

This ADV brochure, dated July 15, 2014
provides information about the qualifications and business practices of:

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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. In addition, registration as an investment adviser does not imply a certain level of skill or training. Additional information about Cornerstone Capital Management Holdings LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2: SUMMARY OF MATERIAL CHANGES

Since our most recent filing in April, 2014, the following material changes were made:

- We are the adviser to and general partner of a US Equity Market Neutral Fund and have entered into a sub-advisory relationship with another un-registered fund in the same strategy.
- We changed the name of our Quantitative Investment Team to Global Systematic Equity Team.

To request a copy of our Brochure, please contact Maryellen Higgins, Client Services at maryellen.higgins@cornerstonecapital.com.

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ITEM 4: ADVISORY BUSINESS

OWNERSHIP STRUCTURE AND HISTORY

Cornerstone Capital Management Holdings LLC ("CCMH") is a wholly-owned subsidiary of New York Life Investment Management Holdings LLC ("NYLIM Holdings") which in turn is a wholly-owned subsidiary of New York Life Insurance Company ("New York Life").

In January, 2009, CCMH, formerly Madison Square Investors LLC and before that the Equity Investments Group division within New York Life Investment Management LLC ("New York Life Investments"), transitioned to a wholly-owned subsidiary of NYLIM Holdings. New York Life Investments, also a wholly-owned subsidiary of NYLIM Holdings, is a related investment adviser registered with the Securities Exchange Commission ("SEC"). Under this structure, CCMH maintains autonomous investment processes, but may leverage the resources and services of New York Life Investments. Specifically, certain compliance and other support functions within CCMH are supported by the infrastructure within New York Life Investments, including the implementation of CCMH's Rule 206(4)-7 Compliance Program. On January 11, 2013, CCMH, became an owner of Cornerstone Capital Management LLC along with existing owners Mr. Andrew Wyatt and Mr. Thomas Kamp. CCMH is deemed the principal owner of Cornerstone.

ADVISORY SERVICES

CCMH provides a broad array of investment advisory services to institutions, pension and profit sharing plans, trusts, and charitable organizations including foundations and non-profits, corporations and other business and government entities. CCMH also provides advisory or sub-advisory services to mutual funds, trust companies, Taft-Hartley funds, private investment funds and a collective trust (see "*Types of Clients*" section below).

We offer the following global systematic equity strategies: US Core, International, Global, Emerging Markets Opportunities and US All Cap Market Neutral. Global systematic equity strategies seek to achieve targeted returns, while minimizing risk to the portfolio. Our global systematic equity investment teams use proprietary models which have quantitative alpha forecasting engines that are designed to help position the investment teams to capitalize on positive as well as negative forecasts.

We also offer the following fundamental strategies: International and Global. Our fundamental investment team employs a bottom-up investment approach, incorporating individual company fundamental analysis, industry competitive dynamics, and macroeconomic analysis to identify long-term holdings in companies that have the potential for sustained growth.

All strategies seek to minimize transaction costs by implementing disciplined and sophisticated trading strategies (see the “*Methods of Analysis, Investment Strategies and Risk of Loss*” section below).

We invest primarily in domestic and international equity securities. Subject to client guidelines, we may also invest in futures, exchange traded funds, contracts for difference; American Depositary Receipts (“ADRs”); U.S. Government agency securities; repurchase agreements; convertible securities; foreign currencies; and foreign currency contracts. For accounts that permit them, we may also engage in derivatives transactions such as swaps, options, futures and forward contracts.

Clients may tailor the investment advisory services noted above. For example, a client may prohibit the purchase of specific securities, or may prohibit the purchase of securities within a specific sector or industry. Client imposed restrictions are detailed in the client’s investment management agreement.

Services Involving Legal Proceedings

As a general matter, CCMH may not monitor, advise or act for a client in legal proceedings, including, without limitation, class actions and bankruptcies, involving securities purchased or held in client accounts. Clients should instruct their custodians where to promptly forward any communications relating to legal proceedings involving such assets.

Reporting Assets under Management

As of February 28, 2013 Cornerstone had the following client assets under management (rounded to nearest \$100,000):

Discretionary Assets

\$11,557,000,000

Non-Discretionary Assets	\$ 23,000,000
Total Assets under Management	\$11,580,000,000

ITEM 5: FEES AND COMPENSATION

FEES

The specific manner in which fees are charged by Cornerstone is established in a client's written agreement with Cornerstone. Clients may elect to be billed directly for fees or to authorize Cornerstone to directly debit fees from client accounts. Generally, advisory fees are payable either monthly or quarterly in arrears, based on the value of assets under management at the end of the period.

All advisory arrangements may be terminated by the client upon assignment or by either party upon prior written notice according to the termination provisions outlined in the investment management agreement. If a contract is terminated, all advisory fees are subject to pro-rata adjustment based upon the date of termination.

Where we are responsible to price a client's portfolio for fee billing or investment performance calculation purposes, we generally use pricing information provided by an independent pricing service (the "Primary Pricing Source").

Based on our investment style and the types of securities in which we generally invest on behalf of our clients (see Item 8 for additional information), the Primary Pricing Source is typically able to provide pricing information for securities included within our clients' portfolios. In the event the Primary Pricing Source is unable to obtain a price, Cornerstone will determine a fair value for that security.

When determining a fair value, our objective is to identify a price we believe we could reasonably receive in a sale between market participants at the specific measurement date without forced liquidation. Any security which is priced via fair valuation is routinely reviewed by the Valuation Committee.

We would encounter a clear conflict when fair valuing securities, as we have an incentive to value these securities higher in an effort to generate greater fees and higher investment returns. We have controls in place to mitigate this conflict, including: 1) responsibilities in establishing a fair valuation described above; 2) policies and procedures designed to provide reasonable assurance securities are valued properly; and 3) oversight by the Valuation Committee.

Fee schedules are negotiable and can vary depending on a variety of factors such as the type of client, the size of the account, and the investment program selected. CCMH's typical fee schedules are as follows:

S&P 500 Index Separate Account	First \$25 m -.08% Next \$25 m -.06% Next \$50 m -.04% Balance -.03%
Large-Cap Enhanced Separate Account	First \$25 m -.40% Next \$25 m -.30% Next \$50 m -.20% Balance -.15%
Mid-Cap Core Separate Account	First \$25 m -.50% Next \$25 m -.40% Next \$50 m -.30% Balance -.20%
Small-Cap Core Separate Account	First \$25 m -.60% Next \$25 m -.50% Next \$50 m -.40% Balance -.30%
US Equity Opportunities Separate Account	First \$25 m -.60% Next \$25 m -.50% Next \$50 m -.40% Balance -.25%
International Opportunities Separate Account	First \$25 m -.70% Next \$25 m -.60% Next \$50 m -.50% Balance -.40%
Systematic International Equity Separate Account	First \$25 m -.50% Next \$25 m -.40% Next \$50 m -.30% Balance -.25%
Systematic Global Equity	First \$25 m -.50% Next \$25 m -.40% Next \$50 m -.30% Balance -.25%
Systematic Emerging Markets	First \$25 m -.75% Next \$25 m -.65% Next \$50 m -.55% Balance -.45%

Systematic Emerging Markets ex-Iran	First \$25 m - .75% Next \$25 m - .65% Next \$50 m - .55% Balance - .45%
Fundamental International Equity Separate Account	First \$25 m - 0.75% Next \$25 m - 0.65% Next \$50 m - 0.55% Balance - 0.45%
Fundamental Global Equity	First \$25 m - .75% Next \$25 m - .65% Next \$50 m - .55% Balance - .45%
US Equity Market Neutral	1.00% per annum and 20% of net profits subject to a high watermark. or, Performance share

Under certain limited circumstances and with client approval, CCMH may also receive compensation based on a percentage of the capital appreciation of the client's assets managed by CCMH. Any such performance-based compensation is described in the client's investment management agreement, or in the case of the private funds that CCMH manages, in the fund's offering memorandum, which is provided to qualified investors before they invest.

In addition to the management fees described above, there are other fees associated with the management of your account. For example, the custodian for your account, which you independently select, charges a custodial fee that varies by custodian. In addition, the broker-dealers that CCMH selects to execute transactions in your account charge a fee. Brokerage and custody fees are not included in the investment management fee that you pay to us. Instead, custodian fees are charged to you separately by your custodian and brokerage fees affect your account during the trade execution process. Please refer to the "*Brokerage Practices*" section below for additional information regarding our process for selecting brokers to execute transactions in client accounts.

In addition, as discussed in the "*Advisory Business*" section above, CCMH may invest in exchange traded funds for one or more client accounts. When investing in other investment companies (including but not limited to exchange traded funds), the client becomes a shareholder of the investment company and bears its proportionate share of the investment company's management fee and other expenses. Such fees and other expenses are in addition to the advisory fees described above. As a result, clients will pay two levels

of advisory fees with respect to such assets, one to CCMH and one to the fund's investment adviser.

With respect to the registered investment companies that we sub-advise (see the "*Types of Clients*" section below), we receive an asset-based fee from the investment advisers to those investment companies which is paid by the investment adviser out of its' management fees. These fees may be described in the respective fund's Prospectus and Statement of Additional Information.

COMPENSATION

There may be instances where our supervised persons recommend that an advisory client, or prospective advisory client, invest in either *The MainStay Funds* or in a private fund that we sponsor. When this occurs, neither CCMH nor any of our investments persons receive asset-based compensation for the sales that result from these recommendations.

ITEM 6: PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described in the "*Fees and Compensation*" section above, under certain limited circumstances and with client approval, CCMH may receive compensation based on a share of the capital appreciation of the client's assets managed by CCMH. Because we charge certain accounts a performance-based fee that may be higher than the asset-based fee we charge to our other accounts, our portfolio managers may have an incentive to favor performance-based fee paying accounts over other accounts, resulting in a potential conflict of interest.

In order to address these potential conflicts of interest, CCMH has adopted certain trading procedures that are intended to ensure that all client accounts are treated fairly and equitably. Under these procedures, orders are typically allocated pro-rata, and it is not permissible to allocate or re-allocate an order to enhance the performance of one account over another. It is also not permissible to favor any account over another when allocating trades (see the "*Brokerage Practices*" section below). Compliance with these requirements is monitored as part of our supervisory review process, which includes a review of account and composite performance.

ITEM 7: TYPES OF CLIENTS

CCMH provides various types of investment advisory services to institutions, pension and profit sharing plans, Taft-Hartley funds, trusts, investment companies, charitable organizations including foundations and non-profits, corporations and other business and government entities. CCMH also provides personnel to a collective trust company.

The minimum initial account size for managed accounts typically ranges from \$1,000,000 to \$50,000,000, depending on the product and investment vehicle.

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

CCMH's advisory services are provided by our systematic global equity and fundamental investment teams organized by equity investment style groups known as: Core, International, and Passive. Investing in securities involves risk of loss that clients should be prepared to bear. There is no assurance that an investment will provide positive performance over any period of time. Past performance is no guarantee of future results and different periods and market conditions may result in significantly different outcomes. The material risks presented by each strategy and its investments are set forth below, but this section does not attempt to identify every risk, or to describe completely those risks it does identify. Each strategy is also subject to the following risks.

- **Market Risk:** The market values of the securities owned in the strategy may decline, at times sharply and unpredictably. Market values of equity securities are affected by a number of different factors, including the historical and prospective earnings of the issuer, the value of its assets, management decisions, decreased demand for an issuer's products or services, increased production costs, general economic conditions, interest rates, currency exchange rates, investor perceptions and market liquidity. CCMH 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.
- **Economic Risk:** Changes in economic conditions, including, for example, interest rates, inflation rates, political and diplomatic events and trends, tax laws and innumerable other factors, can substantially and adversely affect investments.
- **Management Risk:** This is the risk that CCMH will not successfully execute a strategy even after applying its investment process. There can be no guarantee that CCMH's decisions will produce the intended result, and there can be no assurance that an investment strategy will succeed.

SYSTEMATIC GLOBAL EQUITY INVESTMENT STRATEGIES

- Large-Cap Enhanced: seeks to outperform the S&P 500 Index by 100 basis points annually, after fees, through the implementation of our model.
- Large-cap Value: seeks to outperform the Russell 1000 Value Index.
- Mid-Cap Core: seeks to outperform the Russell Midcap Index by 200 basis points annually, after fees, through the implementation of our model.
- Mid-Cap Value: seeks to outperform the Russell Midcap Value Index through the implementation of our model.
- Small-Cap Core: seeks to outperform the Russell 2000 Index by 200 basis points annually, after fees, through the implementation of our model.
- US Equity Opportunities: seeks to outperform the Russell 1000 Index over a market cycle by investing both long and short in U.S. equities.
- International Opportunities: seeks to outperform the MSCI EAFE Index by 3% annually, after fees.
- International Equity: seeks to outperform the MSCI EAFE Index by 1.5% annually, after fees.
- Systematic Global Equity: seeks to outperform the MSCI AWCI Index.
- Systematic Emerging Markets: seeks to outperform the MSCI Emerging Markets Index.
- Systematic Emerging Markets ex-Iran: seeks to outperform the MSCI Emerging Markets Index.
- US Equity Market Neutral: seeks to deliver absolute returns with moderate volatility and little or no correlation to the broad equity markets.

The investment process for our systematic global equity investment strategies can be described in three steps: 1) a multi-factor stock selection model ranks the stock selection universe in order of attractiveness; 2) a systematic portfolio construction method selects active portfolio weights by balancing expected returns and expected risks of individual

stocks; and 3) a systematic trading approach balances opportunity cost versus market impact.

All stock selection models combine factors based upon fundamental and technical factors. Our analysts are well-versed in theoretical and empirical finance, economics and capital market structures. Models are refreshed utilizing systematic methods and the latest information from data sources.

Models are always subject to revision as market conditions change and research provides new opportunities for enhancements. Members of the systematic global equity team conduct the research which is subject to a peer review and requires approval by the head of the systematic global equity team before implementation occurs.

Each investment team has a clearly defined portfolio construction process. In many cases, this involves the use of a mathematical optimization approach that constructs a portfolio with the highest expected return with the targeted amount of portfolio risk. As part of their process, each investment team uses commercial portfolio optimization software that takes into account the expected excess return forecasts, factor weights, risk constraints and any client specific investment policy guidelines in order to construct portfolios.

The objective of CCMH's rebalancing strategy is to strike the optimal balance between keeping the portfolio current with fresh alpha opportunities and achieving efficient trading costs, which encompasses both market impact and actual trading costs. Our investment teams take advantage of algorithmic and other systematic strategies that seek to reduce trading costs.

You should be aware that there are certain material risks associated with investing in CCMH's systematic global equity investment strategies. To the extent that a client is invested in the strategies and the securities set forth above the risks include (without limitation):

- *Common Stock Risk*: Investments in common stocks and other equity securities are particularly subject to the risk of changing economic, stock market, industry and company conditions and the risks inherent in the portfolio managers' ability to anticipate changes that can adversely affect the value of the strategy's holdings.
- *Growth Stock Risk*: If growth companies do not increase their earnings at a rate expected by investors, the market price of the stock may decline significantly, even if earnings show an absolute increase. Growth company stocks also typically lack the dividend yield that may cushion falling stock prices in market downturns.
- *Value Stock Risk*: Value stocks may never reach what the portfolio

management team believes is their full value or that they may go down in value. In addition, different types of stocks tend to shift in and out of favor depending on market and economic conditions, and therefore the strategy's performance may be lower or higher than the performance of strategies that invest in other types of equity securities.

- *Valuation Risk:* Uncertainties in the conditions of the financial market, unreliable reference data, lack of transparency and inconsistency of valuation models and processes may lead to inaccurate asset pricing. In addition, other market participants may value securities differently. As a result, when a security or other instrument is sold in the market, the amount that the account receives may be less than the amount at which it was valued.
- *Liquidity Risk:* Securities purchased by a strategy that are liquid at the time of purchase may subsequently become illiquid due to events relating to the issuer of the securities, market events, economic conditions or investor perceptions. The value of illiquid securities may reflect a discount from the market price of comparable securities for which a liquid market exists, and accordingly may have a negative effect on the value of the strategy's assets. To meet client requests to withdraw assets, the strategy may be forced to sell securities at an unfavorable time and/or under unfavorable conditions.
- *Derivatives Risk:* Derivatives are investments whose value depends on (or is derived from) the value of an underlying instrument, such as a security, asset, reference rate or index. Derivative strategies often involve leverage, which may exaggerate a loss, potentially causing an account to lose more money than it would have lost had it invested in the underlying instrument. Derivatives may be difficult to sell, unwind or value. Derivatives may also be subject to counterparty risk, which is the risk that the counterparty (the party on the other side of the transaction) on a derivative transaction will be unable to honor its contractual obligations to an account. Swap transactions tend to shift an account's investment exposure from one type of investment to another, and therefore entail the risk that a party will default on its payment obligations to an account. Futures may be more volatile than direct investments in the instrument underlying the futures, and may not correlate perfectly to the underlying instrument. Futures also may involve a small initial investment relative to the risk assumed, which could result in losses greater than if they had not been used. Due to fluctuations in the price of the underlying security, an account may not be able to profitably exercise an option and may lose its entire investment in an option. Forward commitments entail the risk that the instrument may be worth less when it is issued or received than the price an account agreed to pay when it made the commitment. The use of foreign currency forwards may result in currency

exchange losses due to fluctuations in currency exchange rates or an imperfect correlation between portfolio holdings denominated in a particular currency and the forward contracts entered into by an account.

- *Real Estate Investment Trust Risk:* Investments in REITs involve risks associated with direct ownership of real estate, including decline in property values, extended vacancies, increases in property taxes and changes in interest rates. Additionally, REITs are dependent upon management skills, may not be diversified, may experience substantial cost in the event of borrower or lessee defaults and are subject to heavy cash flow dependency.
- *Exchange Traded Fund (ETF) Risk:* The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile than the underlying portfolio of securities. Disruptions in the markets for the securities underlying ETFs purchased or sold by the strategy could result in losses on the strategy's investment in ETFs. ETFs also have management fees that increase their costs versus owning the underlying securities directly.
- *Short Term Trading Risk:* With respect to our Large-Cap Enhanced strategy, due to its trading strategies, the strategy may experience a portfolio turnover rate of greater than 100%. Strategies with high turnover rates (over 100%) often have higher transaction costs and may generate short-term capital gains.
- *Small-Cap and Mid-Cap Stock Risk:* Stocks of small-cap and mid-cap companies may be subject to greater price volatility, significantly lower trading volumes, cyclical, static or moderate growth prospects and greater spreads between their bid and ask prices than stocks of larger companies. Because these businesses frequently rely on narrower product lines and niche markets, they can suffer isolated setbacks. Smaller capitalization companies may be more vulnerable to adverse business or market developments.
- *Foreign Security and Currency Risk:* Investments in foreign securities are subject to risks that differ in certain ways from those of U.S. issuers. These risk factors include: fluctuating currency values; an opaque currency exchange market in some instances, less liquid trading markets; greater price volatility; political and economic instability; less publicly available information about issuers; changes in U.S. or foreign tax or currency laws; and changes in monetary policy. Foreign securities may be more difficult to sell than U.S. securities.

Investments in foreign securities may involve difficulties in receiving or interpreting financial and economic information, imposition of taxes, higher brokerage and custodian fees, currency rate fluctuations or exchange controls or other government restrictions, including seizure or nationalization of foreign deposits or assets. Also, it may be difficult to invoke legal protections across borders.

The strategy may also incur higher expenses and costs when making foreign investments, which could affect the strategy's total return. The risks of investing in foreign securities in emerging market countries are likely to be greater than in foreign countries with developed securities markets and more advanced regulatory regimes. Among other things, emerging market countries may have economic structures that are less mature and political systems that are less stable. Moreover, emerging market countries may have less developed securities markets, high inflation, and rapidly changing interest and currency exchange rates. Exchange rate movements may be large and may endure for extended periods of time, affecting either favorably or unfavorably the value of the strategy's assets.

The value of a client's assets may be affected favorably or unfavorably by the changes in currency rates and exchange control regulations. Some currency exchange costs may be incurred by clients when a strategy changes investments from one country to another. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by: i) the forces of supply and demand in the respective markets and the relative merits of investments in different countries; and ii) actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments.

Finally, investments in depositary receipts may entail the special risks of foreign investing, including currency exchange fluctuations, government regulations, and the potential for political and economic instability.

- **Emerging Markets Risk:** The risks related to investing in foreign securities are generally greater with respect to securities of companies that conduct their business activities in emerging markets or whose securities are traded principally in emerging markets. The risks of investing in emerging markets include the risks of illiquidity, increased price volatility, smaller market capitalizations, less government regulation, less extensive and less frequent accounting, financial and other reporting requirements, risk of loss resulting from problems in share registration and custody, substantial economic and political disruptions and the nationalization of foreign deposits or assets.

- *Short Selling Risk:* With respect to our long/short and leveraged strategies, if a security sold short increases in price, the strategy may have to cover its short position at a higher price than the short sale price, resulting in a loss. The strategy will have substantial short positions and must borrow those securities to make delivery to the buyer. The strategy may not be able to borrow a security that it needs to deliver or it may not be able to close out a short position at an acceptable price and may have to sell related long positions before it had intended to do so. Thus, the strategy may not be able to successfully implement its short sale strategy due to limited availability of desired securities or for other reasons.

The strategy also may be required to pay a premium for a security and other transaction costs, which would increase the cost of the security sold short. The amount of any gain will be decreased, and the amount of any loss increased, by the amount of the premium, dividends, interest or expenses the strategy may be required to pay in connection with the short sale.

Until the strategy replaces a borrowed security, it is required to maintain a segregated account of cash or liquid assets with a broker or custodian to cover the strategy's short position. Generally, securities held in a segregated account cannot be sold unless they are replaced with other liquid assets. The strategy's ability to access the pledged collateral may also be impaired in the event the broker fails to comply with the terms of the contract. In such instances the strategy may not be able to substitute or sell the pledged collateral.

Additionally, the strategy must maintain sufficient liquid assets (less any additional collateral pledged to the broker), marked-to-market daily, to cover the short sale obligations. This may limit the strategy's investment flexibility, as well as its ability to meet redemption requests or other obligations.

Because losses on short sales arise from increases in the value of the security sold short, such losses are theoretically unlimited. By contrast, a loss on a long position arises from decreases in the value of the security and is limited by the fact that a security's value cannot go below zero. By investing the proceeds received from selling securities short, the strategy could be deemed to be employing a form of leverage, which creates special risks. The use of leverage may increase the strategy's exposure to long equity positions and make any change in the strategy's NAV greater than it would be without the use of leverage. This could result in increased volatility of returns. There is no guarantee that the strategy will leverage its portfolio, or if it does, that any such leveraging strategy will be successful.

Regulatory authorities in the U.S. or other countries may restrict the ability of the strategy to fully implement its short-selling strategy, either generally, or with respect to certain industries or countries, which may impact the strategy's ability to fully implement its investment strategies.

PASSIVE INDEX STRATEGY

- **S&P 500® Index:** seeks to provide investment results that correspond to the total return performance (reflecting reinvestment of dividends) of common stocks in the aggregate, as represented by the S&P 500® Index.

The S&P 500® Index strategy is a passive strategy designed to replicate the S&P 500® Index. The portfolio management team believes that improvements over index returns can be generated through optimizing trading to offset fixed trading costs. They reduce trading costs by using program trading strategies, trading around changes in the composition of the index and sophisticated algorithms.

The portfolio is managed to track changes in the composition of the Index, including additions, deletions, and capitalization changes. The investment team utilizes replication, sampling and optimization dependent on portfolio size and customization requirements. Portfolios are reviewed daily and rebalancing/trading occurs around the S&P® Index Committee constituent changes to the Index and/or cashflow trading as required due to dividends, contributions or withdrawals. The strategy seeks to match the Index performance in all market environments.

You should be aware that there are certain material risks associated with investing in CCMH's S&P 500® Index strategy. These risks include (without limitation):

- **S&P 500® Index Risk:** With respect to our S&P 500® strategy, if the value of the S&P 500® Index declines, the net asset value ("NAV") of shares of the strategy will also decline. The strategy's ability to mirror the S&P 500® Index may be affected by, among other things, transaction costs; changes in either the makeup of the S&P 500® Index or the number of shares outstanding for the components of the S&P 500® Index; and the timing and amount of contributions to, and redemptions from, the strategy by shareholders. Investments in common stocks and other equity securities are particularly subject to the risk of changing economic, stock market, industry and company conditions and the risks inherent in the portfolio managers' ability to anticipate changes that can adversely affect the value of the strategy's holdings.
- **Common Stock Risk:** Investments in common stocks and other equity

securities are particularly subject to the risk of changing economic, stock market, industry and company conditions and the risks inherent in the portfolio managers' ability to anticipate changes that can adversely affect the value of the strategy's holdings.

- *Derivatives Risk:* Derivatives are investments whose value depends on (or is derived from) the value of an underlying instrument, such as a security, asset, reference rate or index. Derivative strategies often involve leverage, which may exaggerate a loss, potentially causing an account to lose more money than it would have lost had it invested in the underlying instrument. Derivatives may be difficult to sell, unwind or value. Derivatives may also be subject to counterparty risk, which is the risk that the counterparty (the party on the other side of the transaction) on a derivative transaction will be unable to honor its contractual obligations to an account. Futures may be more volatile than direct investments in the instrument underlying the futures, and may not correlate perfectly to the underlying instrument. Futures also may involve a small initial investment relative to the risk assumed, which could result in losses greater than if they had not been used. Due to fluctuations in the price of the underlying security, an account may not be able to profitably exercise an option and may lose its entire investment in an option.

FUNDAMENTAL INVESTMENT STRATEGIES

- *Fundamental International Equity:* seeks to outperform the MSCI EAFE Index over a full market cycle.
- *Fundamental Global Equity:* seeks to outperform the MSCI All Country World Index over a full market cycle.

The investment team employs a bottom-up investment approach, incorporating individual company fundamental analysis, industry competitive dynamics, and macroeconomic analysis. Investment professionals on this team obtain information from a variety of sources, including:

- Meetings and discussions with securities industry analysts.
- Discussion of publicly available information with issuers and company personnel.
- On-site inspections and corporate-sponsored meetings.
- Discussion with a company's customers, competitors and suppliers.
- Computerized screening, evaluation, optimization studies and reports.

- Trade journals and services, governmental publications, statistical summaries and analysis.
- Rating agencies, analysts' reports and various news and industry sources.

The team seeks to invest in what it believes are reasonably priced stocks of companies whose earnings are expected to sustainably grow more than 10% per year in each of the next three to five years. To identify such companies, it quantifies long-term secular trends or forces, and identifies the companies that the team believes are poised to benefit from these long-term secular forces. These companies are then added to a "watch list" of companies that the investment team would like to own. The "watch list" is continuously monitored, and when a stock becomes attractively valued, the investment team buys the stock for its client portfolios. Every security that is added to the portfolio must meet the following criteria, all of which are equally important:

- 10% expected earnings growth potential in each of the next three to five years.
- Secular growth trends or forces that can benefit the company.
- Sustainable competitive advantages.
- Lack of reliance on one product, customer or supplier.
- Reasonable valuations relative to long term earnings.

Securities are sold when: i) the investment team's investment thesis has been reassessed or has been changed; ii) valuation becomes too expensive; or iii) the portfolio manager/analyst loses confidence in the investment. The team believes that it is extremely important to learn from historical buy and sell decisions in order to improve the decision making process. Therefore, one year after a security is sold, the investment team performs a one-year post-sale analysis to assess its sell decision and to further understand the company. Despite the inherent limitations associated with studying sell decisions in hindsight, the team finds this exercise helps the team identify sound investment decisions in which stocks were sold at opportune times, and also helps the team identify those stocks sold at inopportune times which may refine its decision-making process going forward.

You should be aware that there are certain material risks associated with investing in CCMH's fundamental international equity strategy. These risks include (without limitation):

- *Common Stock Risk*: Investments in common stocks and other equity securities are particularly subject to the risk of changing economic, stock market, industry and company conditions and the risks inherent in the portfolio managers' ability to anticipate changes that can adversely affect the value of the strategy's holdings.
- *Foreign Security and Currency Risk*: Investments in foreign securities are subject to risks that differ in certain ways from those of U.S. issuers. These risk factors include: fluctuating currency values; an opaque currency

exchange market in some instances, less liquid trading markets; greater price volatility; political and economic instability; less publicly available information about issuers; changes in U.S. or foreign tax or currency laws; and changes in monetary policy. Foreign securities may be more difficult to sell than U.S. securities.

Investments in foreign securities may involve difficulties in receiving or interpreting financial and economic information, imposition of taxes, higher brokerage and custodian fees, currency rate fluctuations or exchange controls or other government restrictions, including seizure or nationalization of foreign deposits or assets. Also, it may be difficult to invoke legal protections across borders.

The strategy may also incur higher expenses and costs when making foreign investments, which could affect the strategy's total return. The risks of investing in foreign securities in emerging market countries are likely to be greater than in foreign countries with developed securities markets and more advanced regulatory regimes. Among other things, emerging market countries may have economic structures that are less mature and political systems that are less stable. Moreover, emerging market countries may have less developed securities markets, high inflation, and rapidly changing interest and currency exchange rates. Exchange rate movements may be large and may endure for extended periods of time, affecting either favorably or unfavorably the value of the strategy's assets.

The value of a client's assets may be affected favorably or unfavorably by the changes in currency rates and exchange control regulations. Some currency exchange costs may be incurred by clients when a strategy changes investments from one country to another. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by: i) the forces of supply and demand in the respective markets and the relative merits of investments in different countries; and ii) actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments.

Finally, investments in depositary receipts may entail the special risks of foreign investing, including currency exchange fluctuations, government regulations, and the potential for political and economic instability.

- Exchange Traded Fund (ETF) Risk: The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile

than the underlying portfolio of securities. Disruptions in the markets for the securities underlying ETFs purchased or sold by the strategy could result in losses on the strategy's investment in ETFs. ETFs also have management fees that increase their costs versus owning the underlying securities directly.

- *Valuation Risk:* Uncertainties in the conditions of the financial market, unreliable reference data, lack of transparency and inconsistency of valuation models and processes may lead to inaccurate asset pricing. In addition, other market participants may value securities differently. As a result, when a security or other instrument is sold in the market, the amount that the account receives may be less than the amount at which it was valued.
- *Growth Stock Risk:* If growth companies do not increase their earnings at a rate expected by investors, the market price of the stock may decline significantly, even if earnings show an absolute increase. Growth company stocks also typically lack the dividend yield that may cushion falling stock prices in market downturns.
- *Emerging Markets Risk:* The risks related to investing in foreign securities are generally greater with respect to securities of companies that conduct their business activities in emerging markets or whose securities are traded principally in emerging markets. The risks of investing in emerging markets include the risks of illiquidity, increased price volatility, smaller market capitalizations, less government regulation, less extensive and less frequent accounting, financial and other reporting requirements, risk of loss resulting from problems in share registration and custody, substantial economic and political disruptions and the nationalization of foreign deposits or assets.
- *Liquidity Risk:* Securities purchased by a strategy that are liquid at the time of purchase may subsequently become illiquid due to events relating to the issuer of the securities, market events, economic conditions or investor perceptions. The value of illiquid securities may reflect a discount from the market price of comparable securities for which a liquid market exists, and accordingly may have a negative effect on the value of the strategy's assets. To meet client requests to withdraw assets, the strategy may be forced to sell securities at an unfavorable time and/or under unfavorable conditions.

ITEM 9: DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no such legal or disciplinary events to disclose.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

CCMH has the following relationships or arrangements with affiliates that are material to its advisory business or to its clients.

Investment Companies and Other Pooled Investment Vehicles

CCMH provides subadvisory services to certain funds in New York Life's family of mutual funds known as "The MainStay Funds" and include: MainStay Funds Trust (File No. 811-22321), The MainStay Funds, (File No. 811-4550); Eclipse Funds Inc., (File No. 811-06175); Eclipse Funds, (File No. 811-04847) and MainStay VP Funds Trust (File No. 811-03833). For additional information regarding investment strategies and associated risks for these mutual funds, please refer to each fund's Prospectus and Statement of Additional Information.

CCMH is the sole member of the general partner of a private investment fund that it manages and may solicit clients to invest in this fund.

Conflicts may arise as to the allocation of investment opportunities among *The MainStay Funds*, the *Private Investment Funds* and our other clients. We have Allocation Procedures in place to make sure that all of our clients are treated fairly and that over time no client's account receives preferential treatment in the allocation of investment opportunities. (see the "*Brokerage Practices*" section below).

Investment Advisers

- New York Life Investment Management LLC (File No. 801-77396) ("New York Life Investments"): As noted in the "*Advisory Services- Ownership Structure*" section above, certain compliance, legal and other support functions within CCMH are supported by the resources and services of New York Life Investments. In addition, CCMH serves as subadvisor to New York Life Investments in connection the management of certain portfolios of *The MainStay Funds*.
- Cornerstone Capital Management LLC (File No. 801-45262): CCMH has an ownership stake in Cornerstone Capital Management LLC ("Cornerstone LLC"). CCMH's Chief Executive Officer (Andrew Wyatt) and President/Chief Investment Officer (Thomas Kamp) also function in these roles for Cornerstone LLC and are the other owners of Cornerstone LLC as well. In these roles, Mr. Wyatt and Mr. Kamp may face an inherent conflict with his respective responsibilities to CCMH and Cornerstone LLC. Cornerstone LLC

may also share fees with CCMH. Each firm's management team, as well as management from NYLIM is cognizant of these potential conflicts, and strives to ensure each individual's Cornerstone LLC responsibilities do not impair his responsibilities and obligations to CCMH.

As an affiliate of New York Life, Cornerstone is affiliated with other investment adviser subsidiaries of New York Life, which are disclosed in Form ADV Part 1. Cornerstone has no material arrangements or relationships with such other advisers.

Broker-dealers

Some of our employees, including some of our executive officers, are registered with the Financial Industry Regulatory Association (FINRA) as representatives and principals of NYLIFE Distributors LLC. NYLIFE Distributors is our affiliate and is registered as a broker-dealer with the SEC.

We serve as the subadviser for various registered investment companies known as *The MainStay Funds*, which are advised by New York Life Investments. NYLIFE Distributors serves as the principal underwriter and distributor of *The MainStay Funds*. In limited circumstances, our employees may recommend that our clients purchase *The MainStay Funds*.

In addition, certain of our employees may sell interests in pooled investment vehicles, also known as *Private Investment Funds*, to institutional clients. These *Private Investment Funds* are not required to be registered with the SEC as investment companies. At times, we may manage certain of these *Private Investment Funds*, or they may be managed by certain of our affiliated investment advisers.

We do not use any affiliated broker-dealers to execute securities transactions for our client accounts.

Banking Institution

CCMH provides investment services and or personnel to New York Life Trust Company, a related person and a New York State chartered trust company, for a collective investment trust for which New York Life Trust Company acts as trustee, and is the named custodian. Some officers and employees of CCMH are also officers, employees or directors of New York Life Trust Company.

Insurance Company or Agency

CCMH is a wholly-owned, indirect subsidiary of New York Life and provides investment advice to certain New York Life accounts including separate accounts that are investment vehicles for the assets of pension and profit-sharing plans. New York Life may also invest in the *Private Investment Funds* that we or our affiliates manage.

Potential Conflicts Relating to Managing Accounts for Affiliates

With respect to the affiliates identified above, where CCMH provides advisory services, a potential conflict exists relating to providing preferential treatment to the affiliate's account. This conflict could cause CCMH to allocate the "best" investment opportunities only to the affiliated accounts and the better-executed trades to the affiliated accounts. Cornerstone has procedures addressing the allocation of investment opportunities and the execution of client trades that are designed and intended to ensure that all clients are treated fairly and equally over time and that no client is systematically disadvantaged. Such procedures are generally described in Item 12 below. Cornerstone also reviews the investment performance of all accounts to identify any differences that might be caused by such favoritism.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

CODE OF ETHICS AND PERSONAL TRADING

CCMH has a fiduciary relationship with our clients that requires that we and our employees place the interests of our clients first and foremost. As such, our Code of Ethics ("Code") covers all employees and sets forth guidelines that promote ethical conduct generally. In addition to the Code's policies regarding personal securities trading, the Code requires our employees to follow policies and procedures relating to the Code's conduct standards including: conflicts of interest, inside information and information barriers, gifts and entertainment, personal political contributions, and selective disclosure of mutual fund portfolio holdings. A copy of our Code is available upon request. Our contact information appears on the cover page of this brochure.

Although we permit our employees to engage in personal securities transactions, as a company we recognize that these transactions may raise potential conflicts of interests. This is particularly true when they involve securities owned by, or considered for purchase or sale by, a client account.

We address potential conflicts of interests in our Code by requiring that, with regard to investments and investment opportunities, our employees' first obligation is to our clients. Our Code requires that all of our employees adhere to the highest duty of trust and fair dealing. In addition, all employees must conduct their personal securities transactions in a

manner that does not interfere with any client's portfolio transactions, or take inappropriate advantage of an employee's relationship with a client.

The Code covers all CCMH employees, and all employees are considered "Access Persons" under the Code. Access Persons are defined as officers or directors or persons who have access to non-public information regarding any client's purchase or sale of securities, or information regarding the portfolio holdings of any mutual fund advised by CCMH. Specifically, all employees are subject to the following restrictions:

- May not purchase or sell "Covered Securities" without pre-clearance through our Compliance Department. Covered Securities include everything except: i) transactions involving direct obligations of the US Government; ii) shares of unaffiliated open end investment companies; iii) commercial paper; iv) certificates of deposit; and v) high quality short term investments and interests in qualified state college tuition programs.
- May not profit from the purchase and sale or sale and purchase of the same Covered Security within 60 days.
- May not trade in securities of issuers that appear on our restricted list.
- May not trade while in possession of material, non-public information.
- May not engage in short-term trading (the purchase and sale or sale and purchase within 30 days) of any mutual fund advised or subadvised by us.
- Must complete and keep current an annual Conflicts of Interest Questionnaire concerning any potential conflicts.
- Must adhere to restrictions regarding the receipt and giving of gifts and entertainment.
- May not purchase securities in initial public offerings or in connection with private placements except with the express written prior approval of our Chief Compliance Officer.
- May not participate in Investment Clubs.
- Must file quarterly reports and certifications of covered trading activity.

Further, we require "Investment Personnel" to adhere to additional provisions in the Code as described below. Investment Personnel are defined as employees who in connection with their regular functions make or participate in making recommendations regarding the purchase or sale of securities for client accounts (i.e., portfolio managers, traders and

analysts):

- May not purchase or sell securities (subject to a *de minimus* threshold) for their own account if such securities have been purchased or sold for a client account in the prior seven days, or can reasonably be expected to be purchased or sold for a client account in the next seven days.
- May not trade in options with respect to individual securities.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

In the ordinary course of providing its investment advisory services, CCMH may recommend that clients purchase or sell securities or interests in which our affiliates have a material financial interest. For example:

- We may purchase or sell shares of affiliated mutual funds, *The MainStay Funds*, for client accounts.
- We may recommend investments to our clients that the clients of our advisory affiliates also own.
- We or an affiliate may serve as the general partner for a pooled investment vehicle that we advise and recommend to clients and that charges a performance-based management fee.
- We may, at times, provide investment advice to certain New York Life accounts including separate accounts that are investment vehicles for the assets of pension and profit-sharing plans. At times, we may recommend that clients purchase or sell securities that are held in these affiliated accounts or take positions in these affiliated accounts with an opposite conviction from client accounts.

As a result of these recommendations and potential transactions, potential conflicts of interest could arise between us and our clients. These potential conflicts may include:

- Preferential allocation of investment opportunities to client accounts that pay a performance-based management fee.
- Using information concerning transactions in our advisory affiliate's client accounts, or in *The MainStay Funds*, to the benefit of our client accounts.
- Placing trades for affiliated accounts, if any, before or after trades for our other accounts to take advantage of (or avoid) market impact.

- Unfair allocation of limited investment opportunities between our affiliated and unaffiliated accounts.

To mitigate these potential conflicts of interest, CCMH has adopted several trading procedures that are intended to ensure that all client accounts are treated fairly and equitably (see the “*Brokerage Practices*” section below).

In addition, to address potential conflicts of interest across affiliates, each adviser affiliate, except between CCMH and Cornerstone LLC, operates independently with respect to investment strategy, trading and operations. Furthermore, affiliates are generally not privy to another affiliate’s information (i.e. investment decisions, research, client information) that may potentially pose conflicts of interest. Specifically, CCMH has established information barrier policies between CCMH and its affiliated advisers, with the exception of Cornerstone LLC, that serve to limit the dissemination of material non-public information. In the event such information is shared, appropriate controls are placed around the information in order to limit any potential conflicts of interest.

ITEM 12: BROKERAGE PRACTICES

BROKERAGE PRACTICES

When we select or recommend a broker-dealer for transactions in our clients’ accounts, we consider a number of factors regarding the broker-dealer and the reasonableness of its compensation. The factors we consider in selecting a broker-dealer and determining the reasonableness of its compensation include:

- Security price and spreads;
- Commission rates, if applicable;
- Pre-trade and post-trade analysis;
- Available Algorithm Performance;
- Size of the order;
- Integrity, reputation, financial responsibility and stability;
- Market knowledge and ability to understand trading characteristics of the security and overall performance (i.e., trading expertise);
- Nature and extent of services and frequency of coverage;
- Ability of counterparty to execute in desired volume and act on a confidential basis;
- Willingness of the Broker to commit capital;
- Access to underwritten offerings and secondary markets;
- Operational efficiency and facilities that the broker makes available (including trading networks, access to multiple floor brokers and markets, and significant resources for positioning as principals); and

- Nature and extent of services (i.e. proprietary research and access to third party research).

All of these considerations (and others as relevant) guide CCMH in selecting the appropriate venue (e.g., an Electronic Communications Network (“ECN”) or Alternative Trading System (“ATS”), a traditional broker, a crossing network, etc.) in which to place an order and the proper tactics with which to trade.

When selecting broker-dealers to execute transactions on behalf of our clients’ accounts, our policy is to seek to obtain the best net results based on the factors noted above. This is commonly referred to as “best execution.” After due consideration is paid to all of these factors, it may be in a client’s best interest to pay a higher commission, spread or other compensation in order to receive best execution. We continually evaluate brokerage activity and periodically may re-negotiate commission rates.

We may also effect transactions in over-the-counter (OTC) securities directly with principals or market makers by paying a mark-up within the spread of the bid and ask prices of the security and without incurring a commission charge. In addition, we may effect transactions in OTC securities on an agency basis when liquidity permits. The purchase price of an OTC security acquired in an agency transaction could include compensation to the broker-dealer in the form of a mark-up relative to the broker-dealer’s original cost in addition to a commission.

Transactions executed for clients may be executed either on an agency or principal basis. Agency trades are executed through a broker’s trading desk or using a broker’s electronic algorithms. Principal trades are executed when a broker agrees to purchase or sell a specific quantity of shares at a negotiated price. In a principal trade, market impact and volatility risks are effectively transferred from Cornerstone to the executing broker.

CCMH will generally effect transactions with broker-dealers on an agency basis. However, when situations arise in which a principal execution would result in better execution, CCMH will seek broker-dealers to effect the transaction on a principal basis.

When selecting a broker-dealer, we do not consider its referral of clients to us. We also do not consider its sale of shares of *The MainStay Funds* or of any private funds that we or any of our affiliates advise. While we may direct brokerage to broker-dealers that have consulting divisions that might refer clients or investors to us, we have no agreements to do so. In no case will CCMH make binding commitments as to the level of the brokerage commissions it will allocate to a broker. Nor does CCMH “backstop” or otherwise guarantee any broker’s financial obligation to a third party for such research or services.

CCMH’s Broker Review Committee routinely reviews its broker-dealers and its efforts to seek best execution in light of current market circumstances and published statistical studies and other available information.

DIRECTED BROKERAGE

In limited instances, CCMH will accept direction from clients as to which broker-dealers are to be used to execute trades for their account, or they may designate the commission rates to be paid. Typically, the client has an arrangement with such broker-dealer which results in the client receiving some benefit from the broker-dealer in exchange for the directed brokerage. Any such direction must be in writing and accepted by CCMH before it will be effective. Although Cornerstone generally discourages such direction, Cornerstone does permit client direction in certain circumstances, ensuring that clients are apprised of the potential risks associated with directed brokerage, including that it may cost the client more money.

Other risks related to directed brokerage include the following:

- the direction may result in higher commissions, greater spreads or less favorable net prices than would be the case if CCMH selected the brokers;
- the direction may result in trades for the client's account not being aggregated with similar trades for other client accounts and thus not eligible for the benefits that accrue to such aggregation of orders;
- that as a result of not being aggregated, client transactions will generally be executed after client accounts whose trades are aggregated and may receive less favorable prices; and
- that because of the direction the client's account may not generate returns equal to those of other client accounts which do not direct brokerage.

In limited instances, CCMH will accept direction from clients as to which broker-dealers are to be used to execute trades for their account, or they may designate the commission rates to be paid. These types of requests from a client may relate to all of the transactions in the client's account, a specific portion of transactions in its account, or the client may require that we use our best efforts to satisfy its request.

When we satisfy a client's request to direct brokerage, we may not be able to achieve the most favorable execution of transactions for that client. Clients who direct us to execute their trades with certain broker-dealers or with certain types of broker-dealers may lose the benefit of more favorable commission rates or otherwise more favorable executions that may be obtained, for example, when we bunch or aggregate client orders. In addition, there may be times when trading with a directed broker-dealer occurs before or after we have completed the execution of other transactions in that security for other clients.

A directed trade may be executed directly with the broker-dealer or it may be “stepped out” to that broker-dealer. In a step-out transaction, we bunch client directed broker accounts with non-directed broker accounts and request that the executing broker allocate a portion of the transaction to the directed broker. In that event, the broker providing execution services would differ from a particular client’s directed broker.

SOFT DOLLARS

CCMH receives brokerage and research services from broker-dealers that execute portfolio transactions for clients, and from third parties with which such broker-dealers have arrangements. We receive both proprietary research and third party research. The brokerage commissions that are used to acquire research in these types of arrangements are known as "soft dollars."

When we use client brokerage commissions to obtain research or other services from a broker dealer or third party, we receive a benefit because we do not have to produce or pay for the research, products or services ourselves. As a result, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than our clients’ interest in receiving most favorable execution of trades. The services benefit us by allowing us, at no additional cost to the Firm to:

- Supplement our own research, analysis and execution activities.
- Receive the views and information of individuals and research staffs of other securities firms.
- Gain access to persons having special expertise on certain companies, industries, countries, areas of the economy, and market factors.

CCMH uses agency transactions, including OTC agency transactions, to generate soft dollar credits in order to pay for “soft dollar” services. It is our policy that when several brokers can satisfy our obligation to obtain "best execution," we may place orders with brokers that provide us with brokerage and research services and products. This may be done either directly or through third parties with which these broker-dealers have arrangements, subject to applicable legal requirements.

The nature of the “soft dollar” products and services provided to CCMH by brokerage firms varies from time to time, but generally includes, among other information, the following:

- Traditional research reports analyzing the performance of a particular stock or company.
- Seminars or conferences (excluding the cost of travel, entertainment, and meals).
- Current and historical financial data concerning particular companies and their securities.

- Information and analysis concerning portfolio strategy, securities markets and economic and industry matters.
- Market Data and economic data, including pricing, availability of securities, and trading volumes
- Technical and statistical models and studies dealing with various investment opportunities, values, risks and trends.

As a result of our soft dollar practices, we may cause clients to pay commissions or mark-ups or mark-downs higher than those charged by other broker-dealers in return for soft dollar benefits. This is known as “paying up”. We use soft dollar benefits to service all of our clients’ accounts, not just those clients whose brokerage commissions or mark-ups or mark-downs paid for those benefits. Nonetheless, we seek to generally correlate services paid with soft dollar commissions with those services that are applicable to the specific strategies. As such, commissions generated by passively managed accounts are typically not used to pay for services benefiting only actively managed accounts.

An inherent conflict of interest exists with respect to the use of soft dollars because of our ability to purchase certain products and services on a cash basis using our own resources. Thus, we have an incentive to disregard our best execution obligation when directing transactions and an incentive to generate more trades to earn soft dollar credits for services. To manage this conflict, soft dollar services are reviewed to determine in good faith that the amount of commissions paid is reasonable in relation to the value of the brokerage and research services provided. In addition, we only enter into soft dollar arrangements for services and products that qualify under the "safe harbor" provisions set forth in Section 28(e) of the Securities Exchange Act of 1934 (“Section 28(e)”), as amended.

MIXED-USE SERVICES

As noted above, we only use client brokerage commissions and pay mark-ups and mark-downs to pay for brokerage and research products and services that are eligible under Section 28(e). Sometimes, a portion of the brokerage and research products and services we use are eligible under Section 28(e) and another portion is not eligible. These are referred to as “mixed-use” products and services.

In the case of “mixed-use” products and services, we will make cash payments for the non-eligible Section 28(e) portion. Because we benefit to the extent that client brokerage commissions pay for the products and services, our receipt of these mixed-use products and services and our determination of the appropriate allocation between our cash payments and client brokerage commissions create a conflict of interest. We make a good faith allocation between the research and non-research use of services and use our own funds to pay for the percentage of the service that is used for non-research purposes.

AGGREGATION AND ALLOCATION

If we believe that the purchase or sale of the same security is in the best interest of more than one client, we may aggregate the securities to be sold or purchased. We will not aggregate trades (also known as “bunching” trades) unless we believe that doing so is consistent with our duty to seek best execution for our clients. It is the trader’s responsibility to determine whether aggregation is appropriate for orders sent to the trading desk. Generally, concurrently open orders with similar instructions will be aggregated. The following, however, are examples of situations where the trader may decide that aggregation is not appropriate:

- Commingled limit and market orders, unless the prices at which the market orders have been executed are at least as favorable as the limit price;
- Principal basket trades with limit or market orders;
- Subsequent to a principal basket trade being sent to brokers dealers for their bids, an order is placed for the same security or securities;
- Orders that are significantly smaller than concurrently open orders for the same security, if determined that aggregation would not be consistent with best execution (with respect to the small client) and that there is no indication of front-running or other suspicious activity;
- Orders with special instructions that differ from one another;
- Lack of similar accounts due to portfolio limitation constraints; and
- Trades executed for an account-specific reason, e.g. investing or raising cash, correction of a trade error.

When we allocate bunched trades to client accounts, we follow procedures designed to provide reasonable assurance that we do not favor the interest of one client over another. We allocate aggregated orders to accounts pro-rata based on the size of each eligible account. Using this methodology, each account receives the average unit price and bears its pro-rata share of transaction costs. With respect to partial fills, if an order is placed for one or more clients on a particular day and that order is not fully completed, then at the end of the trading day the amount that did “fill” is treated as a completed transaction. The partially filled order is then allocated pro-rata by the trader to each account.

For account rebalancing in the Large Cap Enhanced, Large-Cap Value, Large-Cap Core Equity Opportunities, Mid-Cap Core and Mid-Cap Value systematic investment strategies, we aggregate accounts according to certain factors into one of several tranches and employ a trade rotation schedule that seeks to achieve efficient trading costs. We will generally rotate our trading so that we will trade each tranche independently, beginning with the first tranche and ending with the last tranche and repeating this rotation as necessary in an effort to avoid positive or negative bias with respect to any one account.

TRADE ERRORS

On occasion, a mistake may occur in the execution of a trade. As a fiduciary, CCMH owes clients duties of loyalty and trust, and as such must treat trade errors in a fair and equitable

manner. Errors may occur for a number of reasons, including human input error, systems error, communications error or incorrect application or understanding of a guideline or restriction. Examples of errors include, but are not limited to the following: buying securities not authorized for a client's account; buying or selling incorrect securities; buying or selling incorrect amounts of securities; and buying or selling in violation of one of our policies. In correcting trade errors, CCMH does not make the client account absorb any financial loss due to the trade error; use soft dollars or directed trades to fix the error; or attempt to fix the error using another client account. To the extent correction of the error results in a loss to the client's account, CCMH reimburses the account. To the extent correction of the error results in a gain to the client's account, CCMH allows the client to keep the benefit.

OVERSIGHT OF TRADING PRACTICES

A supervisor or his delegate reviews all CCMH trading activity to ensure that all trading has been conducted in accordance with the firm's policies and procedures. In all cases, accounts are subject to review by Compliance Personnel who monitor account trading on a daily basis with the assistance of the Charles River Development Trading System ("CRD"). CRD is our front-end trade order management and compliance system that incorporates pre-trade and post-trade compliance testing against account restrictions. Our Compliance Personnel review and investigate any alerts or breaches identified by the system.

Our Broker Review Committee also oversees our brokerage and trading practices as well as our soft dollar program. The Broker Review Committee typically meets on a quarterly basis and consists of portfolio managers, traders, research analysts, operations and compliance personnel. The Committee reviews the quality of services received from brokers taking into account factors such as coverage, research, and execution. Actual brokerage activity relative to the projected brokerage activity is reviewed and activity that is not consistent with the related projections is discussed. In addition, the Broker Review Committee, with the assistance of the portfolio managers, reviews each soft dollar service to confirm that the soft dollar commissions are reasonable in light of the value of services being provided.

ITEM 13: REVIEW OF ACCOUNTS

MONITORING

CCMH continuously monitors all managed accounts in an effort to ensure that client objectives are being achieved. Each CCMH investment team has primary responsibility for reviewing the accounts it manages, including reviewing the appropriateness of portfolio holdings and transactions in light of each account's investment objectives, guidelines and restrictions.

Investment teams hold meetings frequently to discuss portfolio positions, strategies, trends and factors. CCMH and its affiliate Cornerstone LLC have a joint Investment Policy Committee chaired by the Chief Investment Officer whose voting members are the CEO and the heads of the Quantitative, International and Passive investment teams. The Investment Policy Committee conducts quarterly strategy reviews which typically include a review of portfolio holdings, characteristics, and account performance versus portfolio benchmarks.

CLIENT REPORTING

The content and frequency of client reports varies by client. CCMH typically discusses a client's reporting requirements as part of the contract negotiations. Generally the client's requirements are included in the investment management agreement signed by CCMH and the client. Our client reports typically include portfolio holdings, transaction and performance information, and may include information covering capital markets and portfolio outlook. Customized reporting is typically provided as frequently as desired by clients.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

CCMH does not have solicitation or referral arrangements in place with third parties at this time. Please refer to the discussion related to use of client commissions in Item 12 "Brokerage Practices" for information about other compensation.

From time to time, we may enter into arrangements with our affiliated investment advisers to recommend clients to each other. If we pay a cash fee to anyone for soliciting clients on our behalf or if we receive a cash fee from another investment adviser for recommending clients to it, we will comply with the requirements of the SEC's cash solicitation rule, including the applicable disclosure requirement.

ITEM 15: CUSTODY

CCMH does not maintain custody of our separate account client assets, although CCMH is deemed by the applicable regulations to have custody of assets if clients give it authority to withdraw quarterly fees directly from their custodial accounts. Client assets must be maintained in an account at a qualified custodian; generally a broker dealer or bank. A custodian is appointed by each client to have possession of the assets of the account, settle

transactions for the account and accept instructions from CCMH regarding the assets in the account, subject to certain procedural restrictions.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains their investment assets. CCMH urges clients to carefully review such statements and compare such official custodial records to the account statements that CCMH may provide. CCMH statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Clients should contact CCMH using the information on page 1 if they have any questions about their statements or if their qualified custodians stop sending them at least quarterly statements.

CCMH is deemed to have constructive custody of the assets of any private investment funds it manages for which it or an affiliate serves as general partner. CCMH complies with the applicable regulatory requirements relating to such custody, including providing fund investors with annual.

ITEM 16: INVESTMENT DISCRETION

CCMH receives discretionary authority in the investment management agreement executed with the client at the outset of an advisory relationship. The accounts over which CCMH exercises investment discretion are generally subject to investment restrictions and guidelines developed in consultation with clients. These restrictions and guidelines customarily impose limitations on the types of securities that may be purchased and also generally limit the percentage of account assets that may be invested in certain types of securities. Additional policies may be set by a client's board or investment committee. CCMH is generally authorized to make the following determinations, consistent with the each client's investment goals and policies, without client consultation or consent before a transaction is effected:

- Which securities or other investments to buy or sell;
- The total amount of securities or other investments to buy or sell;
- The broker or dealer through whom securities are bought or sold;
- The commission rates at which securities or other investment transactions for client accounts are effected; and
- The price at which securities or other investments are to be bought or sold, which may include dealer spreads or mark-ups and transactions costs.

However, from time to time, CCMH may accept accounts for which it has discretionary authority to purchase securities for the account, but not to select broker-dealers for transactions. CCMH may also accept non-discretionary arrangements, where clients retain investment discretion with respect to transactions in the account. In these situations, the client's retention of discretion may cause the client to lose possible advantages that

discretionary clients may derive from factors that result from our ability to act on its recommendations for those discretionary clients in a more timely fashion, such as the aggregation of orders for several clients as a single transaction.

CCMH may act as investment manager to other clients (including funds) now or in the future and each account's investment restrictions and guidelines may differ. All investment decisions for an account are made in accordance with the investment restrictions and guidelines of that account. Investment decisions for each account are made with a view to achieving the account's investment objectives and after consideration of such factors as the account's current holdings, the current investment views of the portfolio manager, availability of cash for investment, and the size of the account's positions generally.

ITEM 17: VOTING CLIENT SECURITIES

CCMH has adopted a Proxy Voting Policy. This Policy is designed to ensure that all proxies are voted in the best interest of our clients without regard to our interests or the interests of our affiliates.

To assist us in researching and voting proxies, we have engaged Institutional Shareholder Services ("ISS") which is a third party proxy service provider. Where a client has contractually delegated proxy voting authority to us, we vote proxies in accordance with ISS' standard voting guidelines unless the client provides us with alternative guidelines. Alternative guidelines must be detailed in the client's investment advisory agreement.

A portfolio manager can override an ISS voting recommendation if he/she believes it is in the best interest of our clients to vote otherwise. To override an ISS recommendation, the portfolio manager must submit a written override request to our Compliance Department. Upon receipt of an override request, Compliance reviews the request to determine whether any potential material conflict of interests exist between us and our clients.

Material Conflicts may exist when we or one of our affiliates:

- Manages the issuer's or proponent's pension plan.
- Administers the issuer's or proponent's employee benefit plan.
- Provides brokerage, underwriting, insurance or banking services to the issuer or proponent.
- Manages money for an employee group.

Additional Material Conflicts may exist if one of our executives is a close relative of, or has a personal or business relationship with:

- An executive of the issuer or proponent.
- A director of the issuer or proponent.
- A person who is a candidate to be a director of the issuer.

- A participant in the proxy contest.
- A proponent of a proxy proposal.

If a potential conflict exists, Compliance refers the override requests to our Proxy Voting Committee for appropriate resolution. The Proxy Voting Committee considers the facts and circumstances of the potential conflict, and determines how to vote. This determination could include: permitting or denying the override request; delegating the vote to an independent third party; or obtaining voting instructions from the client.

A copy of our Proxy Voting Policy and information as to how proxies, if any, were voted is available upon request. Our contact information appears on the cover page of this brochure.

ITEM 18: FINANCIAL INFORMATION

Registered investment advisers are required to provide certain financial information or disclosures about their financial condition. CCMH has no financial condition that impairs its ability to meet contractual commitments to clients, and has never been the subject of a bankruptcy proceeding.