



Brochure  
(ADV Part II)

March 30, 2012

**Item 1: Cover Page**

This Brochure provides information about the qualifications and business practices of Capital Innovations, LLC. If you have any questions about the contents of this Brochure, please contact us at 262-746-3100. 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 Capital Innovations, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration as an investment adviser with the SEC does not imply a certain level of skill or training.

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## **Item 2: Material Changes**

There were no material changes to the last version of Capital Innovations, LLC's brochure dated April 15, 2011.

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#### Item 4: Advisory Business

Capital Innovations, LLC (“CI”) is an employee-owned independent investment advisor founded in 2007 and headquartered in Pewaukee, Wisconsin. The Firm advises, creates, and manages specialized investment strategies focusing on real assets for institutional investors and family offices worldwide.

CI’s advisory services are typically provided on a discretionary basis. From time to time, CI may manage client accounts on a non-discretionary basis. CI’s discretionary investment authority may be limited by conditions imposed by clients in their stated investment objectives or guidelines, or by other instructions provided to CI. CI generally requires that all clients approve the investment objectives and restrictions applicable to the account by agreeing to the guidelines applicable to a particular strategy or by providing special instructions. Please see *Item 16: Investment Discretion* for more information on how CI tailors its services to the individual needs of its clients.

CI may also provide investment management services through programs sponsored by unaffiliated broker/dealers or other financial intermediaries (“Program Sponsors”) that typically offer a combination of brokerage, custody and investment advisory services (“wrap programs”) to various clients. In a wrap program, the client may enter into an investment advisory agreement with the Program Sponsor, and in turn the Program Sponsor may enter into a sub-advisory agreement or other arrangement with CI. CI generally is paid a portion of the wrap fee by the program sponsor. The fees paid to CI may vary from the schedule of fees stated in *Item 5: Fees and Compensation* and between different wrap programs. In addition, clients participating in a wrap program may not be subject to CI’s minimum account size that may otherwise apply to other separately managed accounts.

Clients participating in a wrap program, generally with assistance from the Program Sponsor, select CI to provide investment advisory services to their account (or a portion thereof), subject to the oversight of the Program Sponsor. In determining the suitability of CI’s investment management style selected by a wrap program client to the individual needs and financial situation of such client, CI relies on the information regarding each prospective client that is provided to CI by the Program Sponsor. Ordinarily, a wrap program arrangement may be terminated by the Program Sponsor, the client or by CI. Wrap programs that CI currently participates in are identified in CI’s Form ADV Part 1A.

#### Item 5: Fees and Compensation

CI’s current maximum fee schedule for separate account clients is based on a percent of assets under management, and is as follows:

Strategy	Asset Base	Annual Fee Rate
Listed Infrastructure Strategy Accounts	First \$50 million	1.00%
	Next \$50 million	0.80%
	Assets > \$100 million	0.70%
Timber Strategy Accounts	First \$50 million	1.00%
	Next \$50 million	0.80%
	Assets > \$100 million	0.70%
Agribusiness Strategy Accounts	First \$50 million	1.00%
	Next \$50 million	0.80%
	Assets > \$100 million	0.70%
Multi-Asset Strategy Accounts	First \$50 million	1.00%
	Next \$50 million	0.80%
	Assets > \$100 million	0.70%



Actual investment management fees may vary from client to client.

From time to time, CI has had other fee schedules, which provide for fees that were higher or lower than those currently in effect. As new fee schedules were put into effect, they were generally only made applicable to new clients and the fee schedule applicable to any existing client was generally not affected by the new schedules. Therefore, some clients are paying different fees than those shown above.

At its discretion, CI may negotiate fees with a particular client on an account of any size depending upon certain factors, including, but not limited to, investment objectives, investment restrictions, the nature and extent of the relationship with the client and other business factors. The fees noted above may be waived or reduced when, for example, a new account is expected to grow rapidly in size, a relationship exists with a present client of CI or for other reasons at CI's discretion.

Fees are generally payable monthly or quarterly after services are rendered, based on a valuation of the account at the end of the period, as provided in the advisory agreement. Assets of related accounts may be aggregated to determine if a lower rate applies. CI generally does not allow clients to prepay fees. In addition, fees may be billed to the client or deducted directly from the client account, depending on the client's preference.

The client or CI may terminate any advisory contract upon 30 days' prior written notice. In the event of termination, any fees outstanding are charged on a pro-rata basis based on the number of days that the account was open during the applicable period. In circumstances where prepaid or unapplied fees exist, such fees will be refunded to the client. Termination of an advisory agreement will not affect transactions that CI has initiated on the client's behalf prior to the effective date of such termination. Clients may incur additional fees outside of what CI charges, including but not limited to, custodian, brokerage and transaction costs. For more information on these types of fees, please see *Item 12: Brokerage Practices*.

Per client-specific investment guidelines, CI may also invest in unaffiliated open-end and closed-end funds, unit investment trusts, exchange-traded funds ("ETFs") or similar investments on behalf of client accounts. Clients whose assets are invested in such securities will pay both a direct fee to CI and the proportionate share of the fund's expenses, including the investment management fees to the fund's investment adviser. See *Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* for more information regarding CI's participation in such transactions.

CI also acts as a sub-advisor to the Exemplar Global Infrastructure Fund, a series of an open-end investment company, for which it receives an annual fee (paid monthly by the Exemplar Global Infrastructure Fund's advisor) based on the average daily net assets of the Fund it advises.

Other than advisory fees disclosed above, neither CI nor its supervised persons receive compensation from clients for the sale of securities or other investment products. Please see *Item 6: Performance-Based Fees & Side-by-Side Management* for information regarding performance fees.

#### **Item 6: Performance-Based Fees and Side-by-Side Management**

From time to time, clients may pay CI for services by means of a combination of performance and asset-based fees as permitted by applicable federal and state regulations, including SEC Rule 205-3. Performance fee arrangements may create an incentive for CI to make investments that are riskier or more speculative than would be the case in the absence of a performance fee. In addition, performance fee arrangements may create an incentive for CI to favor those accounts in the timing of trades, security selection or similar methods. Also, CI may receive increased compensation with regard to unrealized appreciation as well as realized gains. CI has established procedures designed to address

such conflicts; these include, but are not limited to, compliance review of account documentation, Brokerage Committee review of trade rotation procedures and audits and Investment Policy Committee review of account performance.

#### **Item 7: Types of Clients**

CI generally provides investment advice to clients such as individuals, institutions, trusts, estates and charitable organizations, corporations and other business entities, pensions and profit sharing plans and investment companies. CI generally does not accept new accounts of less than \$250,000.

At its discretion, CI may accept an account of any size depending upon certain factors, including, but not limited to, investment objectives, investment restrictions, the nature and extent of the relationship with the client and other business factors.

In order to open an account with CI, a client must complete the proper paperwork and must appoint a qualified custodian, such as a bank, trust company or broker-dealer, to custody the account's assets.

CI reserves the right, in its sole discretion, to decline any new account, or consistent with the applicable client's advisory agreement, to resign as adviser to an account after initiation of the investment advisory relationship.

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

##### *Methods of Analysis*

CI's investment process relies upon fundamental and qualitative research to actively select securities for client accounts. CI's investment team evaluates each security through fundamental analysis which include but are not limited to: macro-economic research, management and operations analysis, external dynamics, income statement and balance sheet analysis, absolute and relative multiples, and dividend yields.

The bottom up fundamental analysis is then coupled with CI's proprietary valuation and ranking process. This process involves discussions and debate by the investment team regarding the qualitative characteristics of current and potential holdings. These qualitative characteristics include, but are not limited to, asset-related strengths and weaknesses, market sentiment, and strength of management.

##### *Investment Strategies*

CI specializes in the following strategies: Infrastructure, Timber, and Agribusiness.

CI evaluates securities utilizing proprietary fundamental research and seeks to build a core portfolio for each client account that provides attractive total returns. Client accounts are actively managed, and CI uses its financial and industry experience and expertise to identify the absolute and relative value opportunities within different real asset subsectors that, in CI's view, present the best investment opportunities. The results of CI's analysis and investment process will influence the weightings of positions held by each client account within each subsector.

CI's investment discipline rests on a belief that, from time to time, even successful companies become sharply undervalued, either because they have temporarily fallen out of favor or because they operate in quiet, low-profile sectors. This can create buying opportunities for shrewd, bottom-up investors who recognize the long-term potential of these stocks.

CI's buy discipline incorporates liquidity and pricing tolerances. The firm's sell discipline develops from a combination of price appreciation based on price targets, relative valuation metrics and macro issues which may impact the original thesis.

#### *Risk of Loss*

Investing in securities involves a risk of loss. Everyone has a different tolerance for risk. Some investors are significantly more conservative than others when making their investment decisions. It is important to take into account your own comfort with risk as well as the amount of risk suitable for your financial goals. CI does not offer any products or services that guarantee rates of return on investments for any time period to any client. All clients assume the risk that investment returns may be negative or below the rates of return of other investment advisers, market indices or investment products. The investment style of strategies managed by CI will result in a concentrated group of investments focused on gaining exposure to companies related to the real assets sector. CI primarily recommends common stocks defined by value-style characteristics. Risks inherent in these types of securities include:

#### *Common Stock Risk*

Common stocks are susceptible to market fluctuations and to volatile increases and decreases in value as investors' confidence in and perceptions of their issuers change. Investments in common stocks are subject to the risk that in the event of a company's liquidation, the holders of preferred stock and creditors will be paid in full before any payments are made to holders of common stock.

#### *Small Cap Risk*

Investing in securities of small cap companies generally involves a higher degree of risk than investing in securities of larger companies. The prices of securities of smaller companies are generally more volatile than those of larger companies, and they generally will have less market liquidity. These risks generally increase as the size of the company decreases.

#### *Sector Risk*

Real asset sector risk is the potential for adverse events in the global real assets market to impact the performance and returns of the investment strategy. Real asset sector companies are subject to certain risks, including, but not limited to, the following:

- Commodity price volatility
- Changes in production and demand for natural resources
- Supply constraints
- Regulatory changes
- Weather interruptions
- Environmental costs and liabilities
- Catastrophe risk

#### *Specific Issuer Risk*

The value of all securities will vary positively or negatively with developments within the specific companies or governments which issue the securities.

#### *Foreign Security Risk*

The value of foreign securities will be affected by factors affecting other similar securities and could be affected by additional factors such as the absence of timely information, less stringent auditing standards and less liquid markets. As well, different financial, political and social factors may involve risks not typically associated with investing in the United States.

#### *Currency Risk*





The value of securities denominated in a currency other than US dollars will be affected by changes in the value of the US dollar relative to the value of the currency in which the security is denominated.

*Legislative Risk*

There can be no assurance that tax or securities laws, or the interpretation or application thereof, will not be changed in a manner that adversely affects an investment.

*Concentration Risk*

Some strategies concentrate their investment holdings in specialized industries, market sectors, asset classes or in a limited number of issuers. Investments in these strategies involve greater risk and volatility than broadly based investment portfolios since the performance of one particular industry, market, asset class or issuer could significantly and adversely affect the overall performance.

*Real Estate Risk*

The assets, earnings and share values of securities involved in the real estate industry may be influenced by economic cycles, interest rates, consumer confidence and regulation. Investment in real estate may also be illiquid, causing greater volatility when bought or sold.

**Item 9: Disciplinary Information**

CI has no legal or disciplinary actions to report.

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

Michael Underhill is owner/registered representative of a broker-dealer: Capital Innovations Securities, LLC.

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

*Code of Ethics and Personal Trading*

CI has adopted comprehensive Business Conduct Rules pursuant to SEC Rule 204A-1 and 17j-1 of the 1940 Act, which include a Code of Ethics, and Insider Trading, Gift and Outside Activities policies. The Business Conduct Rules require that, when conducting business activities on behalf of CI, all CI employees must:

(1) act with integrity, competence and dignity, adhere to the highest ethical standards, and deal fairly with and act in the best interests of all CI clients;

(2) comply with applicable federal securities laws; and

(3) promptly disclose to the CI Compliance Team circumstances that may create an actual or potential conflict with the interests of a CI client.

The Code of Ethics governs, among other things, the personal securities transactions of all CI employees. CI or its employees may purchase or sell for their own accounts securities that are recommended to clients or placed in discretionary accounts. However, CI and its employees generally are prohibited from purchasing or selling for their own accounts in anticipation of (1) a purchase or sale in an account as to which CI exercises investment discretion, or (2) a recommendation of a purchase or sale to a client.



The Code of Ethics requires, among other procedures, prior approval and clearance of most purchases and sales of securities in which CI's employees have a beneficial interest. All employees are required to provide copies of trade confirmations and account statements for all personal securities transactions covered by the Code of Ethics to the Compliance Team. In addition, employees are required to report, on a quarterly basis, securities transactions in accounts in which they have a beneficial interest. These reports are reviewed to determine if there have been any violations of the Code of Ethics.

A copy of CI's Code of Ethics is available upon request by calling CI at 262-746-3100 or writing to CI at 325 Forest Grove Drive, Suite 100, Pewaukee, WI 53072.

### *Participation or Interest in Client Transactions*

The goal of CI is to treat each client fairly and equitably, consistent with its fiduciary duties and obligations under applicable federal and state regulations, including Section 206 of the Investment Advisers Act of 1940, as amended, and relevant provisions of Section 17 of the Investment Company Act of 1940, as amended. CI performs investment advisory services for various clients and may give advice, and take action in the performance of its duties, with respect to any one client which may differ from advice given or action taken with respect to any other client, provided that over a period of time, to the extent practical, it allocates investment opportunities to each client in a manner that it reasonably believes is fair and equitable relative to other similarly-situated clients. CI has no obligation to purchase or sell a security for a client that CI, its principals, employees, or affiliates (to the extent permitted by CI's Code of Ethics) may purchase or sell for its or their own accounts, or for the account of any other client, if in the sole and absolute discretion of CI, it is deemed not appropriate to purchase or sell such security for that client.

From time to time, CI may invest in securities of an issuer and also provide investment advisory services to that issuer, or to a member of the issuer's management. In each such situation, CI considers various factors, which may include as applicable, the existing business relationship with the issuer or management of the issuer; the existing advisory relationship with the issuer or a member of management of the issuer; the current holdings of the issuer that are held by other CI clients; and any pending new security offering of the issuer. Taking into consideration the applicable factors, CI may have a conflict of interest and has established reasonable procedures designed to address such conflicts, which may include monitoring percentage of ownership and reviewing procedures for voting proxies related to such issues.

### **Item 12: Brokerage Practices**

#### *Broker Selection*

CI may select and establish securities accounts and process transactions through one or more securities brokerage firms. CI selects brokers and/or dealers (collectively, "brokers") to execute transactions for the purchase or sale of portfolio securities based upon a judgment of the broker's professional capability to provide the service. The primary consideration is to have brokers execute transactions at best price and execution. Best price and execution refers to many factors, including the price paid or received for a security, the commission charged, the promptness and reliability of execution, the confidentiality and placement accorded the order and other factors affecting the overall benefit obtained by the account in the transactions.

When determining the reasonableness of compensation paid to a broker, CI considers competitive rates in the market, complexity of the transaction, promptness and reliability of services and other similar factors. CI's Brokerage Committee is responsible for reviewing, on at least a quarterly basis, CI's commission levels for reasonableness. This review includes analyzing CI's trading costs relative to other investment managers. Allocation of portfolio brokerage transactions, including their frequency, to

various brokers is determined by CI, in its best judgment, based on the professional capabilities of the brokers, and in a manner deemed fair and reasonable to clients. The primary consideration in selecting brokers is prompt and efficient execution of orders in an effective manner at the most favorable price, but a number of other judgmental factors may enter into the decision. These factors may include, for example: knowledge of negotiated commission rates and transaction costs; the nature of the security being purchased or sold; the size of the transaction; historical and anticipated trading volume in the security and security price volatility; and broker operational capabilities and financial conditions. Among the brokers that may be used are electronic communication networks (ECNs), which are fully disclosed agency brokers that normally limit their activities to electronic execution of securities transactions. While commission rates are a factor in CI's analysis, they are not the sole determinative factor in selecting brokers. CI does not consider, when selecting or recommending brokers, whether the broker refers clients to CI.

#### *Research Products and Services Received by CI*

When selecting a broker or dealer or an ECN for a particular transaction, CI may consider, among other factors, the value of research products or services furnished to CI by those organizations. The types of research products and services that may be received by CI include:

- research reports (including reports that are specific to issuers, industries and/or geographic regions);
- subscriptions to financial publications and research compilations that are not targeted to a wide, public audience;
- investment ideas;
- access to the broker's or dealer's traders and analysts;
- access to conferences and seminars that provide substantive content relating to issuers and industries;
- access to management teams of companies with which the broker or dealer has a relationship;
- access to groups of professionals with expertise in particular industries and/or subject matter areas;
- research-oriented computer software and services;
- compilations of securities prices, earnings, dividends and similar market, financial and other economic data;
- securities quotation services; and
- services related to economic and other consulting services.

CI provides clients with detailed information about the research and other products and services received by CI in exchange for client brokerage (often referred to as "soft dollar" benefits) upon client request or in accordance with the terms set forth in the investment management agreement between CI and the client.

When the items described above are received in return for client brokerage, it relieves CI of the expense it would otherwise bear in creating such items on its own or paying for those items with its own funds. This may provide an incentive to select a particular broker or dealer or ECN based on CI's interest in receiving these items, rather than on CI's interest in receiving most favorable execution for its client accounts. However, CI chooses those brokers, dealers and ECNs it believes are best able to provide the best combination of net price and execution in each transaction.

In some instances, CI may receive from a broker or dealer a product or service that is used both for investment research and for administrative, marketing or other non-research purposes (so-called "mixed use" products and services). In those cases, CI makes a good faith effort to determine the proportion of such products or services which may be considered used for investment research. The portion of the costs of such products or services attributable to research usage (the "eligible portion") may be defrayed by CI through brokerage commissions generated by client transactions. CI pays the

portion of the costs attributable to non-research usage of those products or services from its own funds.

CI's use of client brokerage to acquire research products and services is intended to qualify for the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, and may involve payment of agency commissions, compensation on certain riskless principal transactions, and any other securities transactions the compensation on which qualifies for safe harbor treatment. As permitted by the Securities Exchange Act of 1934, as amended, CI engages in the long-standing investment management industry practice of paying higher commissions to brokers who provide brokerage and research services ("research services") than to brokers who do not provide such research services, if such higher commissions are deemed reasonable in relation to the value of brokerage and research services provided. CI uses these research services in its investment decision making processes. These types of transactions are commonly referred to as "soft dollar transactions."

#### *Investment Opportunity Allocation and Aggregation*

In general, CI allocates investment opportunities on a random or pro rata basis, with available cash being a major consideration, among discretionary clients that have comparable investment objectives and positions where sufficient quantities or trading volumes of a security exist. However, because some of the securities owned by CI's clients have a limited trading market, it may not be possible to purchase or sell a sufficient quantity of a security at a particular time to allocate among all clients that have comparable investment objectives and positions. In other instances, because of the nature of the markets for securities with lower volume, it may take a significant period of time to accumulate or dispose of a position in such securities at a price deemed acceptable by CI. In such cases, the price of the security may fluctuate over time and it may be desirable to allocate trades to a particular client or group of clients in order to accumulate or dispose of a position of reasonable size in relation to the size of the account with as little disruption of the market as possible. There also may be situations where an investment opportunity, in particular a new idea, is only allocated to those accounts that the portfolio manager reasonably believes have sufficient size and diversification.

To assure that clients are treated fair and equitably, CI utilizes a rotation process, as necessary, when placing trades for clients. There are many factors used to determine when trade rotation is necessary. Among them, but not exclusive to the decision making process, is order size, liquidity and price sensitivity.

In order to seek the fair treatment of all clients, while recognizing the inherent need for flexibility, it is CI's policy to allocate investment opportunities, purchases and sales among clients on a basis that considers the characteristics and needs of the clients, including their respective investment objectives, current securities positions, cash available for investment or their cash needs and similar factors based on the portfolio manager's best judgment under the circumstances. See *Item 16: Investment Discretion* for additional information regarding CI's investment allocation procedures.

CI may, when appropriate, aggregate purchases or sales of securities and allocate such trades among two or more clients. By so doing, CI reasonably believes that over time it may be able to decrease brokerage and transaction costs to its clients through volume discounts, reduce brokerage commissions through negotiations not available to purchasers or sellers of smaller volumes of securities and/or obtain better pricing than is possible for smaller trades. In general, an aggregated purchase or sale order that is only partially filled will be allocated on either a pro rata or random basis among the clients participating in the order.

Generally, clients participating in aggregated trades will receive the same average execution price on any given aggregated order on a given business day and transaction costs will be shared pro rata based on each client's participation in the transaction.

### *Directed Brokerage*

CI permits clients to direct transactions to a certain broker (“directed brokerage”). If a client requires CI to direct transactions to a certain broker, CI may be unable to achieve best execution for those transactions because it is unable to direct the transaction based on costs and broker capabilities. Directed brokerage may cost clients more money.

For example, in a directed brokerage account, the client may pay higher brokerage commissions because CI may not be able to aggregate orders to reduce transaction costs or the client may receive less favorable prices.

Where a client has a directed brokerage arrangement and/or negotiated a separate commission rate with that broker (which includes most clients receiving investment management services from CI through a wrap program), trades for that client may or may not be included in an aggregated trade.

When not aggregated, trades for the account may be executed before or after aggregated orders for other clients, which could result in different prices with different trading costs. Among other things, client-directed brokerage may result in:

- (a) CI being unable to seek best price and execution by placing transactions with other brokers and
- (b) the client foregoing benefits from savings on execution costs that might otherwise be obtained from aggregation of brokerage orders for clients.

As a result, client-directed accounts may have performance that is different from that of comparable, non-directed client accounts.

Generally, CI will execute all securities transactions for wrap fee accounts through the broker-dealer sponsoring the wrap fee program because the commission charge is included in the wrap fee payable to the program sponsor. Accordingly, trades affected through the broker-dealer sponsoring the program avoid additional transaction costs to the client. Similar to directed brokerage transactions discussed above, trades for wrap fee accounts may be executed before or after aggregated orders for other clients.

CI has adopted procedures designed to ensure that clients are treated fair and equitably in the execution of orders for wrap fee accounts. In order to ensure clients are treated fair and equitably, CI allocates investment opportunities on a random or pro rata basis, including those for wrap fee accounts. In addition, the Brokerage Committee reviews on a quarterly basis a trade rotation report which shows the order in which trades were filled.

### *Trade Errors*

CI has adopted Trading Policies and Procedures (the “Trading Policy”), as may be amended from time to time, to address potential conflicts of interest and trading issues related to providing investment advisory services to its clients. The Trading Policy sets forth the policies and procedures that CI follows when addressing a trade error in a client account. CI considers a trade error to be an unintentional mistake, such as purchasing instead of selling a security, purchasing (or selling) an incorrect amount of a security, or purchasing (or selling) a security in contravention of an applicable guideline. The Brokerage Committee for CI is responsible for ensuring that any such trade error is corrected in accordance with procedures designed to ensure that such error is promptly identified, corrected and documented.

### **Item 13: Review of Accounts**

CI's Investment Policy Committee monitors client accounts on at least a quarterly basis. Portfolio structure, selection and execution for an account are reviewed by the applicable Portfolio Manager on an ongoing basis, usually several times a week. On a periodic basis, reviews accounts and performance calculations, and perform tests on process controls, as necessary.

Clients receiving investment management services typically receive written reports at least quarterly, showing current account size, investment performance for the current quarter and year-to-date, and the investment performance of one or more relevant benchmarks. With respect to wrap program arrangements, reporting may be carried out by the program sponsor.

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

CI may compensate others for client referrals by paying such party a percentage of fees for clients introduced to CI. If a third party is compensated with a percentage of fees, the client to whom those fees relate is informed of any such arrangement. CI will comply with all required disclosure and documentation as defined by the Investors Advisors Act and state requirements as such relate to referral compensation.

The cost of paying a referral fee to a third party is borne solely by the CI and in no way affects the fee amount that the client pays to CI. Also, as a matter of firm policy, officers, directors and employees of CI may also be compensated for referring clients to the firm. The cost of compensating officers, directors and employees is borne solely by CI and in no way affects the fee amount that the client pays to CI.

### **Item 15: Custody**

CI does not act as custodian for any clients; however CI may be deemed to have custody to the extent it may deduct advisory fees directly from a client's account. Please see *Item 5: Fees and Compensation* for more information regarding fees. All clients must appoint a qualified custodian, such as a broker/dealer, bank or trust company (a "custodian"), to maintain custody over client assets. All CI clients receive quarterly accounts statements directly from their custodian. CI advises its clients to compare the information in CI's client statements with the information in statements provided by the custodian. From time to time, a client may need to establish a new custodial relationship in order to obtain CI's investment management services. Under these circumstances, the client may ask CI to suggest an appropriate custodian for the client's account. When suggesting a custodian, CI will generally consider the execution, clearance, settlement and other services offered by a custodian. In addition, CI may suggest an unaffiliated custodian who frequently provides custodial services for numerous other clients of CI.

There may be a conflict of interest when CI suggests such a custodian. Although CI may suggest a possible custodian to a client, the client must independently choose the custodian and setup a relationship/account with the custodian. Clients must also receive independent communications from their chosen custodian. Custodians do not compensate CI in any way for suggesting a client use them as a custodian.



## Item 16: Investment Discretion

Clients may choose to retain CI as investment adviser with or without granting investment discretion. Where a client chooses to grant investment discretion, CI performs its advisory services by exercising full discretionary authority.

In granting full discretionary authority to CI, there is no limitation on CI's authority to select securities, or the amount of securities to purchase or sell, except as set forth in the account's investment objectives and any applicable guidelines.

Where a client does not choose to grant investment discretion to CI, CI makes investment recommendations to the client as to which securities are to be purchased or sold, and the amounts to be purchased or sold. Upon approving the recommended transactions, the client may request that CI direct the execution of purchase or sale orders to implement the recommended transactions for the client's account; however, the client retains discretion over the transaction.

CI's authority may be subject to client-imposed conditions, for example where the client restricts or prohibits transactions in certain types of securities. These restrictions may affect the performance of the client's account relative to comparable accounts. In addition, CI's authority may also be limited in cases where a client directs or otherwise suggests that securities transactions be effected through a specific broker. See *Item 12: Brokerage Practices* for more information.

With respect to its services as an adviser to institutional clients, such as pension/profit sharing plans and endowment funds, CI provides these services to most accounts on a fully discretionary basis, subject to the overall review by the fiduciaries of these accounts. This authority is subject to specific investment restrictions and requirements of the various accounts.

## Item 17: Voting Client Securities

Unless a client specifically reserves the right to vote proxies, CI will use its best efforts to vote the shares owned by a client in accordance with CI's Statement of Policy Regarding Proxy Voting ("Proxy Statement"). Even if a client gives CI the right to vote proxies, the client may direct CI's vote in a particular solicitation. CI's Proxy Statement is subject to change as necessary to remain current with applicable rules and regulations, and internal policies and procedures. In general, CI votes proxies in a manner designed to maximize the value of a client's investment. With respect to each proxy proposal, CI will consider the period of time that the particular security is expected to be held for an account, the size of the holding, the costs involved with the proxy proposal, the existing corporate governance structure, and the current management and operations for the particular company. As corporate governance standards, disclosure requirements and voting mechanics vary greatly among markets, especially in foreign markets, there may be instances in which CI elects not to vote. Typically, CI votes proxies in accordance with management's recommendations. However, in situations where CI believes that management is acting on its own behalf or acting in a manner that is adverse to the rights of the company's shareholders, CI will not vote with management. Subject to the oversight of its Investment Policy Committee, CI designates a proxy administrator responsible for monitoring and voting proxies directly with the appropriate company. The proxy administrator reviews proxy proposals and provides all relevant information to the applicable CI analyst responsible for determining how CI will vote a particular proxy. For each proxy, CI also considers whether there are any specific facts and circumstances that may give rise to a material conflict of interest on the part of CI in voting the proxy. If it is determined that a material conflict of interest may exist, the proxy will be referred to CI's Investment Policy Committee to decide if CI may vote the proxy or if the proxy should be forwarded to the client to vote. All instances where CI determines a material conflict of interest may exist are resolved in the best interest of the applicable client.



For each proxy, CI maintains all related records as required by applicable law. A client may obtain a copy of CI's Statement of Policy Regarding Proxy Voting, or a copy of the specific voting record for the account, by contacting CI at 1-262-746-3100 or 325 Forest Grove Drive, Suite 100, Pewaukee, WI 53072.

## **Item 18: Financial Information**

CI does not have any financial conditions reasonably likely to impair its ability to meet its contractual commitments to its clients.

## **Item 19: Other Information**

### *Privacy Policy*

CI works hard to maintain the highest standards of confidentiality and to respect the privacy of our client relationships. In that regard, we are providing this Privacy Notice to all of our clients who obtain financial products and services from us in accordance with Title V of the Gramm-Leach-Bliley Act of 1999 and Regulation S-P, its implementing regulations issued by the Securities and Exchange Commission.

### *Sources of Information We Collect About You*

The non-public personal information we collect about you (your "Information") comes a number of sources, such as the account applications or other forms you submit to us; transactions with us, our affiliates, or others; and information we receive from a consumer reporting agencies and/or information service firms. Information may also be collected indirectly through the monitoring and/or recording of electronic correspondence (e.g., e-mail) and telephone calls, which are not continuously accessed but may be reviewed and maintained for security or compliance purposes.

### *Categories of Disclosed Information*

We may disclose the following kinds of non-public information about you:

Information we receive from account applications or other forms, derived primarily with opening an account with us, includes such items as your name, address, social security number, assets and income; Information about your transactions with us, our affiliates, or others, such as your account balance, payment history, parties to transactions; and information we may receive from a consumer reporting agency and/or information services company includes your creditworthiness, credit history and identity verification.

### *Our Disclosure Policies*

This may include sharing your Information with non-affiliated companies that perform support services related to your account or process your transactions with us. Additionally, it may include disclosing your Information pursuant to your express consent, to fulfill your instructions, or to comply with applicable laws and regulations. An important element of our disclosures to non-affiliated companies relates to the opening account process and complying with federal law as embodied in the requirements of the USA Patriot Act, especially its customer identity verification provisions.

We do not disclose Information about our customers or former customers to anyone, except as permitted by law.

### *Opt-Out Availability*

If you prefer that we not disclose nonpublic personal information about you to nonaffiliated third parties, you may opt out of those disclosures, that is, you may direct us not to make those disclosures





(other than those allowed by law). If you wish to opt out of disclosures to nonaffiliated third parties, you may call the CI New Accounts Department at (262) 746-3100.

#### *Our Confidentiality and Security Policies*

CI limits access to your Information to those of our employees and service providers who are involved in offering or administering the products or services that we offer. We maintain physical, electronic and procedural safeguards to guard your nonpublic personal information.

#### *Class Action Claims*

Upon authorization from a client, CI uses reasonable efforts to file proof of claim or otherwise participate in class action lawsuits from time to time that involve securities held by the client's account. This action may adversely affect the client's legal rights, including the client's ability to pursue other claims against the defendant(s) and the client's submission to the jurisdiction of a particular court. A client must notify CI in writing to revoke CI's authorization to act on the client's behalf in class action lawsuits. After termination of an advisory relationship, CI will use reasonable efforts to forward any class action notices that it receives to the client, or the client's authorized representative, and CI will be under no obligation to file proofs of claims or otherwise participate in class action lawsuits.

#### *Portfolio Holdings Disclosure*

From time to time, CI may make available to third parties current or historical information regarding the portfolio holdings of a separate account client. These third parties may include rating agencies, industry trade groups, consultants and financial publications. In compliance with applicable law and consistent with its fiduciary duties, CI will generally only release such information when it is otherwise publicly available, when there is a validly executed agreement imposing a duty of confidentiality on the other party and covering the use of the information, or when CI reasonably believes that the release will not be detrimental to the best interests of the applicable client.