

# THE NORTHERN TRUST COMPANY OF CONNECTICUT

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March 31, 2011

This brochure provides information about the qualifications and business practices of The Northern Trust Company of Connecticut (NTCC). If you have any questions about the contents of this brochure, please contact us at (800) 722-4609. 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.

NTCC is a registered investment adviser with the SEC. Registration does not imply any level of skill or training.

Additional information about The Northern Trust Company of Connecticut is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

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This brochure dated March 31, 2011 is a new document prepared according to the SEC's new requirements and rules. As such, this document should be considered materially updated.

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## Advisory Business

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NTCC was founded in 1985, under the name RBC Trust Company and became a part of the Northern Trust family of companies in 1995. NTCC is a wholly owned subsidiary of Northern Trust Global Advisors, Inc ("NTGA"). NTGA is a wholly owned subsidiary of Northern Trust Corporation. Northern Trust Corporation is financial holding company and a publicly listed corporation (NASDAQ symbol: NTRS).

NTCC is a manager of managers business, which provides investment management services using unaffiliated investment managers.

We can customize any account to meet clients' specific needs. Clients may impose restrictions on securities in separately managed accounts.

NTCC does not provide investment management services to wrap fee programs.

Assets under management for NTCC, as of December 31, 2010 are:

Discretionary	\$27,508,883,221.00
Nondiscretionary	\$1,619,388,806.00
<b>Total</b>	<b>\$29,128,272,027.00</b>

## Fees and Compensation

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NTCC is compensated for investment management services provided to clients. Fees are generally based on assets under management and are negotiable. A client's fee schedule is determined by the asset class it selects and the level of customization the client's investment program or separately managed account may require.

NTCC generally charges 15 to 125 basis points (bps). The following annual fees and fee ranges are generally applied to the following categories of asset class and investment products. Fees may vary from the general information listed below.

Asset Class	Fees or Fee Ranges Per Annum
Active Fixed Income	60 bps
Emerging Markets Equity	150 bps
High Yield Fixed Income (For Qualified Retirement Plans Only)	85 bps
International Equity	100 bps
Small Cap	100 bps
Mid Cap	85 bps
Large Cap	75 bps
Hedge Funds of Funds	1.00% per annum, no incentive fee
Private Equity Funds of Funds	75 bps to 125

The Hedge Funds of Funds and Private Equity Funds of Funds have additional fees. The Hedge Fund of Funds, other operating expenses typically range from 0.15% to 0.25%. The Sub-Fund Fee is generally 1% to 3% and the investment management fee plus performance fee is 10% to 25%. Private Equity fees generally depend on commitment size (size of initial investment), plus 10% carried interest on secondary investments.

How, specifically, we charge fees is established in the client's written agreement with NTCC. NTCC generally bills fees monthly or quarterly. Clients will receive an invoice of fees to be paid or deducted each month or quarter. All incentive or performance-based fees are invoiced annually and our consulting fees are charged quarterly in advance at a flat rate. Upon termination of any account, any unearned fees will be promptly refunded, and any earned unpaid fees will be due and payable.

There are no special charges such as transaction, receipt of funds, delivery or statement reporting fees. Additional charges may apply for other value-added services provided by our affiliates, such as custody and benefit payment services. Managed funds are subject to a fund-level charge. Audit, tax, and legal fees are typically charged directly to the funds. Northern Trust Corporation is compensated for acting as

securities lending agent on behalf of our commingled funds. Northern Trust Corporation earns securities lending income when such assets are on loan. Borrowers are typically not NTCC clients.

Depending on the investment services, clients may elect to be billed in advance or in arrears each calendar quarter. For the programs with funds that have embedded fees, fees are paid via fund expenses monthly in arrears. For funds without embedded fees, segregated programs and hedge fund of funds vehicles, fees are collected quarterly in arrears. Fees for the Private Equity Funds are collected quarterly in advance.

NTCC's supervised persons do not accept direct compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## **Performance-Based Fees and Side-By-Side Management**

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NTCC manages certain investment accounts or products that are charged a performance-based fee. NTCC receives incentive fees if the investment account or product's returns exceed the return of its respective benchmark. NTCC invoices all incentive fees annually in arrears for the investment accounts or products with this fee arrangement.

An investment advisor charging performance based fees to some accounts and funds faces a variety of potential conflicts because the adviser can receive greater fees from accounts and funds that have a performance-based compensation structure than from those accounts and products it charges a fee unrelated to performance (e.g., an asset-based fee). As a result, the adviser may have an incentive to direct the best investment ideas to, allocate to or sequence trades in favor of the account that pays a performance fee.

NTCC seeks to mitigate the conflict through formal peer reviews, which are conducted at least annually. These reviews include the participation of portfolio management, compliance and client servicing in an effort to ensure accounts are managed equally and within guidelines that meet standard market and client expectations. Further, NTCC monitors the performance of unaffiliated investment managers and client program performance monthly through its investment oversight committee structure.

## Types of Clients

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NTCC generally provides investment management services to registered investment companies, bank common and collective funds, hedge funds of funds, private equity funds of funds, high net worth individuals, and institutional clients, including but not limited to pensions, profit sharing plans, qualified retirement plans, trusts, estates, foundations, endowments and corporations.

Minimum account size requirements vary based on the investment vehicle (e.g. fund or separately managed account), asset class (e.g. cash, equity, fixed income), and strategy (e.g. passive or active). Minimums may be waived under certain circumstances. The general target markets and minimum investment for NTCC multi-manger programs are as follows:

- **Investment Program Solutions:**

- ❖ Defined benefit plans, foundations and endowments.

Minimum Investment: \$35 million

- **Emerging Managers Custom Programs:**

- ❖ Defined benefit plans, foundations and endowments.

Minimum Investment: \$50 million

- **Bank Maintained Commingled Funds (Common and Collective):**

- ❖ Foundations and endowments with total assets in excess of \$25 million.

Minimum Investment: \$1 million

- ❖ Qualified retirement and ERISA plans

Minimum Investment: \$1 million

- **Hedge Funds of Funds:**

- ❖ Accredited (investors) and qualified (purchasers) individuals and entities.

Minimum Investment: \$250 thousand

- **Private Equity Funds of Funds**

- ❖ Accredited (investors) and qualified (purchasers) individuals and entities.

Minimum Commitment: \$500 thousand (\$250,000 for investors who invested in prior Northern Trust private equity funds)

## Methods of Analysis, Investment Strategies and Risk of Loss

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NTCC researches unaffiliated investment managers and their security analysis methods for different investment classes and styles. Our analysis is complemented with quantitative analysis of their past performance and portfolios. NTCC allocates assets among one or more unaffiliated investment managers; each has discretion to purchase and sell securities for the portion of an assigned portfolio. Choice of investment strategy depends on the account or product's investment objectives.

Although NTCC employs strategies to minimize risk, investing does involve risk, including the possible loss of principal. There is no guarantee that the investment objectives of any account, product, or strategy will be met. NTCC's multi-manager approach to investing can provide diversification and mitigate investment risk.

NTCC does not recommend any particular types of securities.

### The following general risks apply to investing:

- **MARKET RISK** is the risk that the value of equity or fixed income securities owned may decline, at times sharply and unpredictably, because of economic changes or other events that affect individual issuers or large portions of the market. It includes the risk that a particular style of investing, such as growth, may underperform other styles of investing or the market generally.
- **MANAGEMENT RISK** is the risk that a strategy used by the investment management team may fail to produce the intended results.
- **PORTFOLIO TURNOVER RISK** is the risk that high portfolio turnover may lead to increased expenses that may result in lower investment returns. High portfolio turnover may also result in higher short-term capital gains taxable to investors.



**The following risks are specific to asset categories of investing:**

- **FOREIGN SECURITIES RISK** is the risk that investing in foreign (non-U.S.) securities may result in the investment experiencing more rapid and extreme changes in value than an investment exclusively in securities of U.S. companies, due to less liquid markets and adverse economic, political, diplomatic, financial and regulatory factors. Foreign governments also may impose limits on investment and repatriation and impose taxes. Any of these events could cause the value of the investment to decline. To the extent that the investment assets are concentrated in a single country or geographic region, the investments will be subject to the risks associated with that particular country or region.
- **SMALL AND MID CAP STOCK RISK** is the risk that stocks of smaller or mid-sized companies may be subject to more abrupt or erratic market movements than stocks of larger, more established companies. Small and mid-sized companies may have limited product lines or financial resources, or may be dependent upon a small or inexperienced management group, and their securities may trade less frequently and in lower volume than the securities of larger companies, which could lead to higher transaction costs. Generally the smaller the company size, the greater the risk.
- **INTEREST RATE/MATURITY RISK** is the risk that the value of the assets will decline because of rising interest rates. This risk is generally lower for assets that have shorter-weighted maturities. The magnitude of this decline will often be greater for longer-term fixed income securities than shorter-term fixed income securities.
- **CREDIT (OR DEFAULT) RISK** is the risk an issuer or guarantor of a fixed-income security, or a counterparty to a repurchase or other transaction, will be unwilling or unable to meet its payment or other financial obligations, adversely affecting the investment's value and returns. Changes in the credit rating of a debt security held could have a similar effect.

- **ALTERNATIVE INVESTMENTS**, including hedge funds and private equity funds, involve a high degree of risk. These investments often engage in leverage or other aggressive investment strategies that may increase the risk of investment loss. Alternative investments can be highly illiquid, may not be required to provide periodic pricing or valuation to investors, and may involve complex tax structures and delays in distribution of important tax information. They often are not subject to the same regulatory requirements; charge higher fees and may have limited opportunity for early redemption or transference of interests. Each investor should consult his own advisors regarding the legal, tax, and financial suitability of alternative investments. Unregistered funds are available only to investors who meet certain financial criteria described in the private placement memorandum for each such fund.

## Disciplinary Information

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There are no material legal or disciplinary events involving NTCC or any of its management team that should affect its advisory business or the integrity of its management.

## Other Financial Industry Activities and Affiliations

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NTCC is not registered as a broker-dealer; however, certain employees are registered representatives of its affiliated broker-dealer, Northern Trust Securities Inc ("NTSI"). NTSI is a subsidiary of Northern Trust Corporation. NTCC and NTSI are affiliated through common corporate ownership.

Neither NTCC, nor any of its management team is registered as futures commission merchants, commodity pool operators, commodity trading advisors or any associated person of these entities.

As noted in the Advisory Business section, NTCC is a subsidiary of Northern Trust Corporation, a financial holding company. Additionally, The Northern Trust Company, an Illinois state bank regulated by the Federal Reserve Bank, Northern Trust Investments, Incorporated and Northern Trust, Federal Savings, subsidiaries of Northern Trust Corporation, are affiliated with NTCC through common control. NTCC may provide investment advice to any of these bank affiliates. These bank affiliates provide marketing services to NTCC, including the referral of certain clients. NTCC provides investment advice and may act as an investment adviser to these clients or as an investment adviser to the registered or unregistered funds in which these clients may invest.

NTSI is an affiliated broker-dealer as mentioned above. NTSI may receive compensation by executing trades on an agency basis as directed by clients of NTCC for transition management services.

Additionally, NTSI may receive compensation by executing trades on an agency basis for the registered funds NTCC advises. The registered funds have established procedures required by law (Investment Company Act of 1940), which are designed to address self-dealing conflicts of interest that may arise.

NTCC is a co-investment manager of the Northern Multi-Manager Funds and the investment manager to the NT Alpha Strategies Fund; each an investment company, registered under the Investment Company Act of 1940. NTCC seeks to mitigate the actual or potential conflict to favor these clients and ensure portfolios are managed fairly within client and regulatory guidelines by treating all clients equitably. All conflicts of interest are disclosed in fund offering documents. NTCC and its bank affiliates receive additional fees in connection with the management, administration, custody, and accounting of these investment companies. Annually, the independent Boards of Trustees are required to review the nature, quality, and extent of the services provided to the funds by its service providers, including NTCC and its bank affiliates.

Our parent company, NTGA, is a wholly owned subsidiary of Northern Trust Corporation. NTGA is also an SEC registered investment adviser. NTCC may obtain from and provide investment advice to NTGA, its other wholly owned subsidiary, NT Global Advisors, Inc., a Canadian investment adviser, and other affiliated investment advisers. Advice given to one or more clients may differ from and may conflict with advice provided to and from our affiliated investment advisers. NTCC's employees are required to act in the best interest of clients and generally without knowledge of the trading positions and operations of NTCC's advisory affiliates.

As a manager of managers, NTCC recommends and selects unaffiliated investment managers on our clients' behalf. NTCC does not receive compensation from unaffiliated investment managers.

## **Code of Ethics Participation or Interest in Client Transactions and Personal Trading**

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All NTCC employees may purchase or sell securities that are also recommended for purchase or sale by NTCC for its client account, fund, or investment products. As a result, NTCC employees are subject to a Code of Ethics. Compliance with NTCC's Code of Ethics is a condition of employment and requires annual affirmation by all employees. In general, the Code of Ethics contains various reporting, disclosure and approval requirements regarding an employee's personal securities transactions. The Code of Ethics requires employees who have access to certain information ("Access Persons"), including information concerning registered funds advised by NTCC or an affiliate, to report all personal transactions to NTCC. These Access Persons are also prohibited from participating in initial public offerings (IPOs) and must obtain approval prior to purchasing any privately offered securities. NTCC's Code of Ethics is available in its entirety by contacting a Northern Trust relationship manager directly or the NTCC Compliance Department at the address noted in this brochure.

NTCC provides advice and makes investment decisions for client accounts that it believes are consistent with the clients' stated investment objectives. Advice given to clients or investment decisions made for these clients may differ from, or may conflict with, advice given or investment decisions made for an advisory or bank affiliate or another fund or client. Action taken with respect to advisory or bank affiliates may adversely affect client accounts, and actions taken by client accounts may benefit advisory or bank affiliates.

As noted in the Other Financial Industry Activities and Affiliations section, NTCC is affiliated with various subsidiaries of Northern Trust Corporation. Each of these advisory or bank affiliates may invest in securities for their own accounts or the accounts of others. NTCC, from time to time, could recommend to clients that they buy or sell securities in which those advisory or bank affiliates have some financial interest. However, such interests are generally unknown to NTCC.

NTCC has established certain restrictions, procedures, and disclosures designed to address conflicts of interests that may arise between its employees, among clients, NTCC itself or its advisory or bank affiliates. NTCC employees must act in the best interests of their advisory clients and generally do not have knowledge of proprietary trading positions or certain other operations of NTCC affiliates or their personnel.

## Brokerage Practices

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As a manager of managers, NTCC does not make securities transactions on behalf of client accounts. Rather, NTCC has delegated the responsibility to unaffiliated investment managers, pursuant to the terms of their respective investment management agreement with NTCC. As part of our ongoing management of client assets, NTCC may reposition and/or reallocate assets, generally from one unaffiliated investment manager to another. When such circumstances arise, NTCC uses its best judgment to obtain the most favorable terms with consideration of relevant circumstances when selecting a broker-dealer or transition manager to provide transition management services or make in-kind asset redemptions.

NTCC maintains a list of broker-dealers and transition managers approved to effect transactions for transition management purposes and for in-kind asset redemptions. Broker-dealers or transition managers approved to make transactions for accounts are only permitted to do so on an agency basis. The commissions paid to a broker-dealer or transition manager are either:

- Negotiated on an arms-length basis; or
- If an affiliate is engaged, reasonably comparable, in our good faith judgment, to the costs that would have been charged by a comparable unaffiliated broker-dealer.

NTCC does not receive soft-dollar benefits in connection with any client transactions.

NTCC does not request nor require clients to direct the execution of their transactions through a specific broker-dealer or transition manager. Clients can direct NTCC, in writing, to place security transactions and transition assignments with specific broker-dealers or transition managers some or all of the time. Such instructions are included in the investment management agreements between NTCC and the unaffiliated investment managers engaged to sub-advise client accounts. However, the client may pay higher brokerage commissions, or overall transaction costs, on some, or all of the trades executed because these trades may not be aggregated with others. NTCC does not negotiate or monitor commission rates with such directed broker-dealer or transition manager arrangements. Further, NTCC does not evaluate the rates, nature, quality, or value of any services or benefits a client may receive for participating in directed arrangements.

## Review of Accounts

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The day-to-day review of client accounts and investment programs is the responsibility of NTCC investment program managers, who are supported by teams of investment manager research analysts and portfolio managers. This process is supported by compliance monitoring of adherence to account and client investment guidelines and restrictions. All client accounts are reviewed at least annually, by the NTCC Trust and Investment Committee.

Significant changes in the investment environment or a considerable change in an account or product's investment return would trigger a review

NTCC provides written quarterly status reports concerning client accounts and investment products and these reports can be customized. NTCC generally includes the following information in status reports provided to clients:

- Investment performance;
- The quantity and market value for each position; and
- The account market value.

## Client Referrals and Other Compensation

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NTCC does not receive economic benefit (sales awards or other prizes) from non-clients in return for providing investment advice or services to our clients.

NTCC does not have any agreements to compensate unaffiliated solicitors who refer clients to our business. Advisory or bank affiliates may receive indirect compensation for the referral of certain clients as discussed above in the Other Financial Industry Activities and Affiliations section.

## **Custody**

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NTCC's affiliate, The Northern Trust Company, may have custody of client assets. Clients should receive, at the least quarterly, statements from their broker-dealer, bank or qualified custodian, which could be our affiliate. Clients should carefully review these statements and compare official custodial records to account statements that are provided by NTCC.

## **Investment Discretion**

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NTCC accepts full discretionary authority to manage securities on the behalf of clients pursuant to a signed investment management agreement. Our authority to perform actions may be subject to the conditions imposed by a statute, fund offering document, or client investment guideline, such as prohibiting the purchases of certain types of securities. Investment guidelines and restrictions must be provided to NTCC in writing.

For registered investment companies, NTCC's investment authority may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

## Voting Client Securities

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Northern Trust has adopted proxy voting policies and procedures for the voting of proxies on behalf of client accounts for which Northern Trust has voting discretion. Under the proxy voting policy, Northern Trust must vote the shares to reflect its clients' best interests.

A proxy committee comprised of senior Northern Trust investment and compliance officers has adopted certain proxy guidelines concerning various corporate governance issues. The proxy committee is responsible for the content, interpretation, and application of the proxy guidelines and may apply them with a measure of flexibility. Northern Trust has retained an independent third party (service firm) to review proxy proposals and to make voting recommendations to the proxy committee that are consistent with the proxy guidelines.

The proxy guidelines specify that Northern Trust will generally vote for or against various proxy proposals, based on certain specified criteria. For example, under the proxy guidelines Northern Trust will generally vote in favor of proposals to:

- Repeal existing classified boards and elect directors annually;
- Adopt a written majority voting or withhold policy (in situations in which a company has not previously adopted such a policy);
- Lower supermajority shareholder vote requirements for charter and bylaw amendments;
- Lower supermajority shareholder vote requirements for mergers and other business combinations;
- Increase common share authorizations for a stock split;
- Implement a reverse stock split; and
- Approve an ESOP or other broad based employee stock purchase or ownership plan, or increase authorized shares for existing plans.



The proxy guidelines also direct Northern Trust to generally vote against proposals to:

- Classify the board of directors;
- Require that poison pill plans be submitted for shareholder ratification;
- Adopt dual class exchange offers or dual class recapitalizations;
- Require a supermajority shareholder vote to approve mergers and other significant business combinations; and
- Require a supermajority shareholder vote to approve charter and bylaw amendments.

In certain circumstances, the proxy guidelines stipulate that proxy proposals will be addressed case by case, including those regarding executive and director compensation plans, mergers and acquisitions, poison pills, a change in the company's state of incorporation, and an increase in authorized common stock.

Except as otherwise specified in the proxy voting policy, the proxy committee may vote proxies contrary to the service firm's recommendations if it determines that such action is in the best interests of Northern Trust's clients. In exercising its discretion, the proxy committee may take into account a variety of factors relating to the matter under consideration, the nature of the proposal and the company involved. As a result, the proxy committee may vote in favor of a proposal for one company and against it for another if, for example, the company's past history, the character and integrity of its management, the role of outside directors, and the company's record of producing performance for investors justifies a high degree of confidence in the company and the effect of the proposal on the investment's value. Similarly, poor past performance, uncertainties about management and future directions, and other factors may lead the proxy committee to conclude that particular proposals present unacceptable investment risks and should not be supported. The proxy committee also evaluates proposals in context. A particular proposal may be acceptable standing alone, but objectionable when part of an existing or proposed package. Special circumstances may also justify casting different votes for different clients for the same proxy vote.

Northern Trust may occasionally be subject to conflicts of interest in the voting of proxies due to business or personal relationships with people having an interest in the outcome of certain votes. For example, Northern Trust may provide trust, custody, investment management, brokerage, underwriting, banking and related services to accounts owned or controlled by companies whose management is

soliciting proxies. Occasionally, Northern Trust may also have business or personal relationships with other proponents of proxy proposals, participants in proxy contests, corporate directors or candidates for directorships. Northern Trust may also be required to vote proxies for securities issued by Northern Trust Corporation or its affiliates or on matters in which Northern Trust has a direct financial interest, such as shareholder approval of a change in the advisory fees paid by a mutual fund advised by Northern Trust.

Northern Trust seeks to address such conflicts of interest through various measures, including the establishment, composition and authority of the proxy committee and the retention of the service firm to perform proxy review and vote recommendation functions. The proxy committee has the responsibility to determine whether a proxy vote involves a potential conflict of interest and how the conflict should be addressed in conformance with the proxy voting policy. The proxy committee may resolve such conflicts in any of a variety of ways, including:

- Voting in accordance with the service firm's proxy guideline-based recommendation;
- Voting in accordance with the recommendation of an independent fiduciary appointed for that purpose;
- Voting according to client direction by seeking instructions from the trust's board of trustees;
- or
- Voting under a mirror voting arrangement in which shares are voted in the same way and proportion as shares over which Northern Trust does not have voting discretion.

The method the proxy committee selects may vary depending on the facts and circumstances of each situation.

Northern Trust may choose not to vote proxies in certain situations or for certain clients. This may occur, for example, in situations where the exercise of voting rights could restrict the ability to freely trade the security in question (as is the case, for example, in certain foreign jurisdictions known as blocking markets). If the service firm does not provide recommendations for a particular proxy, the Proxy Committee may obtain recommendations from analysts at Northern Trust who review the issuer in question or the industry in general. The proxy committee will apply the proxy guidelines as discussed above to any such recommendation.

The proxy voting policies, procedures and guidelines are available upon request by contacting NTCC at the following address:

The Northern Trust Company of Connecticut  
Attn: Compliance, MB15  
181 W. Madison Street  
Chicago, Illinois 60602

In addition, a client may obtain information on how Northern Trust voted proxies on securities in the client's account by contacting their investment relationship manager.

## **Financial Information**

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NTCC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.