company. Both Principal Global Investors and the managing employees of CCI maintain their ownership of CCI through their ownership interests in the holding company CCIP, LLC.

As of December 31, 2012, CCI managed \$15,015,253,843 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, L.P.; CCI Healthcare Partners II, L.P.; CCI Healthcare Partners, Ltd.; CCI Healthcare Master Fund, Ltd.; CCI Technology Partners, L.P.; CCI Technology Partners, Ltd; CCI Technology Partners II, LP; CCI Technology Partners II, Ltd.; CCI Micro Healthcare Partners, L.P.; and CCI Micro Healthcare Partners, Ltd. (collectively, the CCI Healthcare and Technology Private Funds).

## Investment Management 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

Technology Portfolios (consisting of stocks in companies driven by technology innovations-including telecommunications, Internet applications/media, semiconductors, enterprise automation, alternative energy, and medical technology).

<u>Annual Fee</u>	<u>Assets Under Management</u>
0.750%	all assets

### 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 particular client's portfolio, reflecting proportionally the representation of similar fees for each of the above described portfolios.

### Healthcare Portfolios

Fees for Healthcare 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.

### 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 and certain other client accounts, 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% or 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 Healthcare and Technology Private Funds receives a performance-based allocation of 20% or 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.

### **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 may 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 may 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 designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients. Clients receive pro-rata allocations of daily 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 provides sub-advisory services to the following registered investment companies (as of December 31, 2012), including affiliated Principal Global Investors' Funds:

- Principal Investors Fund – LargeCap Growth
- Principal Investors Fund – MidCap Growth
- Principal Investors Fund – SmallCap Growth I
- Principal Variable Contracts Fund – Growth Account
- Transamerica Partners Institutional Mid Growth Fund
- Transamerica Partners Mid Growth Fund
- Russell Investment Company – U.S. Core Equity Fund
- Russell Investment Company – U.S. Growth Fund
- Russell Investment Funds – Multi-Style Equity
- Guidestone Growth Equity I Fund
- Guidestone Small Cap Equity Fund
- Vantagepoint Growth Fund

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 affiliated Healthcare and Technology Private Funds require minimum initial investments of \$500,000 and \$1,000,000, respectively, 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 typically manages equity portfolios on a long-only basis, with the exception of certain accounts including the CCI Healthcare and Technology Private Funds, which are managed according to a long/short strategy.

CCI manages certain healthcare and technology accounts, including its affiliated CCI Healthcare and Technology Private Funds and other US and foreign funds, with additional investment strategies including the trading of derivatives, foreign currency hedging, leverage and short sales. These healthcare and technology accounts, including private funds and other affiliated funds, are managed with frequent trading, which can increase brokerage costs and other transaction costs and taxes. Such costs and taxes are a cost of the fund and impact the performance of such funds. These strategies may also create additional counter-party risk depending on the amount of derivative and foreign currency hedging in which the accounts engage. Investors in such 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**

Certain management and advisory personnel, and other employees of CCI are registered representatives of Princor Financial Services Corporation, an affiliated broker dealer. Such persons are prohibited from acting as a broker on securities transactions within CCI managed accounts. This prohibition prevents the conflict of interest that might otherwise be associated with the ability to receive separate fees in connection with investment advisory services. These persons may engage in sales activity involving the receipt of sales compensation related to offerings of the CCI Healthcare and Technology Private Funds and certain products of Principal Global Investors, including mutual funds and the Principal Global Trust, to which CCI provides management services.

### Affiliate Financial Companies

Principal Global Investors, the indirect majority owner of CCI, is a registered investment adviser. Additional companies affiliated with Principal Global Investors include Principal Life Insurance Company, Principal Financial Services, Inc., and Principal Financial Group, Inc. CCI manages registered investment companies and group trusts, as described earlier, 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 Healthcare and Technology Private Funds. Another company under CCI's common control, CCI Capital Partners, LLC ("Capital Partners"), a Delaware limited liability company, serves as general partner of the U.S. based private Healthcare and Technology 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 Healthcare and Technology Private Funds.

Certain employees of CCI serve as portfolio managers to the CCI Healthcare and Technology 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 Healthcare and Technology Private Funds. CCI's policies prohibit the favoring of any accounts over other accounts.

The portfolio managers of the CCI Healthcare and Technology Private Funds also serve as portfolio managers to other client accounts that trade in the same securities as the private funds. CCI Healthcare and Technology Private Funds and client accounts are monitored for fair and equitable portfolio management and trading allocations. Except for a limited exception applied to securities traded within the healthcare long/short strategy accounts, CCI policies prohibit the ability of portfolio managers to trade net short the same securities that are held long within other client accounts. When consistent with investment guidelines, portfolio managers may short a position held long in other accounts only to the extent that the accounts managed by the portfolio manager do not become net short in the same security, i.e. a manager may "short against the box." Portfolio managers may also engage in opposed long and short positions in exchange-traded funds.

## **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 its Chief Compliance Officer, Mr. Frank Cuttita, or CCI's Compliance Manager.

## **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 effect 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 may cause its clients to pay a broker-dealer that provides 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 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 account 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 program trades and directed brokerage trades, CCI

aggregates all market orders in any particular security received by its trading department within one hour of each other, and allocates such orders based on pro rata costs and pricing. Orders for the same security not received within one hour 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 one hour 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) transactions are separately 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.

Initial Public Offerings ("IPOs") are generally allocated among CCI's client portfolios based on the market cap and nature of the security offering. Portfolio managers for each strategy indicate expressions of interest in an IPO when such investments are available and the managers determine to request such securities. IPOs are allocated among various participating strategies as appropriate based on the total asset size of participating accounts within a strategy. 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 equitably distribute IPOs among its clients. CCI's Code of Ethics prohibits employees from receiving IPOs as personal investments. The CCI Healthcare and Technology Private Funds may be included within allocations and such funds included on the allocation list. 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 referral arrangements 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. 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 the final investment decisions are made by CCI's portfolio managers, the investment process is organized as a team effort with different teams managing different asset classes. As of December 31, 2012, the members of the investment team include: 8 equity portfolio managers, all of whom are also involved in stock research, and 19 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 his buy and sells 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. The Private Funds' 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 arrangements whereby it compensates firms or a person for client referrals. Typically, the arrangements provide for the remittance by CCI of a certain percentage of annual advisory fees to the person during a referred account's first year and lesser percentages of annual advisory fees for the referred accounts second and succeeding years. Each client is given a copy of a referral disclosure document prior to or at the time of entering into any advisory contract. CCI also compensates third party broker dealers as finders for the sale of the CCI Healthcare and Technology 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 we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

CCI Healthcare and Technology 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 extenuating circumstances are presented by a proxy vote that would require additional vote-specific analysis beyond the application of CCI's voting parameters. CCI further 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 its Chief Compliance Officer or Compliance Manager. Clients may also request voting records of how securities have been voted in their particular account. Please provide CCI with a reasonable time to compile records following a client request.

## **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.