



## Investment Adviser Information

### Form ADV Part 2A

Uniform Application for Investment Adviser Registration

March 15, 2018

### CornerStone Partners LLC

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This Brochure provides information about the qualifications and business practices of CornerStone Partners LLC ("CornerStone"). If you have any questions related to the contents of this Brochure, please contact Maria Rolph at (434) 296-2300 or [compliance@cstonellc.com](mailto:compliance@cstonellc.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about CornerStone is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

CornerStone Partners LLC is a registered investment adviser with the SEC. Registration of an investment adviser does not imply any certain level of skill or training.

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## 2 - MATERIAL CHANGES

This brochure serves as an annual amendment. The following material change has been made to this Brochure since the last annual amendment, filed on March 16, 2017:

- CornerStone Partners has updated the assets under management reported in *Item 4 - Advisory Business*.
- In anticipation of his retirement, Peter Brooks, Managing Director, no longer has investment-related responsibilities and is not listed as an Investment Professional on Form ADV Part 2B, the Brochure Supplement.

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# INVESTMENT ADVISER INFORMATION

Form ADV Part 2A: Uniform Application for Investment Adviser Registration

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

This part of Form ADV gives information about the investment adviser and its business for the use of clients.

This information has not been approved or verified by any government authority.

CornerStone Partners LLC  
SEC File number 801-61507  
CRD number 118221

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## 4 - ADVISORY BUSINESS

### Firm Overview

CornerStone Partners LLC was founded in July 1997 and has been registered with the SEC since 2002. We provide Outsourced Chief Investment Officer and investment office services ("OCIO") to a select group of tax-exempt organizations. On an advisory or discretionary basis, we manage investment portfolios for mission-driven organizations and institutions. Our clients include college and university endowments, healthcare foundations, and public charities. We relieve our clients of the challenges of building and maintaining an in-house investment office. CornerStone provides fiduciary investment portfolio management and a broad range of operational and administrative services.

CornerStone Partners is a completely independent investment adviser and 100% employee-owned. All owners and executive officers of the company are listed on Schedule A of Form ADV Part 1. We have no parent company or affiliates, we do not act as a custodian or broker-dealer, and we do not sell or manage any investment vehicles, products, or pools.

### Services Offered

CornerStone Partners' only business is providing OCIO services to clients. We manage client portfolios pursuant to a discretionary or non-discretionary investment management agreement ("IMA") with each client in accordance with the stated investment objectives, strategies, and guidelines expressly stated and agreed upon with each client. Accounts and investments are registered in the client's name and held in custody with an independent third-party qualified custodian selected and retained by the client.

CornerStone recommends, implements, and monitors advisory and discretionary clients' investments with third-party managers, including public and private equity and debt investments. CornerStone monitors all client portfolio and manager performance on an ongoing basis and proposes adjustments to allocations periodically as opportunities and challenges arise. With discretionary authority, CornerStone can arrange for the purchase, acquisition, redemption, sale or disposal of investments on behalf of the client.

Third-party investment managers have full investment discretion and trading authority and sole responsibility for implementation of the investment program with respect to the relevant portion of the client's account. Investment discretion has been delegated to and accepted by the third-party money managers.

CornerStone provides detailed written analysis and reports to clients, typically monthly and/or quarterly, in addition to the account statements clients receive from their custodian and investment managers.

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**Client-Tailored  
Services and  
Client-Imposed  
Restrictions**

CornerStone seeks to understand the unique considerations and objectives of each client, and to integrate portfolio design, investment planning and ongoing recommendations with each client's broader mission, strategic plan, and financial needs. We work closely with client staffs and committees to define and establish or update the organization's investment policies, and to determine appropriate allocations in consideration of each organization's financial strategy, objectives, risk tolerance, and constraints.

CornerStone recommends third-party investments to clients in accordance with the investment goals and objectives established jointly by CornerStone and each client. We believe one-size-fits-all pools are suboptimal and, therefore, we do not commingle client assets.

Clients are able to place restrictions on the types of investments to be recommended or made for its account(s).

**Assets Under  
Management**

As of January 1, 2018, total assets under management were valued at approximately \$10.875 billion: \$5.975 billion on a non-discretionary basis and \$4.9 billion on a discretionary basis.

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## 5 - FEES AND COMPENSATION

### Fee Options

CornerStone Partners offers two fee schedule options to clients.

Option #1: Management Fee + Incentive Fee:

Management Fee:

0.40% per annum on assets up to \$250 million;  
0.15% per annum on assets between \$250 million and \$500 million;  
0.10% per annum on assets between \$500 million and \$1 billion;  
0.08% per annum on assets over \$1 billion.

Incentive Fee:

An annual incentive fee of 3.0% of the aggregate profits, net of all fees and expenses, for the calendar year, including unrealized gains, if any, in excess of a 10% “hurdle return”, subject to a loss carryforward. An incentive fee will not be paid until net losses have been offset by subsequent net profits, and the hurdle return for the year has been exceeded. The incentive fee will only be payable on net profits that are in excess of the hurdle return. The “hurdle return” is a non-cumulative, non-compounded rate of 10% per annum. Partial periods are prorated. Any incentive fee is paid in arrears and is based on the net asset value of the account on the last trading day of the calendar year or the last trading day that CornerStone managed the portfolio.

Option #2: Management Fee Only:

Clients have the option to eliminate the annual incentive fee in favour of a management fee only structure. For this option, the management fee in Option 1 is increased by 0.02% per annum.

### Payment Terms

The first CornerStone management fee payment is due upon execution of the investment management agreement and will be assessed pro rata if the agreement is executed at any time other than the first business day of the calendar quarter. Thereafter, the management fee is billed and payable quarterly in advance. CornerStone’s fee is calculated on the net asset value of the account as of the last trading day of the previous calendar quarter.

Fees may be negotiated at the discretion of CornerStone. The investment management agreement is terminable by either party on prior written notice (the agreement specifies the number of days prior to termination that written notice must be submitted). If the agreement is terminated and the client account holds illiquid investments, CornerStone’s management fee shall generally terminate with respect to such illiquid investments.

### Other Expenses

CornerStone Partners’ fee is separate from the fees charged by third-party investment managers, custodial charges, brokerage fees or commissions, transaction fees, borrowing charges, costs associated with foreign exchange transactions, and other related costs and expenses incurred by client accounts.

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## 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described in Section 5 - Fee Options, clients can select the management fee option that includes an Incentive Fee. The incentive fee is based on the performance of the client's overall portfolio under CornerStone management and is a share of capital appreciation of the client's assets. This section discusses the potential conflict of interest such a fee arrangement may pose, with information about how CornerStone manages possible conflicts.

One of the potential conflicts of interest that may arise in connection fee calculations is related to valuation. Valuation of investments (which will indirectly determine the amount of the management and incentive fee) may involve uncertainties and judgmental determinations; should such valuations prove to be incorrect, clients may be affected adversely. Independent pricing information may not be available at times, with respect to certain securities and other investments. Accordingly, while best efforts are used by the custodians, administrators, and managers to value all investments in client accounts fairly, certain investments may be difficult to value and may be subject to varying interpretations of value. In addition, a performance fee may be based on realized and unrealized gains and losses. As a result, a performance-based fee earned could be based on unrealized gains that a client may never realize.

Compensation based on portfolio performance could create an incentive for CornerStone Partners to recommend investments that may be riskier or more speculative than would be the case in the absence of such compensation. To the extent that CornerStone manages portfolios subject to a performance-based fee and portfolios that are not subject to a performance-based fee, CornerStone may be incentivized to favor accounts for which the firm receives a performance-based fee.

CornerStone allocates investment opportunities among clients in a manner it believes to be fair and equitable over time and in the best interests of each client. Factors we consider include individual client's investment objectives, strategies, limitations, and capital available for investment. Because of the diversity of objectives, risk tolerance, and differences in the timing of capital contributions and withdrawals, investment managers and positions will inevitably differ among client accounts. We monitor investments recommended and made for client accounts on an ongoing basis, endeavoring to ensure they are appropriate, fair, and equitable to the maximum possible extent, without regard to the potential for performance-based fee compensation. CornerStone has adopted policies and procedures with respect to the allocation of investment opportunities that we believe are reasonably designed to mitigate conflicts associated with side-by-side management.

## 7 - TYPES OF CLIENTS

CornerStone Partners provides investment advisory services to institutional not-for-profit investors, including endowments, foundations, and charitable organizations.

We currently require a minimum of \$250 million for new client relationships. We reserve the right, in our discretion, to impose a higher minimum or to waive the account minimum.

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## 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS

### Strategies and Methods of Analysis

CornerStone assesses each client's objectives, risk tolerance, and constraints to form the basis for recommending or implementing investment strategies designed to achieve the client's investment goals and objectives. We use proprietary and non-proprietary models to determine tactical and strategic asset allocation targets for client investment portfolios. We use proprietary and non-proprietary databases, research and industry networks in search of suitable investments for client portfolios. We do not independently audit or verify the performance figures reported by all funds or managers that appear in these databases. The third-party managers determine the underlying investments in specific funds/accounts, and they determine their specific securities analysis methods.

We primarily consider the long-term prospects of a potential investment. CornerStone's manager selection process includes in-depth investment due diligence and fundamental analysis. Once we have identified a potential candidate for investment, we examine and evaluate management teams, investment and operations personnel, manager/fund strategies, security/investment selection methodologies, and portfolio- and risk management systems. We collect and review available audited financial statements, offering documents, manager reports, and past performance records, and we conduct manager interviews, in-person meetings, reference checks, and third-party background checks.

### Associated Risks

The following is a brief overview of some of the risks associated with CornerStone Partners' investment strategies; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks, considerations and conflicts that may arise in connection with the management of client accounts. The investment programs of certain accounts overseen by CornerStone Partners may involve significant risk factors. Such investments are suitable only for experienced and sophisticated clients who have limited need for liquidity in their investment and can bear the economic risk of the loss of their entire investment. Further, due to the illiquid nature of certain assets, some investments may be redeemed or withdrawn at a price that may not always accurately reflect the value of the investment.

CornerStone seeks to select only third-party investment managers who will invest assets with the highest level of integrity, but our investment selection process cannot ensure that managers will perform as desired. We have no control over the day-to-day operations of any money manager, and we would not necessarily be aware of certain activities, including, without limitation, a manager engaging in unreported risks, regulatory breach, or fraud. There can be no assurance that a manager will conform its conduct to the desired standards.

Investments with money managers are subject to inherent risks associated with securities investing, as well as additional risks. Managers may suffer loss because of poor performance, failure to raise assets, regulatory violations and enforcement actions, fraud, and other factors which may result in a complete loss of the investment. Other risks include, but are not limited to, lack of liquidity, lack of diversification, lack of transparency, reliance on investment managers for performance and valuation information, dependence on key personnel, the use of short sales, the use of leverage, custodian and prime broker insolvency, counterparty credit, and settlement default risk. There can be no assurance that CornerStone client portfolios will achieve their investment objectives. Changing economic, political, regulatory or market conditions, interest rates, general levels of economic activity, the price of securities and debt instruments, and participation by other investors in the financial markets may affect the value, number, and size of investments considered.



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## 9 - DISCIPLINARY INFORMATION

As a registered investment adviser, CornerStone is required to disclose all material facts for any legal or disciplinary events that would be material to a client or potential client's evaluation of the firm, and the integrity of the business and personnel employed by the firm. CornerStone Partners does not have any disciplinary information relating to the firm or its personnel to report.

## 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

CornerStone Partners and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

Some CornerStone employees may be invited to serve on the advisory boards of investment funds in which CornerStone clients invest. In so doing, they may provide advice on certain conflicts of interest and other matters pertaining to such investment funds. There may be instances where such persons are asked to vote on issues taking the needs of all investors in such investment funds into account. Neither CornerStone nor any CornerStone employee receives any form of compensation for serving on these advisory boards.

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## 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING

CornerStone believes that high ethical standards are essential if we are to earn and maintain the confidence of our clients. We have adopted a Code of Ethics designed to prevent and detect possible conflicts of interest, and compliance with CornerStone's Code of Ethics is a condition of employment. All CornerStone employees must acknowledge the Code and agree to comply upon employment, annually thereafter, and whenever material changes are made to the Code.

It is each employee's responsibility to ensure that they and those they manage are conducting business professionally and complying with the procedures and policies governing CornerStone's collective responsibility. Any director, partner, officer or employee not in observance of the provisions of our Code of Ethics is subject to termination. A copy of CornerStone's Code of Ethics is available to any client or prospective client upon request.

The following highlights some of the provisions under CornerStone Partners' Code of Ethics:

- As an adviser and fiduciary, we owe clients our undivided loyalty. No person of CornerStone shall prefer his or her own interests to those of CornerStone clients.
- We seek to provide objective, independent investment advice that is accurate, balanced, and not misleading in any way.
- CornerStone Partners employees may not buy or sell securities for their personal account(s) where the decision is substantially derived, wholly or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry.
- CornerStone Partners employees may not invest with money managers or in investment funds where a CornerStone client is invested, or where the investment may be considered for client investment.
- CornerStone employees interact with investment managers and may occasionally receive material non-public information related to certain securities. In such instances, the securities are placed on a restricted trading list.
- We maintain an inventory of employees' securities holdings, and require:
  - a) Pre-clearance for certain personal securities transactions,
  - b) Pre-clearance and annual certification of outside activities,
  - c) Initial and annual holdings reports for all reportable securities;
  - d) Access to household brokerage statements over which employees have a direct or indirect beneficial interest, or the electronic access equivalent to such accounts.

CornerStone reviews and maintains records of the reportable personal securities transactions of employees to ensure that client's interests are protected.

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## 12 - BROKERAGE PRACTICES

### Soft Dollars

CornerStone Partners does not participate in any formal soft dollar arrangements but may receive research products or services from client custodians, their broker-dealers and other counterparties or other intermediaries that, to the best of the firm's knowledge, are generally made available to all institutional clients doing business with these counterparties. These products and services are made available to us on an unsolicited basis and without regard to transaction costs paid by our clients. We do not separately compensate such third parties for research or services, which are supplemental to CornerStone's own research efforts.

The third-party managers CornerStone recommends, or invests with on behalf of discretionary clients, generally limit the use of "soft dollars" to obtaining research and brokerage services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"). Research services within Section 28(e) may include, but are not limited to, research reports; certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software used to transmit orders; clearance and settlement in connection with a trade; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations. Soft dollar products and services may be provided directly by brokers, by third parties at the direction of brokers, or purchased by the third-party investment manager or fund manager for the fund or account with credits or rebates provided by brokers. Soft dollar credits may arise from riskless principal transactions and exchange traded agency transactions.

Third-party investment managers may use soft dollar products and services in certain circumstances, provided that the fund or account does not pay a rate of commission in excess of what is competitively available from comparable brokerage firms for comparable services, and considering various factors, including commission rates, financial responsibility and strength and ability of the broker to execute transactions efficiently. Commissions or other forms of compensation related to transactions effected in futures, currencies or certain derivatives are outside the parameters of Section 28(e)'s "safe harbor". Certain soft dollar items received may be permitted in some cases outside the "safe harbor" of Section 28(e) under the specific authority of a fund's governing documents or account's investment management agreement.

### Best Execution

CornerStone Partners does not have the authority to determine the broker, dealer, or other intermediary that might be used to purchase securities and other investments for non-discretionary client accounts. CornerStone generally has authority to determine the broker, dealer, or other intermediary that would be used to purchase securities and other investments for discretionary client accounts; however, investments with third-party investment managers and private funds generally do not involve brokers, dealers, or other intermediaries.

To the limited extent CornerStone Partners may transact in publicly traded securities for discretionary client accounts or engage intermediaries to effect transactions in private securities or other private investments for discretionary client accounts, we intend to select brokers, dealers or other intermediaries based upon their ability to provide best execution. CornerStone is generally authorized to make some or all

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of the following determinations for discretionary clients, subject to each client's investment management agreement: (i) which securities or other investments to buy or sell; (ii) the total amount of securities or other investments to buy or sell; (iii) the executing broker or dealer or other intermediary for any transaction; and (iv) the commission rates or commission equivalents charged for transactions.

In making decisions regarding the allocation of brokerage transactions, third-party managers will consider a variety of factors, including, but not limited to, general expertise and background, the type and size of the transaction involved, the stability or solvency of the broker, dealer or intermediary, settlement capabilities, time required to complete the role sought, research services or any arrangements relating to overall performance in the best interest of the client. Although third-party managers generally seek competitive commission rates and equivalents, they will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker, dealer or intermediary, which may justify higher commissions and equivalents than would be the case for more routine services.

In such circumstances, transactions for the fund or account are usually allocated to brokers in consideration of such factors as price, the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility, and any research or investment management-related services and equipment provided by such brokers. Accordingly, if an investment manager determines in good faith that the commissions charged by a broker are reasonable in relation to the value of the brokerage and research or investment management-related services provided by such broker, the fund or account may pay commissions to such broker in an amount greater than the amount another broker might charge.

Third-party investment managers are expected to use their best efforts to assure either that the fees and costs for services ultimately provided to clients by such brokers are reasonable in relation to the fees and costs charged by other equally capable brokers not offering such services or that the clients also will benefit from the services. The receipt by investment managers of these benefits may increase brokerage expenses.

## **Directed Brokerage**

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Clients may have a pre-established relationship with a broker, and if so, they may instruct CornerStone to execute any relevant, directly traded securities transactions through that broker. In directing the use of a particular broker or dealer, CornerStone may be unable to achieve the most favorable execution of the client's transaction(s). As a result, directed brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because CornerStone may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices, resulting in less favorable overall execution.

## **Aggregation of Transactions**

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CornerStone Partners may aggregate investment transactions among clients when such aggregation is expected to be in the best interest of all clients and in compliance with such client investment management agreements. If and when applicable, CornerStone will allocate aggregated transactions on terms and conditions that are substantially the same, unless specific legal, tax, regulatory or other restrictions apply.

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## 13 - REVIEW OF ACCOUNTS

Client portfolios are regularly reviewed for performance of investments and strategy of managers. CornerStone's senior managing directors are responsible for conducting these reviews. CornerStone's investment professionals regularly review the portfolio(s) of each client to determine whether to take any action, based on its investments objectives, policies, and assets and more generally, based on CornerStone's review of economic and market conditions. Formal portfolio reviews occur monthly and quarterly; informal reviews occur more frequently, in light of changing economic, market, or political conditions, and other client-specific considerations.

CornerStone provides detailed and customized written performance summaries to each client on a monthly and/or quarterly basis, based upon the client's request. Among other information, these reports include the client's positions with each manager/fund, gains and losses, and the performance of all investments of the client.

We generally hold quarterly meetings with clients' investment and/or finance committees and staff. CornerStone tailors meeting agendas to topics relevant for each client. CornerStone provides detailed written reports and analysis in advance of each quarterly meeting for review and discussion at the meeting. These presentations are generally conducted in person and led by CornerStone's senior investment professionals. In addition, CornerStone often prepares ad hoc reports in response to client inquiries.

## 14 - CLIENT REFERRALS AND OTHER COMPENSATION

### Client Referrals

CornerStone Partners does not receive compensation or economic benefit from anyone who is not a client. We do not compensate anyone, directly or indirectly, for client referrals.

### Charitable Contributions

In the normal course of business, CornerStone Partners or its employees may provide gifts and gratuities that in some cases may take the form of charitable contributions and donations to various individuals and entities such as clients. These gifts are not premised upon client referrals nor on any other type of benefit to CornerStone Partners or its employees. Nevertheless, this practice may present the appearance of a conflict of interest if the individual or entity refers a prospective client to the firm, or if any such contributions were made to influence an institution to become or remain a client of the firm. These contributions are not made for that purpose and, given their amount and nature, CornerStone does not believe that they have that effect.

CornerStone Partners maintains written policies and procedures for gifts and entertainment to help minimize the risks associated with conflicts of interest of the firm and clients.

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## 15 - CUSTODY

Clients' assets are held in custody by qualified custodians, unaffiliated with CornerStone Partners, such as broker-dealers or banks, in accordance with Rule 206(4)-2 under the Advisers Act. CornerStone Partners cannot access advisory clients' accounts directly and is not considered to have custody of advisory client investments.

For portfolios managed on a discretionary basis, CornerStone is not considered to have custody of client funds or securities, except that CornerStone has the authority to deduct its own management fees from one such discretionary client account. In this case, CornerStone sends the client and the client's custodian an invoice itemizing the fee. Itemization includes the formula used to calculate the fee, the amount of assets under management the fee is based on, and the period covered by the fee. The client subsequently provides CornerStone with written authorization to transfer the fee payment.

Each discretionary client maintains a Delegation of Authority form ("DOA"), signed by the client and agreed to by its custodian, which establishes the authority awarded to CornerStone Partners in its management of the client's investments. The DOA allows authorized parties of CornerStone to transfer cash and securities between the client accounts that are listed on an Authorized Accounts List ("List") and attached to the DOA. Full details for each account are provided on the List, including the name of the account and investment, account numbers of the sending and receiving accounts, routing numbers, and reference numbers, if any. CornerStone's transaction authority is limited; we can direct transactions between the client accounts identified on the List, but we cannot withdraw funds from client accounts or arrange for third-party payments, including third-party manager fees. Only the client can authorize the opening of a new account or add/change account details on the Authorized Accounts List.

Clients should expect to receive account statements at least quarterly from their qualified custodian. Statements identify the value of the assets in each account at the end of the period and set forth all cash and investment transactions during the period. Clients are urged to carefully review and compare the official custodial records with the reports they receive from CornerStone. CornerStone reports may vary from custodial statements based on accounting procedures, client-specified reporting dates and month-end closing dates at the custodian, and valuation methodologies of certain securities.

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## 16- INVESTMENT DISCRETION

CornerStone Partners does not have discretionary authority with respect to the majority of its clients' accounts. (See *Section 4 - Assets Under Management* for approximate value of Discretionary vs Non-Discretionary Assets.) However, each third-party investment manager that CornerStone recommends or selects for the client generally will have investment discretion over that portion of the client's account. Each client will have a direct contractual relationship with each such third-party investment manager and will receive disclosures of each such manager's practices, including brokerage, aggregation of orders, and use by the manager of "soft dollars". The designation by a client of a particular broker for execution of account transactions (particularly if it differs from the brokers used by that manager for execution of most of the manager's other clients' accounts) may affect the commission rates and the method and pricing of execution of the client's account transactions for the portion of the client's portfolio managed by a particular investment manager. Clients should review each third-party investment manager's disclosures on brokerage practices in deciding whether to direct the manager to use a particular broker-dealer for execution of the client's portfolio transactions.

Third-party investment managers may occasionally execute over-the-counter ("OTC") securities transactions on an agency basis. Thus, clients may incur two transaction costs for a single trade: a commission paid to the executing broker-dealer plus any mark-up or mark-down charged by the market-making broker-dealer, which is included in the offer of bid price of the securities purchased or sold.

Where clients have provided CornerStone with discretionary investment authority, CornerStone may determine appropriate investment strategies, retain third-party investment managers, and arrange securities transactions and other investments, subject to each client's investment management agreement. Investments are registered in each client's name and held in custody with a qualified custodian chosen by the client and unaffiliated with CornerStone Partners.

## 17 - VOTING CLIENT SECURITIES

CornerStone Partners does not have authority to vote proxies for securities held by non-discretionary client accounts. Non-discretionary clients should consult the third-party investment managers they have engaged for information on such manager's proxy voting services.

CornerStone does have authority to vote proxies for securities held by discretionary client accounts. We have adopted proxy voting policies and procedures that are designed to ensure that proxies are voted in the best interests of the client. The policy also requires that CornerStone Partners identify and address possible conflicts of interest between CornerStone and its clients in the voting of client proxies. If a conflict of interest exists, CornerStone will determine whether voting in accordance with the guidelines set forth in the Policy is in the best interests of the client or whether CornerStone should take some other appropriate action.

It should be noted that CornerStone Partners' discretionary client accounts invest with third-party investment managers and funds. As such, the client accounts over which CornerStone has investment discretion generally do not hold exchange-traded securities that regularly solicit votes, consents or proxies. In the case that CornerStone is required to make a vote or grant an approval relating to a third-party investment fund, CornerStone generally votes in favor of routine corporate housekeeping proposals (where no corporate governance issues are implicated). Generally, for other proposals, CornerStone will vote in accordance with the recommendation of management unless such vote would serve to subject investors to

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worse investment terms. Even in such event, CornerStone would only oppose management's recommendation if such opposition would not result in the applicable client account's interest in the underlying fund being redeemed, unless it determines that such redemption is in the best interest of the applicable client.

Discretionary clients may instruct CornerStone Partners regarding how to vote proxies relative to securities in their accounts if permitted by the investment management agreement. Discretionary clients may obtain a copy of CornerStone's proxy voting policy and information about how CornerStone voted proxies relative to securities in their account upon request.

CornerStone Partners does not participate in class action settlements on behalf of clients. Clients assume the sole responsibility of evaluating the merits and risks associated with any class action settlement; therefore, clients are responsible for filing proofs of claims.

## 18 - FINANCIAL INFORMATION

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CornerStone does not require or solicit prepayment of fees from any client more than three months in advance. CornerStone Partners has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.